HOPEWELL HONG KONG PROPERTIES LIMITED
合 和 香 港 房 地 產 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 288

Global Offering

Joint Global Coordinators and Joint Sponsors
(In alphabetical order)

BOC INTERNATIONAL
CREDIT SUISSE

Joint Bookrunners

BOC INTERNATIONAL
CREDIT SUISSE
J.P.Morgan
HSBC
citi

Co-Lead Managers

BNP PARIBAS CORPORATE & INVESTMENT BANKING
DBS
MIZUHO

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

HOPEWELL HONG KONG PROPERTIES LIMITED
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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**340,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**51,000,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**289,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$17.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.10 per Share**
Stock code	**:**	**288**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "*Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection*", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or about 12 June 2013 and, in any event, not later than 18 June 2013. The Offer Price will not be more than HK$17.80 per Offer Share and is expected to be not less than HK$15.30 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before 18 June 2013, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable US state securities laws. The Offer Shares are being offered and sold (i) in the United States to QIBs in reliance on Rule 144A or another exemption from registration under the US Securities Act and (ii) outside of the United States in offshore transactions in reliance on Regulation S.

This document is not a prospectus for the purposes of Australian law. You should obtain your own advice in respect of the offer contained in this document. Hopewell is not licensed in Australia to provide financial advice in respect of the Offer Shares being offered. Hopewell also advises that no cooling off period applies in respect of an application for Offer Shares.

The Preferential Offering will not be extended to the Singapore Hopewell Shareholders. Accordingly, Singapore Hopewell Shareholders will not be entitled to participate in the Preferential Offering, and no application by Singapore Hopewell Shareholders for Reserved Shares under the Preferential Offering will be accepted by the Company.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in *"Risk Factors"*. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in *"Underwriting"*.

6 June 2013

IMPORTANT

The Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE**, **YELLOW**, **BLUE** and **PINK** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic form prospectus which can be accessed and downloaded from the websites of the Company at **www.hopewellhkproperties.com** and the Stock Exchange at **www.hkexnews.hk**, under the "*HKExnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public who wish to obtain a copy of the printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 6 June 2013 until 12:00 noon on Tuesday, 11 June 2013 at the following locations:

1. any of the following branches of the receiving banks for the Hong Kong Public Offering:

   (a) **Bank of China (Hong Kong) Limited**

   Bank of China Tower Branch, 3/F, 1 Garden Road;

   Wan Chai (Wu Chung House) Branch, 213 Queen's Road East, Wan Chai;

   Kwun Tong Branch, 20-24 Yue Man Square, Kwun Tong;

   Yau Ma Tei Branch, 471 Nathan Road, Yau Ma Tei;

   Lucky Plaza Branch, Lucky Plaza, Wang Pok Street, Sha Tin; and

   Tuen Mun San Hui Branch, G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun;

   (b) **The Bank of East Asia, Limited**

   Main Branch, 10 Des Voeux Road Central, HK;

   Queen's Road Central Branch, Shop A-C, G/F, Wah Ying Cheong Central Building, 158-164 Queen's Road Central;

   Mongkok North Branch, G/F, Kalok Building, 720-722 Nathan Road, Mongkok;

   Waterloo Road Branch, Shop A, G/F, Richland House, 77B & 77C Waterloo Road;

   East Point City Branch, Shop 217B, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O; and

   Tai Po Plaza Branch, Units 49-52, Level 1, Tai Po Plaza; and

   (c) **Hang Seng Bank Limited**

   Head Office, 83 Des Voeux Road Central;

   North Point Branch, 335 King's Road;

   Tsim Sha Tsui Branch, 18 Carnarvon Road;

   Kowloon Main Branch, 618 Nathan Road;

   Hung Hom Branch, 21 Ma Tau Wai Road; and

   Tsuen Wan Branch, 289 Sha Tsui Road, Tsuen Wan.

2. any of the following offices of the Joint Global Coordinators:

   (a) **BOCI Asia Limited**, 26th Floor, Bank of China Tower, 1 Garden Road, Hong Kong;

   (b) **Credit Suisse (Hong Kong) Limited**, Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; and

3. the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Details of where printed prospectus may be obtained will be displayed prominently at every branch of Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited and Hang Seng Bank Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Thursday, 6 June 2013 until 12:00 noon on Tuesday, 11 June 2013, at least three copies of the printed Prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in "*How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — How to Apply for Hong Kong Offer Shares — Applying by using an Application Form*".

Despatch of **BLUE** Application Forms to Qualifying Hopewell Shareholders on or before	Thursday, 6 June 2013
Latest time for lodging **PINK** Application Forms	12:00 noon on Tuesday, 11 June 2013
Latest time to complete electronic applications under (i) **White Form eIPO** service, (ii) Online Preferential Offer service (**Blue Form eIPO** service), (iii) Online Employee Preferential Offer service (**Pink Form eIPO** service), through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, 11 June 2013
Application lists open[3]	11:45 a.m. on Tuesday, 11 June 2013
Latest time for lodging **WHITE**, **YELLOW**, and **BLUE** Application Forms	12:00 noon on Tuesday, 11 June 2013
Latest time for completing payment under (i) **White Form eIPO** service, (ii) Online Preferential Offer service (**Blue Form eIPO** service), (iii) Online Employee Preferential Offer service (**Pink Form eIPO** service)	12:00 noon on Tuesday, 11 June 2013
Latest time for giving electronic application instructions to HKSCC	12:00 noon on Tuesday, 11 June 2013
Application lists close[3]	12:00 noon on Tuesday, 11 June 2013
Expected Price Determination Date	Wednesday, 12 June 2013
(1) Announcement of (i) the Offer Price, (ii) the level of indications of interest in the International Offering, (iii) the level of applications in the Hong Kong Public Offering, the Preferential Offering and the Employee Preferential Offering and (iv) the basis of allocation of the Hong Kong Offer Shares, the Reserved Shares and the Employee Reserved Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, 18 June 2013
(2) Results of allocations in the Hong Kong Public Offering, the Preferential Offering and the Employee Preferential Offering to be available through a variety of channels (see *"How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — Publication of Results"*)	Tuesday, 18 June 2013
(3) A full announcement containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on the Company's website at **www.hopewellhkproperties.com** from	Tuesday, 18 June 2013
Results of allocations in the Hong Kong Public Offering, the Preferential Offering and the Employee Preferential Offering will be available at **www.iporesults.com.hk** with a "search by ID" function from	Tuesday, 18 June 2013
Despatch of Share certificates and **White Form** e-Refund payment instructions/refund cheques on or before[4]	Tuesday, 18 June 2013
Dealings in the Shares on the Stock Exchange expected to commence on	Wednesday, 19 June 2013

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 June 2013, the application lists will not open and close on that day. Please refer to *"How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares"* for more information.

(4) Share certificates for the Hong Kong Offer Shares, the Reserved Shares and the Employee Reserved Shares are expected to be issued on Tuesday, 18 June 2013 but will only become valid if the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date, which is expected to be Wednesday, 19 June 2013. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares, please refer to *"Structure of the Global Offering"* and *"How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares"*.

A **BLUE** Application Form has been despatched to each Qualifying Hopewell Shareholder with an Assured Entitlement. In addition, Qualifying Hopewell Shareholders will receive a copy of this prospectus in the manner in which they have elected to receive corporate communications under Hopewell's corporate communications policy.

If a Qualifying Hopewell Shareholder has elected to receive corporate communications from Hopewell in printed form, a printed copy of this prospectus in the elected language version(s) and the **BLUE** Application Form will be despatched to such Qualifying Hopewell Shareholder.

If a Qualifying Hopewell Shareholder has (a) elected to receive an electronic version of corporate communications or (b) not made any election, such Qualifying Hopewell Shareholder will be deemed to have consented to receiving the electronic form of corporate communications from Hopewell, and an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company and the Stock Exchange at **www.hopewellhkproperties.com** and **www.hkexnews.hk** under the section headed "*HKExnews* > *Listed Company Information* > *Latest Listed Company Information*", respectively. The contents of this prospectus available online are identical in all respects with the contents of this prospectus in printed form. The prospectus may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. Neither the prospectus available online nor any of its contents is, in this context, an offer of securities for sale in any jurisdiction outside Hong Kong where it would be illegal to make an offer. Distribution of the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction.

Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, the prospectus should not be distributed, forwarded or transmitted into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying Hopewell Shareholders as specified in this prospectus. By accepting the prospectus, the Qualifying Hopewell Shareholders are deemed to agree to be bound by the foregoing instructions.

Qualifying Hopewell Shareholders may obtain a printed copy of this prospectus from any of the following locations during normal business hours (unless otherwise indicated):

(i) any of the designated branches of the receiving banks at the times set out in "*How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares*"; and

(ii) the designated offices of each of the Joint Sponsors set out in "*How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares*".

CONTENTS

IMPORTANT NOTICE TO INVESTORS

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company or any of the Relevant Parties.

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This summary is intended to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide whether to invest in the Offer Shares.

OVERVIEW OF OUR BUSINESS

We are one of the leading developers, owners and operators of high quality properties in Hong Kong. We have a highly recognised brand, symbolising quality, innovation and excellence, and a well-established track record of over 40 years of creating shareholder value through developing projects in prime locations and in areas with high redevelopment and significant growth potential in Hong Kong. We have three main business segments:

- property investment, comprising property letting, agency and management;
- hotel, restaurant and catering operation, comprising hotel ownership and management, restaurant operations and food catering; and
- property development, comprising the development and/or sale of properties, property under development and project management.

Our key investment properties include Hopewell Centre and KITEC. Hopewell Centre is our iconic flagship property and is part of our complementary cluster of properties in Wan Chai. These properties have undergone many enhancements over the years, which have allowed them to retain their quality tenants and to attract new tenants, such as leading multi-national corporations and financial services firms. KITEC, our large scale multi-purpose commercial complex, is located in the emerging Kowloon East district and is the only convention and exhibition centre in Kowloon. It is home to the KITEC office, the E-Max shopping mall, the Star Hall and "Music Zone" concert venues. Because of its spacious facilities and wide variety of value-added options, KITEC has enjoyed high occupancy rates and is poised to become an even stronger entertainment hub.

Our hotel, restaurant, and catering operation includes Panda Hotel, our full-service hotel with a large selection of contemporary design rooms targeting a wide variety of guests, and our successful catering and restaurant businesses. Our recent property developments include Broadwood Twelve, our luxury apartments available for sale, the majority of which have successfully been sold.

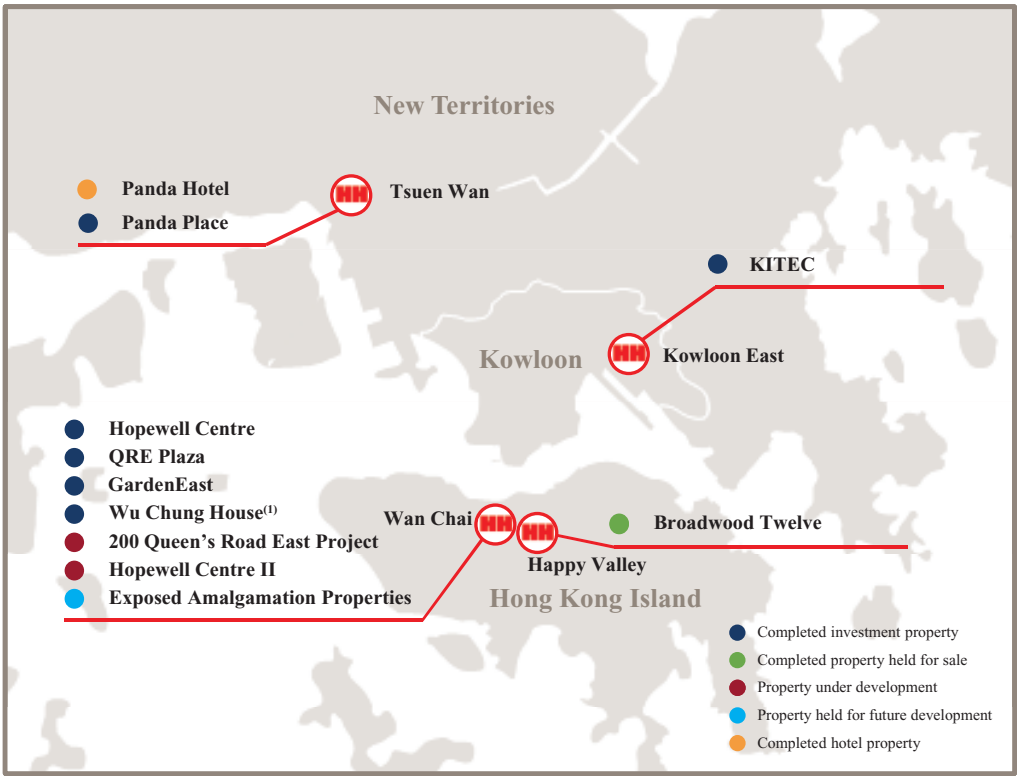
Our two projects currently under development consist of Hopewell Centre II and the 200 Queen's Road East Project, which are expected to be completed in 2018 and 2015, respectively. Hopewell Centre II is expected to be a 55-storey mixed-use development, which will be interconnected with Hopewell Centre and become one of the largest hotels in Hong Kong (in terms of number of rooms) with comprehensive conference facilities. The 200 Queen's Road East Project is a URA redevelopment project comprising residential, retail and public-use elements in Wan Chai. We believe that our development projects will contribute significantly to our continued business expansion.

For FY2010, FY2011 and FY2012, we recognised total turnover of HK$947.2 million, HK$1,056.2 million and HK$1,202.5 million, respectively. For 1HFY2012 and 1HFY2013, we recognised total turnover of HK$591.3 million and HK$628.7 million, respectively. Our profit for the year was HK$4,062.7 million, HK$4,811.8 million and HK$2,744.5 million for FY2010, FY2011 and FY2012, respectively. During the same period, our profit for the year excluding fair value gains after tax was HK$257.1 million, HK$329.0 million and HK$396.1 million, respectively. For 1HFY2012 and 1HFY2013, our profit for the period was HK$1,395.0 million and HK$10,237.2 million, respectively, while our profit for the period excluding fair value gains after tax was HK$201.9 million and HK$232.0 million, respectively.

Our property portfolio

We own a diversified portfolio of properties in Hong Kong. Our property portfolio has an aggregate GRA of approximately 3.5 million sq. ft. as at 31 March 2013 (excluding Hopewell Centre II, the 200 Queen's Road East Project, Broadwood Twelve and the Amalgamation Properties). In addition to our completed investment properties, our property portfolio also includes Hopewell Centre II, a development site located in Wan Chai which is expected to be completed by 2018, and the 200 Queen's Road East Project, a URA redevelopment project in Wan Chai which is held by Grand Site, a joint venture project company, and is expected to be completed by 2015.

The map below sets out an overview of our property portfolio:



Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

Turnover, segment revenue and profit for the year/period

We recognised increasing turnover during the Track Record Period. The table below summarises our turnover and segment revenue from our operating segments for the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Property investment segment revenue	627.5	675.2	751.0	368.8	403.4
Hotel, restaurant and catering operation segment revenue	326.9	388.4	461.2	227.7	230.2
Property development segment revenue	—	1,519.3	676.7	403.6	239.3
Total segment revenue	**954.4**	**2,582.9**	**1,888.9**	**1,000.1**	**872.9**
Less: Sale of completed investment properties held for sale included in the segment revenue of property development	—	(1,519.3)	(676.7)	(403.6)	(239.3)
Less: Share of revenue of jointly controlled entities	(7.2)	(7.4)	(9.7)	(5.2)	(4.9)
Turnover(1)	**947.2**	**1,056.2**	**1,202.5**	**591.3**	**628.7**

Note:

(1) In order to reconcile total segment revenue to turnover under the relevant HKFRS accounting rules, total segment revenue must be reduced by share of revenue of jointly controlled entities and sale of completed investment properties held for sale included in the segment revenue of property development. Share of revenue of jointly controlled entities comprises revenue associated with our jointly controlled entities (namely Grand Site and Hong Kong Bowling City Limited) over which we were in a position to exercise joint control with other participating parties during the relevant period. Subsequent to the Track Record Period, the entire shareholding interest in the parent company of Hong Kong Bowling City Limited was sold to the Remaining Group for a cash consideration of US$1.00 on 28 March 2013. Sale of completed investment properties held for sale included in the segment revenue of property development comprises revenue derived from the sale of units at Broadwood Twelve.

The following table sets out our segment results during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Property investment	378.9	400.3	449.2	222.0	251.7
Hotel, restaurant and catering operation	54.1	93.6	129.9	71.8	81.3
Property development	2,323.1	194.9	(7.6)	—	2,146.9
Total segment results	**2,756.1**	**688.8**	**571.5**	**293.8**	**2,479.9**

The following table reconciles our segment results with our combined statements of profit or loss and other comprehensive income:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Total segment results	**2,756.1**	**688.8**	**571.5**	**293.8**	**2,479.9**
Unallocated corporate expenses	(65.8)	(67.4)	(70.5)	(35.1)	(35.2)
	2,690.3	621.4	501.0	258.7	2,444.7
Finance costs	(20.1)	(20.1)	(17.3)	(8.8)	(7.2)
Fair value gain of completed investment properties	1,467.6	4,316.2	2,348.4	1,193.1	7,852.2
Profit before taxation	4,137.8	4,917.5	2,832.1	1,443.0	10,289.7
Income tax expense	(75.1)	(105.7)	(87.6)	(48.0)	(52.5)
Profit for the year/period	**4,062.7**	**4,811.8**	**2,744.5**	**1,395.0**	**10,237.2**

The table below sets out the GFA, GRA and other information regarding the properties in our completed investment property portfolio as at 31 March 2013. For a more detailed analysis, please see "*Business — Investment Property Portfolio — Overview of completed investment property*".

Name of property[1]	Approximate GFA (in sq. ft.)	Approximate GRA (in sq. ft.)	Year completed	Property valuation as at 31 March 2013 (HK$ million)	Average occupancy rate for 1HFY2013 (%)	Average monthly effective rent for 1HFY2013 (HK$ per sq. ft.)	Tenure of leasehold expiry
WAN CHAI							
Hopewell Centre	**840,692**	**809,609**	**1983**	**12,720.0**			**1985-2135**
Office	N/A	637,343		9,772.0	95.9	30.0	
Retail	N/A	172,266		2,730.0	100.0	38.1	
Car park	N/A	N/A		218.0	N/A	N/A	
Wu Chung House[2]	**17,674**	**17,738**	**1993**	**530.6**			**1992-2047**
Retail	17,674	17,738		457.0	100.0	69.6	
Car park	N/A	N/A		73.6	N/A	N/A	
GardenEast[3]	**96,576**	**110,852**	**2008**	**1,862.0**			**1855-2854**
Serviced apartment	N/A	104,400		1,709.0	93.4	54.0	
Retail	N/A	6,452		153.0	100.0	57.1	
QRE Plaza	**77,033**	**79,541**	**2007**	**1,152.0**			**1863-2841**
Retail	77,033	79,541		1,152.0	86.0	34.0	
KOWLOON EAST							
KITEC and E-Max	**1,774,555**	**1,753,238**	**1996**	**9,345.0**			**1987-2047**
Office	N/A	668,536		3,594.0	96.6	10.4	
Retail	N/A	842,544		4,206.0	93.4	7.2	
Convention and exhibition	N/A	242,158		1,129.0	N/A	N/A	
Car park	N/A	N/A		416.0	N/A	N/A	
TSUEN WAN							
Panda Place	**229,675**	**230,026**	**1991**	**1,797.5**			**1898-2047**
Retail	229,675	230,026		1,604.5	95.0	12.7[4]	
Car park	N/A	N/A		193.0	N/A	N/A	
Panda Hotel – commercial	**15,041**	**14,287**	**1991**	**97.5**	87.7	18.6	**1898-2047**
TOTAL	**3,051,246**	**3,015,291**		**27,504.6**			

Notes:

(1) All property was 100% attributable to the Group.

(2) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

(3) GardenEast contains 216 serviced apartments.

(4) The lower average monthly effective rent per sq. ft. in 1HFY2013 was primarily due to the temporary closure of certain portions of our retail space for renovations for several months. Our average monthly effective rent per sq. ft. for December 2012 was HK$15.7.

Occupancy rates

We enjoy high occupancy rates at both our investment properties and our hotel. The following table sets out information on the average occupancy rates at our principal completed investment properties and our hotel for the periods indicated:

	FY			1HFY	
	2010	2011	2012	2012	2013
			%		
Office					
Hopewell Centre	86.8	90.8	93.6	93.8	95.9
KITEC	81.1	83.5	94.5	93.0	96.6
Retail					
Hopewell Centre	87.1	93.0	97.0	95.3	100.0
E-Max (KITEC)	93.0	92.5	94.1	94.6	93.4
Panda Place	91.4	93.3	77.1	91.9	95.0
QRE Plaza	87.9	90.3	86.0	83.1	86.0
Wu Chung House(1)	100.0	96.7	100.0	100.0	100.0
GardenEast	53.0	100.0	93.9	100.0	100.0
Residential					
GardenEast	88.3	96.1	93.3	93.3	93.4
Hotel					
Panda Hotel	84.3	89.5	89.9	94.2	93.6

Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

COMPETITIVE STRENGTHS — HIGHLIGHTS

As a result of the following strengths, we are able to compete effectively in the property markets in Hong Kong:

A property portfolio strategically located in prime locations and in areas with high redevelopment and significant growth potential

The location of our properties allows us to serve as a hub for both the working population and the residents within the vicinity and positions us for future growth and development. Our properties are located in the following areas:

- Wan Chai, which is the location of our complementary cluster of properties under the brand "The East" and which is experiencing growing popularity, ongoing redevelopment and rising market rents due to the spill-over effect resulting from increasing demand for quality office space in other traditional CBDs nearby;

- Kowloon East, which is the location of KITEC and which is the focus of various government initiatives including (i) the "Energizing Kowloon East" programme to transform the area into Hong Kong's second CBD, (ii) a new MTR line to improve transportation links to this area and (iii) a new cruise terminal nearby; and

- Tsuen Wan, which is the location of our Panda Place and Panda Hotel properties and which is a conveniently located transportation hub, being close to both mainland China and the Hong Kong International Airport.

A distinct and integrated portfolio of stable income-generating properties

Our property portfolio consists of income generating properties which draw customers and visitors in and provide us with stable recurring income. Such properties include our complementary cluster of properties in Wan Chai, along with KITEC, our large-scale multi-purpose commercial complex with convention and exhibition space located in Kowloon Bay, and Panda Hotel, a full-service hotel located in Tsuen Wan.

Effective and experienced asset management capabilities and sound financial management

Our effective and experienced asset management capabilities, along with our focus on asset enhancement, proactive lease management and capturing opportunities, have allowed us to optimise our property portfolio, maintain high occupancy rates and secure rental income in advance.

Strong brand with visionary management and high standard of corporate governance

Our operating history of over 40 years, together with our management team's solid industry experience, strong execution capabilities, emphasis on branding and recognised commitment to a high standard of corporate governance, allows us to maintain the high quality of our properties and services, thereby bolstering our assets' performance and maximising returns.

BUSINESS STRATEGIES

Continue to create shareholders' value through developing projects in prime locations and in areas with high redevelopment and significant growth potential

We seek to create long-term value by integrating large-scale, mixed-use and new projects with our existing cluster of properties. We aim to bring vitality to the local community and believe that our projects will revitalise and transform the districts where they are located, which will in turn further enhance the value of our property portfolio.

Maintain a well-planned pipeline of future strategic development and asset enhancement projects

We believe our pipeline of new projects will both complement, and generate synergies with, our existing properties in Wan Chai, bringing in new residents, workers and visitors. Such projects include the 200 Queen's Road East Project, a mixed-use URA redevelopment project in Wan Chai, and Hopewell Centre II which will include one of the largest hotels in Hong Kong (in terms of number of rooms) with comprehensive conference facilities. We also intend to transform the retail space of KITEC into an even stronger entertainment hub and are continuously identifying other asset enhancement and development opportunities that will further strengthen our investment property portfolio.

Proactive management and asset enhancement strategies to achieve sustainable growth

Our sustainable growth and the strengthening of our brand are achieved through active management of our properties and a strong focus on service and quality. We continuously optimise our tenant mix to achieve rental reversion and maintain high occupancy rates. Our efforts to continue to upgrade our existing properties, such as the refurbishment of the office and common areas of Hopewell Centre, will further strengthen our image as a premium property company in Hong Kong.

Continue to identify and capitalise on market opportunities to develop pioneering landmark properties

Through leveraging our extensive experience in the property industry, we have identified various needs and shortages in Hong Kong, such as the lack of conference spaces, the limited supply of

large-scale and high-end hotels and the lack of performance venues. Accordingly, we have introduced, and will continue to introduce, new developments and projects, such as Hopewell Centre II and our "live-house" concert performance concept, designed to capitalise on such market opportunities, and to further develop pioneering landmark properties.

Remain focused as one of the leading Hong Kong property companies

We will continue to focus on premium quality properties situated in prime locations and in areas with high redevelopment and significant growth potential in Hong Kong, and intend to maintain a diversified property business model, continue to enhance our existing property assets and actively seek strategic acquisitions to create synergy.

Continue to adopt a disciplined capital management approach to maintain a strong and healthy financial position

We intend to maintain a strong and healthy financial position, to continue to invest in and develop projects in a prudent and focused manner, to implement strict cost control measures and to maximise flexibility in funding our projects by maintaining access to different financing alternatives.

RECENT DEVELOPMENTS

We confirm that since 31 December 2012, there has been no material adverse change in the average occupancy rates or average monthly rental rates of any of our properties. Specifically, the average occupancy rate at the office portion of Hopewell Centre for the three months ended 31 March 2013 remained stable at 96.0% (1HFY2013: 95.9%), while the average rental occupancy rate for the three months ended 31 March 2013 at the retail portion of Hopewell Centre was 100% (1HFY2013: 100%). The average monthly rental rates per sq. ft. for the office and retail portion of Hopewell Centre for the three months ended 31 March 2013 were HK$32.4 and HK$40.3, respectively (1HFY2013: HK$30.0 and HK$38.1). The average rental occupancy rates at KITEC and E-Max for the three months ended 31 March 2013 also remained relatively stable at 94.1% (1HFY2013: 96.6%) and 93.1% (1HFY2013: 93.4%), respectively. At KITEC and E-Max, the average monthly rental rates per sq. ft. for the three months ended 31 March 2013 were HK$11.3 and HK$7.6, respectively (1HFY2013: HK$10.4 and HK$7.2).

THE SPIN-OFF AND INDEPENDENCE FROM HOPEWELL

The proposed Spin-off involves spinning off the Group from Hopewell by way of a separate listing of the Shares on the Stock Exchange. The Board believes that the separate listing creates a more defined business focus for the Group and allows the respective management of Hopewell and the Group to efficiently allocate their resources to their respective businesses. The Spin-off also enhances access to capital markets for the Group and increases financing flexibility. Through the Spin-off, investors will be provided with more details regarding the operating performance of each of Hopewell and the Group so as to better analyse their respective businesses and the shareholder base of the Group will be diversified as a whole. Moreover, a separate listing of the businesses of the Group will enhance value for Shareholders by better identifying and establishing the fair value of the businesses of the Group.

While there is no restriction on the scope or geographical locations of our business activities that we are permitted to enter into, after the Listing, it is our current strategy to focus on property development and investment, property related services and hospitality businesses in Hong Kong only and it is not our present intention to diversify our businesses outside Hong Kong. After the Listing, Hopewell will continue to engage in the businesses of (i) property development and investment, property related services and hospitality in the PRC; and (ii) power. Pursuant to the Deed of Non-competition entered into by Hopewell in favour of us, Hopewell shall not engage in (i) property investment in Hong Kong, comprising property letting, agency and management in Hong Kong; (ii) hotel, restaurant and catering operations in Hong Kong, comprising ownership and management of

hotels in Hong Kong, restaurant operations in Hong Kong and food catering in Hong Kong; and (iii) property development in Hong Kong, comprising the development and/or sale of properties in Hong Kong, properties under development in Hong Kong and project management for properties in Hong Kong. For further information, please see "*Relationship with our Controlling Shareholder — Independence from the Controlling Shareholder.*"

SUMMARY FINANCIAL INFORMATION

Selected combined statements of profit or loss and other comprehensive income and certain items from our combined statements of financial position

The following tables set out our selected combined statements of profit or loss and other comprehensive income and certain items from our combined statements of financial position for the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Turnover	947.2	1,056.2	1,202.5	591.3	628.7
Cost of sales and services	(419.0)	(448.6)	(482.3)	(234.0)	(227.4)
Gross profit	528.2	607.6	720.2	357.3	401.3
Fair value gain of					
Investment properties under development					
Broadwood Twelve	2,237.8	—	—	—	—
Commercial portion of Hopewell Centre II after land conversion	—	—	—	—	2,153.0
Completed investment properties	1,467.6	4,316.2	2,348.4	1,193.1	7,852.2
Investment properties held for sale	120.0	199.5	—	—	—
Profit for the year/period	4,062.7	4,811.8	2,744.5	1,395.0	10,237.2
Profit for the year/period (excluding fair value gains after tax)	257.1	329.0	396.1	201.9	232.0

	As at 30 June			As at 31 December
	2010	2011	2012	2012
		HK$ Million		
Current Assets	3,326.9	3,641.8	2,583.8	1,063.8
Current Liabilities	9,396.0	10,141.7	10,490.3	11,062.4
Net Current Liabilities	6,069.1	6,499.9	7,906.5	9,998.6
Net Assets	5,943.8	10,491.4	12,108.8	21,618.3
Total Assets	17,301.3	22,228.3	24,153.2	36,569.2

We maintained a profitable operation during the Track Record Period. Fair value gains of our investment properties (consisting of investment properties under development, completed investment properties and investment properties held for sale) accounted for a substantial portion of our profit during the Track Record Period. These amounts are non-cash items and may, however, fluctuate from time to time. For details, please refer to *"Risk Factors — Gains or losses arising from changes in the fair value of our investment properties are likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability and financial position"* and *"Financial Information — Significant Factors Affecting our Results of Operations and Financial Condition — Changes in fair value of investment properties and recognition of fair value gains or losses under our management and accounting policies".*

In addition, the valuations of our properties are subject to certain key assumptions. We cannot assure you that the assumptions and determinations made are accurate, correct or that the valuation of each of our properties is accurate. Furthermore, market outlook and industry growth estimates may not be realised. For details of the key assumptions affecting the fair value of our properties, please refer to *"Appendix IV — Property Valuation"*.

We recorded net current liabilities of HK$6,069.1 million, HK$6,499.9 million, HK$7,906.5 million and HK$9,998.6 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. We had net current liabilities during the Track Record Period primarily due to an increase in the amounts due to the Remaining Group which mainly represent advances from Hopewell, coupled with a decrease in amounts due from the Remaining Group. Prior to the Listing, we centralised fund and cash management at Hopewell. Part of this management included advances from Hopewell to finance our funding needs. We expect all of the amounts due to the Remaining Group to be capitalised prior to the Listing, thereby significantly reducing our current liabilities.

Selected combined statements of cash flows line items

The following tables set out our selected combined statements of cash flows line items for the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Net cash from operating activities	414.0	447.9	534.2	248.7	237.9
Net cash used in investing activities	(2,040.0)	(383.1)	(643.6)	(367.6)	(3,973.8)
Net cash from (used in) financing activities	1,627.5	(61.5)	79.7	135.5	3,736.7
Net increase (decrease) in cash and cash equivalents	1.5	3.3	(29.7)	16.6	0.8
Cash and cash equivalents at the end of the year	40.9	44.2	14.5	60.8	15.3

FUTURE PROJECTS

Hopewell Centre II

Hopewell Centre II is one of our major future property projects. Under the current plan, the estimated total investment cost (including land premium already paid) for the development will be approximately HK$9,000.0 million. We currently estimate that the project will be completed in 2018. As at 31 March 2013, we had committed(1) approximately HK$4,311.7 million into the project, out of which approximately HK$4,235.1 million has been incurred by a subsidiary of the Group. The remaining development costs will be financed by the net proceeds from the Global Offering, our internal resources and/or external bank borrowings.

200 Queen's Road East Project

Along with a joint venture partner, we jointly hold and are developing the 200 Queen's Road East Project in Wan Chai through our respective shareholdings of 50% each in Grand Site (the joint venture company for the 200 Queen's Road East Project). We estimate that the project will be completed in 2015. The total estimated development cost for the 200 Queen's Road East Project is approximately HK$9,000.0 million (50% of which is attributable to the Company). As of 31 March 2013, we advanced approximately HK$2,225.7 million to Grand Site to finance project development costs. The remaining

Note:

(1) Committed amount means contracted construction cost and land cost.

development costs will be funded by the bank borrowings drawn under the existing loan facilities of Grand Site. Based on the foregoing, we do not expect to advance additional funds to Grand Site to settle any remaining development costs.

Valuation of the Properties

The following information is extracted from DTZ's report in "*Appendix IV — Property Valuation*" and summarises DTZ's valuation of each of the properties and the selected key assumptions used by DTZ in its valuation. Please refer to "*Appendix IV — Property Valuation*" for further details, including the background to these assumptions.

No.	Property	Capital value in existing state attributable to the Group as at 31 March 2013 (HK$)	Valuation Approach and Key Assumptions	Page no. of Valuation Report as set out in Appendix IV
1.	**Hopewell Centre**(1)	12,720,000,000	Income capitalisation approach: • Capitalisation rate: Retail: 3.5% Office: 3.75% • Market monthly rent: Retail: approximately HK$33.5-HK$240 per sq. ft. Office: approximately HK$42-HK$57 per sq. ft.	IV-6 to IV-7
2.	**Panda Hotel**(2)	3,390,000,000	Direct comparison approach: • Value per room: approximately HK$3,720,000 per room Discounted cash flow approach: • Average daily room rate ("**ADR**"): 1st year-HK$820 • Annual growth in ADR: Stabilised at 4.5% • Occupancy rate: 1st year-89% • Discount rate: 8% • Terminal yield: 4.5%	IV-8 to IV-10
3.	**Panda Place**(1)	1,895,000,000	Income capitalisation approach: • Capitalisation rate: 4% • Market monthly rent: approximately HK$14.5-HK$70 per sq. ft.	IV-11 to IV-12

No.	Property	Capital value in existing state attributable to the Group as at 31 March 2013 (HK$)	Valuation Approach and Key Assumptions	Page no. of Valuation Report as set out in Appendix IV
4.	**Kowloonbay International Trade and Exhibition Centre (KITEC)(1)**	9,345,000,000	Income capitalisation approach: • Capitalisation rate: Retail: 3.5% Office and convention and exhibition facilities: 3.5% • Market monthly rent: Retail: approximately HK$12-HK$28.5 per sq. ft. Office and convention and exhibition facilities: approximately HK$13.6- HK$18.5 per sq. ft.	IV-13 to IV-14
5.	**QRE Plaza(1)**	1,152,000,000	Income capitalisation approach: • Capitalisation rate: 3.5%-3.75% • Market monthly rent: approximately HK$36-HK$150 per sq. ft.	IV-15
6.	**Wu Chung House(1)** (Commercial Units G03 and G04 on Ground Floor, Commercial Units 201, 202 and Restaurant on 2nd Floor)	457,000,000	Income capitalisation approach: • Capitalisation rate: 3.5%-3.75% • Market monthly rent: approximately HK$55-HK$140 per sq. ft.	IV-16 to IV-17
7.	**Wu Chung House(1)** (10 Lorry Parking Spaces on the 3rd Floor, 39 Car Parking Spaces on the 4th Floor, 31 Car Parking Spaces on the 5th Floor and the Remaining Portion of Reserved Areas)	73,600,000	Income capitalisation approach: • Capitalisation rate: 5.5% • Market monthly rent: approximately HK$4,400 per car parking space	IV-18 to IV-19
8.	**GardenEast(1)**	1,862,000,000	Income capitalisation approach: • Capitalisation rate: Retail: 3.5%-4% Serviced apartments: 3% • Market monthly rent: Retail: approximately HK$55-HK$90 per sq. ft. Serviced apartments: approximately HK$37.5-HK$44.5 per sq. ft.	IV-20 to IV-21

No.	Property	Capital value in existing state attributable to the Group as at 31 March 2013 (HK$)	Valuation Approach and Key Assumptions	Page no. of Valuation Report as set out in Appendix IV
9.	**Broadwood Twelve(1)** (Various units)	808,750,000	Income capitalisation approach: • Capitalisation rate: 2.25% • Market monthly rent: approximately HK$53-HK$80 per sq. ft.	IV-22 to IV-23
10.	**Hopewell Centre II(3)**	8,945,000,000	Direct comparison approach: • Accommodation value: approximately HK$8,170 per sq. ft.	IV-24 to IV-25
11.	**200 Queen's Road East Project(4)**	4,417,500,000	Direct comparison approach*: • Completion value attributable to Grand Site: • Retail (Basement, Ground and 1st Floor): approximately HK$17,900 per sq. ft.(#) • Residential: approximately HK$15,100 per sq. ft.(#) ** Subject to adjustment for outstanding development cost necessary for carrying out the proposed development.* *(#) After adjustment for sharing of income/sale proceeds to URA.*	IV-26 to IV-27
12.	**Nos. 155, 157 and 159 Queen's Road East(5)**	217,000,000	Direct comparison approach: • Retail: approximately HK$88,700 per sq. ft. • Residential: approximately HK$11,600 per sq. ft.	IV-28 to IV-29
13.	**Nos. 161, 163, 165 and 167 Queen's Road East(5)** (Various units)	325,000,000	Direct comparison approach: • Retail: approximately HK$92,400 per sq. ft. • Residential: approximately HK$11,200 per sq. ft.	IV-30 to IV-32
	Grand total attributable to the Group	45,607,850,000		

Notes:

(1) In undertaking the valuation of properties nos. 1 and 3 to 9, DTZ has analysed various recent sales transactions of shops, offices, car parks and residential properties, particularly those of larger sizes, to determine the capitalisation rates. In determining the market rent, DTZ has made reference to various recent lettings within the property as well as other similar properties within the same district.

(2) In undertaking the valuation of property no. 2, DTZ has taken note of recent sales transactions of various hotels of qualities similar to high tariff B or medium tariff categories in Hong Kong, taking into account the differences between them and Panda Hotel regarding location, quality, facilities and other factors affecting value. DTZ considered the average daily room rates of Panda Hotel for the past two financial years and the average daily room rates of comparable hotels in the area and industry statistics. Regarding annual growth rate in ADR, DTZ made reference to Panda Hotel's historical growth and performance. In arriving at the future occupancy rate of Panda Hotel, industry statistics, data for the past two years and the performance of Panda Hotel were analysed and reviewed. In determining the discount rate which reflects the inherent risk associated with investment in Panda Hotel, DTZ takes into consideration compensation for risks inherent in future cash flows as well as inflation. DTZ has determined the terminal yield based on analysis of known sales transactions of hotels.

(3) In undertaking the valuation of property no. 10, which is held by the Group for development, DTZ has made reference to the most recent sales transaction of a government site with due adjustments of the accommodation value of the comparable site for relevant factors.

(4) In undertaking the valuation of property no. 11, which is held by the Group for development, DTZ has made reference to various recent sales transactions of shops on Queen's Road East as well as recently completed domestic premises within the same district which have characteristics comparable to the 200 Queen's Road East Project with due adjustments to the unit rates of those sales transactions to reflect these factors, including but not limited to, sharing of income/sale proceeds with the URA, area efficiency, location, floor level, frontages and other relevant factors.

(5) In undertaking the valuation of properties nos. 12 and 13, which are held by the Group for development, DTZ has made reference to various recent sales transactions of shops on Queen's Road East as well as low-rise old domestic premises within the same district which have characteristics comparable to the property with due adjustments to the unit rates of those sales transactions to reflect these factors, including but not limited to, age, location, size and frontages in arriving at the key assumptions.

RISK FACTORS

There are certain risks and considerations relating to an investment in the Shares. These can be summarised in three categories, being: (i) risks relating to our business; (ii) risks relating to the property and hospitality industries; and (iii) risks relating to the Global Offering. Please refer to *"Risk Factors"* for further details. The following highlights some of the major risks that may have an adverse effect on us:

- We are dependent on rental income from our investment property portfolio.
- We are exposed to cyclical economic, property market and hotel industry conditions, as well as economic slowdowns or economic uncertainties, both in Hong Kong and elsewhere in the world.
- Our business prospects depend on the success of our property development projects, which may be affected by many factors.
- Gains or losses arising from changes in the fair value of our investment properties are likely to fluctuate from time to time and may decrease significantly in the future.
- Our business is subject to government policies and regulations, and in particular, we are susceptible to changes in policies related to the Hong Kong property industry.

As different investors may have different interpretations and criteria for determining the materiality of a risk, you are cautioned that you should read *"Risk Factors"* carefully before you decide to invest in the Offer Shares.

HONG KONG GOVERNMENT POLICIES AND REGULATIONS REGARDING THE PROPERTY MARKET

The Hong Kong Government has recently implemented a series of policies and regulations impacting the property market. These policies and regulations include, but are not limited to, certain taxes and duties, such as (i) the recently modified *ad valorem* stamp duty, which applies to both residential and commercial property, save for residential property acquired by a permanent resident of Hong Kong who does not own any other residential property at the time of acquisition; (ii) the special stamp duty, which is imposed on disposal of properties in Hong Kong made within 36 months after

acquisition; and (iii) a buyer's stamp duty on residential properties purchased by any person (including a company incorporated) except a permanent resident of Hong Kong. In addition to these policies, the Hong Kong Government may enact such regulations as supply of land controls, building regulations and other fiscal policies impacting both the commercial and residential property markets. While it is difficult to ascertain the full extent of the impact of these measures on our performance, these measures may adversely impact the future sales of our residential properties, particularly those located at the 200 Queen's Road East Project. For more information, please refer to "*Risk Factors — Our business is subject to government policies and regulations, and in particular, we are susceptible to changes in policies related to the Hong Kong property industry*."

CONTROLLING SHAREHOLDER

As at the Latest Practicable Date, 100% of the issued share capital and 100% of the voting rights in the Company were owned by Hopewell through its wholly-owned subsidiaries. Upon completion of the Global Offering, the Company will remain a subsidiary of Hopewell and will be owned by Hopewell as to 81.5% of its issued share capital (without taking into the account any exercise of the Over-allotment Option). Furthermore, immediately following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option), there shall be no other person who will be directly or indirectly interested in 30% or more of the Shares then in issue. For more information, please refer to *"Relationship with our Controlling Shareholder"*.

OFFER STATISTICS[1]

	Based on Offer Price of HK$15.30	Based on Offer Price of HK$17.80
Market capitalisation of our Shares[2]	HK$28,152 million	HK$32,752 million
Before Capitalisation Issue — Unaudited pro forma adjusted combined net tangible asset value per Share[3][4]	HK$19.87	HK$20.49

Notes:

(1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalisation is based on 1,840,000,000 Shares expected to be in issue immediately after completion of the Global Offering and after the Capitalisation Issue.

(3) See "*Appendix II — Unaudited Pro Forma Financial Information*" for further details. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at on the basis that 1,340,000,000 Shares were in issue, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group and 340,000,000 Shares to be issued pursuant to the Global Offering, assuming that the Global Offering had been completed on 31 December 2012 and without taking into account (i) Shares to be issued pursuant to the Capitalisation Issue, (ii) any Shares which may be issued pursuant to the issue mandate and (iii) any Shares which may be repurchased pursuant to the repurchase mandate.

(4) No adjustment has been made to audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2012. In particular, the unaudited pro forma adjusted combined net tangible assets in the table above has not been adjusted to show the effect of the Capitalisation Issue. Subject to and simultaneous with the completion of the Global Offering, the Company will issue 500,000,000 Shares to Boyen Investments. These Shares will be credited as fully paid up by way of capitalisation of the entire amount of the net outstanding intra-group loans owed by the Group to the Remaining Group as at the date of such issue. A sum of HK$10,606.0 million representing the amount due from the Group to the Remaining Group as at 31 December 2012 has been adjusted in the table below for illustrative purposes, taking into account the impact of the Capitalisation Issue. The unaudited pro forma adjusted net tangible assets after the Capitalisation Issue per Share is arrived at on the basis that 1,840,000,000 Shares were in issue, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group, 340,000,000 Shares to be issued pursuant to the Global Offering and 500,000,000 Shares to be issued pursuant to the Capitalisation Issue, assuming that both the Global Offering (see note (2) above for an explanation of the estimated net proceeds from the Global Offering) and the Capitalisation Issue had been completed on 31 December 2012. The actual amounts to be capitalised will be based on the outstanding balances as at the date when the Capitalisation Issue actually takes place.

	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company after the Capitalisation Issue	Unaudited pro forma adjusted net tangible assets after the Capitalisation Issue per Share
	HK$ (in millions)	HK$
After Capitalisation Issue		
Based on an Offer Price of HK$15.30 per Offer Share	**37,238**	**20.24**
Based on an Offer Price of HK$17.80 per Offer Share	**38,067**	**20.69**

USE OF PROCEEDS

Assuming an Offer Price of HK$16.55 per Offer Share, which is the mid-point of the indicative Offer Price range, and assuming the Over-Allotment Option is not exercised, the net proceeds to the Company from the issue of the Offer Shares, after deducting underwriting commissions and fees (taking no account of any discretionary incentive fee) and estimated expenses payable by the Company, is HK$5,428.3 million.

Approximately HK$2,200.0 million (or approximately 40.5% of the net proceeds) is intended to be used for capital expenditures for the development of Hopewell Centre II.

Approximately HK$1,200.0 million (or approximately 22.1% of the net proceeds) is intended to be used for the acquisition and development of the Amalgamation Properties, potential acquisition and development of land and properties for future projects and investment in future business opportunities when suitable opportunities arise.

Approximately HK$1,700.0 million (or approximately 31.3% of the net proceeds) is intended to be applied towards the partial repayment of the amount drawn under the Refinancing Facility. The Refinancing Facility has been utilised towards financing the repayment of the Outstanding Borrowings drawn under the HKD Revolving Facility, which bears an interest rate of HIBOR plus 0.32% per annum and with a maturity date in September 2014.

The balance of approximately HK$328.3 million (or approximately 6.0% of the net proceeds) is intended to be used for our working capital requirements and general corporate purposes.

If the net proceeds the Company receives are either more or less than expected (including due to the payment of any discretionary fee), the Company will adjust the allocation of the net proceeds for the above purposes (except for the repayments of part of the amount drawn under the Refinancing Facility) on a pro rata basis. As the Over-allotment Option is granted by Boyen Investments and not the Company, the Company will not receive any proceeds from any exercise of the Over-allotment Option.

UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE[1]

The following unaudited pro forma forecast earnings per Share have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 July 2012. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 30 June 2013 or any future periods.

Forecast consolidated net profit attributable to equity holders of the Company before fair value gains of investment properties	**not less than HK$420 million**
Fair value gains of investment properties	**HK$11,143 million**
Forecast consolidated net profit attributable to equity holders of the Company after fair value gains of investment properties	**not less than HK$11,563 million**
Unaudited pro forma forecast earnings per Share before the Capitalisation Issue[2]	
— Forecast profit before fair value gains of investment properties	**not less than HK$0.31 per Share**
— Forecast profit after fair value gains of investment properties	**not less than HK$8.63 per Share**

Notes:

(1) The forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 is extracted from "*Appendix II — Unaudited Pro Forma Financial Information*" and "*Appendix III — Profit Forecast*". The bases and assumptions on which the above profit forecast has been prepared are summarised in "*Appendix III — Profit Forecast*". The Directors have prepared the above profit forecast based on the audited results of the Group for the 6 months ended 31 December 2012, the unaudited results based on the management accounts of the Group for the 3 months ended 31 March 2013 and a forecast of the results of the Group for the remaining 3 months ending 30 June 2013. The above profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of the Accountants' Report, the text of which is set out in "*Appendix I — Accountants' Report*".

(2) The unaudited forecast earnings per Share on a pro forma basis (before the Capitalisation Issue) is calculated by dividing the forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 by 1,340,000,000 Shares comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group and 340,000,000 Shares to be issued pursuant to the Global Offering as if such Shares had been in issue on 1 July 2012. The number of Shares used in this calculation includes the Shares in issue as at the date of this prospectus and the Shares to be issued pursuant to the Global Offering but excludes (i) Shares to be issued pursuant to the Capitalisation Issue, (ii) any Shares which may be issued pursuant to the issue mandate and (iii) any Shares which may be repurchased pursuant to the repurchase mandate.

(3) For illustrative purposes, had the Capitalisation Issue been taken into account, the number of Shares used in this calculation would be increased to 1,840,000,000 Shares, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group, 340,000,000 Shares to be issued pursuant to the Global Offering and 500,000,000 Shares to be issued pursuant to the Capitalisation Issue, as if the Global Offering and the Capitalisation Issue had been completed on 1 July 2012. The unaudited forecast earnings per Share on a pro forma basis (after the Capitalisation Issue) is calculated by dividing the forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 by 1,840,000,000 Shares as set out in the table below.

Unaudited pro forma forecast earnings per Share after the Capitalisation Issue	
— Forecast profit before fair value gains of investment properties	not less than HK$0.23 per Share
— Forecast profit after fair value gains of investment properties	not less than HK$6.28 per Share

SENSITIVITY ANALYSIS

The following table is for illustrative purposes and sets out the sensitivity of the forecast consolidated net profit attributable to our equity holders to different levels of increase/(decrease) in fair value of the investment properties (excluding investment properties held for sale) for the year ending 30 June 2013:

% change in fair value of investment properties[1]	-5%	-10%	5%	10%
Impact on forecast net profit attributable to our equity holders targeted for the year ending 30 June 2013 (HK$ in million)	(1,581)	(3,163)	1,581	3,163
The Group's net profit for the year ending 30 June 2013 will be (HK$ in million)	9,982	8,400	13,144	14,726
% (decrease) increase in net profit	(13.7%)	(27.4%)	13.7%	27.4%

Note:

(1) Excludes investment properties classified as held for sale.

We adopt a 5% and 10% range of increment/decrement to the base case in the sensitivity analysis above in respect of (i) the change in fair value of the Group's completed investment properties, including Hopewell Centre, QRE Plaza, GardenEast, our interests in Wu Chung House, KITEC and Panda Place; (ii) the change in fair value of the commercial portion of Hopewell Centre II, which is accounted for as investment property; and (iii) the share of the change in fair value of the commercial portion of the 200 Queen's Road East Project, which is accounted for as investment property, during FY2013.

For the purposes of the sensitivity analysis, we have excluded the impact from the change in fair value of the Group's investment properties held for sale, namely Broadwood Twelve. Taking into account the relatively stable nature of the luxury residential market which is consistent with recent historical periods, it is estimated that there will be no material change in fair value of Broadwood Twelve.

You should refer to "*Risk Factors — Gains or losses arising from changes in the fair value of our investment properties are likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability and financial position*" for additional information.

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not purported to be exhaustive. While we have considered for the purposes of this profit forecast what we believe is the best estimate of the changes in fair value of our investment properties for FY2013, the actual changes in fair value of our investment properties as of the relevant time may differ materially from our estimates and are dependant upon market conditions and other factors which are beyond our control.

The Directors estimate that there will be no material change in the market value of investment properties during the three months ending 30 June 2013, as it is expected that there will be no material change in the Group's operations and the market conditions during such period.

DIVIDEND POLICY

We will evaluate our dividend policy and dividends declared in any particular year in light of the Group's financial position, the prevailing economic climate and expectations about the future macroeconomic environment and our business performance. The determination to pay dividends will be made at the discretion of the Board and will be based upon the Group's earnings, cash flow, financial condition, capital and other reserve requirements, the payment of cash dividends by our subsidiaries and any other conditions which the Board deems relevant. The payment of dividends may also be limited by legal restrictions and by financing and other agreements that we and our

subsidiaries have entered into or may enter into in the future. The Company did not declare any dividends since its date of incorporation.

On 29 April 2013, dividends of HK$100 million were declared by the companies now comprising the Group to the Remaining Group. Dividends declared to the Remaining Group were included in the amounts due to the Remaining Group, which will be fully capitalised pursuant to the Capitalisation Issue. Further, during FY2010, FY2011, FY2012 and 1HFY2013, certain subsidiaries of the Group made distributions of HK$157.5 million, HK$323.9 million, HK$1,256.9 million and HK$744.0 million to the Remaining Group, respectively. There is, however, no assurance that any proportion of our profit attributable to the equity holders of the Company for any year will be distributed as dividends or that any dividend will be paid at all.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

For the purpose of the Listing, we have sought various waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the Companies Ordinance. For details of the waivers, please refer to "*Appendix VII — Statutory and General Information — Waivers from Compliance with the Listing Rules*."

Issuer	Hopewell Hong Kong Properties Limited
The Offering	Global Offering of initially 340,000,000 Shares (excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising (i) the Hong Kong Public Offering of initially 51,000,000 Shares (subject to reallocation) and (ii) the International Offering of initially 289,000,000 Shares (subject to reallocation and excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option)
Preferential Offering	35,006,100 Shares to be offered out of the International Offer Shares
Employee Preferential Offering	3,400,000 Shares to be offered out of the Hong Kong Offer Shares
Offer price range	HK$15.30 to HK$17.80
Over-allotment Option	Up to 51,000,000 Shares to be sold by Boyen Investments
Shares outstanding immediately following the Capitalisation Issue and the Global Offering	1,840,000,000 Shares (assuming the Over-allotment Option is not exercised) 1,840,000,000 Shares (assuming the Over-allotment Option is exercised in full)
Lock-up undertakings by the Company and Hopewell	The Company has given certain lock-up undertakings to the Stock Exchange and the Hong Kong Underwriters not to issue any new Shares for a period of six months from the Listing Date, details of which are set out in *"Underwriting"*. Hopewell, as the controlling shareholder (as defined in the Listing Rules) of the Company, has also given certain lock-up undertakings to the Stock Exchange, the Company and the Hong Kong Underwriters not to: (a) dispose of any Shares in respect of which it is shown in this prospectus to be the beneficial owner for a period of six months from the Listing Date; and (b) dispose of any Shares which would result in it ceasing to be a controlling shareholder (as defined in the Listing Rules) of the Company for a period of six months following the expiry of the period referred to in paragraph (a) above, details of which are set out in *"Underwriting"*.
Stock borrowing arrangement in connection with settlement	The Stabilising Manager or any person acting for it may borrow from Boyen Investments up to 51,000,000 Shares
Voting rights	Each Share entitles its holder to one vote at the Shareholders' meeting. See *"Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law"*.

Stamp duty

Dealings in the Shares registered in the Hong Kong register of members will be subject to Hong Kong stamp duty at 0.1% on the higher of the consideration for or the market value of the Shares, payable by the purchaser on every purchase and by the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Application for listing on the Stock Exchange

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering. No part of our share or loan capital of the Company is listed on or dealt in on any other stock exchange nor is there at present any proposal to do so.

Restrictions on offers and offers for sale

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us or any of the Relevant Parties. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

This prospectus contains certain statements, that are, or may deemed to be forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation, the discussions of our business strategies and expectations concerning future operations, margins, profitability, liquidity and capital resources, the future development of our industry and the future development of the general economy of our key markets and any statements preceded by, followed by or that include words and expressions such as "expect", "seek", "believe", "plan", "intend", "estimate", "project", "anticipate", "aim", "ought to", "potential", "may", "will", "would", "can", and "could" or similar words or statements, as they relate to the Group or our management, are intended to identify forward-looking statements.

These statements are based on many assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements which reflect our current views with respect to future events are not a guarantee of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and industries in which we operate are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results and developments in subsequent periods.

Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in this prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among others, the risks associated with:

- property market and hotel industry conditions in Hong Kong;
- the global and Hong Kong economic conditions;
- our ability to attract and retain quality tenants;
- our expansion and growth;
- our ability to obtain suitable land reserves at reasonable cost;
- a deterioration in the value of our brand;
- our relationships or business ventures with our joint venture and business partners; and
- the other factors referenced in this prospectus, including, without limitation, under *"Risk Factors"*, *"Business"* and *"Financial Information"*.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or that of any of the Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

An investment in the Offer Shares involves various risks. You should consider carefully all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in the Offer Shares. The occurrence of any of the following events could harm us. If any of these events occur, the trading price of the Offer Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are dependent on rental income from our investment property portfolio.

Rental income from our investment properties constitutes a very important part of our business and turnover. For FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, segment revenue(1) from property investment constituted approximately 65.7%, 26.1%, 39.8%, 36.9% and 46.2% of total segment revenue, respectively. Excluding segment revenue from property development, segment revenue from property investment constituted 65.7%, 63.5%, 62.0%, 61.8% and 63.7% of total segment revenue for the same periods, respectively. We are subject to risks incidental to the ownership and operation of office, retail and residential properties, including volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from on-going maintenance and repair and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or at all, upon the expiration of the existing terms. Furthermore, any downturn in the rental market for commercial properties could negatively affect the demand for our investment properties and the amount of rental income we earn, which may have a material and adverse effect on our business, results of operations and financial condition.

Our properties are all located in Hong Kong, which exposes us to cyclical economic, property market and hotel industry conditions in Hong Kong.

All of our properties are located in Hong Kong and, as a result, our results of operations and the value of our properties depend, to a large extent, on the performance of the economy, property market conditions, hotel industry trends and conditions and government policies in Hong Kong. Historically, the Hong Kong property market has been cyclical, and Hong Kong property values and rental rates, along with hotel daily room rates and occupancy rates, have been affected by, among other factors, supply of and demand for comparable properties or premises, the rates charged by competitors, the rate of economic growth in Hong Kong, global or regional economic trends, interest rates, inflation and political and economic developments in Hong Kong. We cannot assure you that the demand for properties or hotel rooms in Hong Kong will continue to grow or that our properties will continue to increase in value. An economic decline in Hong Kong, reduced demand for hotel services or convention and exhibition venues or a decline in property market conditions (including but not limited to a slow down in property sales or leases or downward pressures on property prices or rents) in Hong Kong may have a material and adverse effect on the values of our properties and our business, results of operations and financial condition.

Any economic slowdown or economic uncertainty may materially and adversely affect our business, results of operations and financial condition.

We are generally influenced by conditions in the global financial markets and the macroeconomic environments of Hong Kong and elsewhere in the world. The global financial crisis that unfolded in 2008, the recent European debt crisis and the slow down of the PRC economy have resulted in a

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Note:

(1) Segment revenue is comprised of (i) turnover as presented in combined statements of profit or loss and other comprehensive income, (ii) gross proceeds from sale of investment properties held for sale and (iii) our share of revenue of jointly controlled entities. Please refer to *"Financial Information — Description of Selected Components of Combined Statements of Profit or Loss and Other Comprehensive Income — Turnover, segment revenue and segment results*" for more information.

marked slowdown in world economic growth, economic contractions in certain markets, more commercial and consumer delinquencies, weakened consumer confidence and increased market volatility, thereby impacting property values as well as contributing to a lower demand for properties and a decline in their rental rates or selling prices in certain areas of the world, including Hong Kong. In our case, our rental rates increased and our occupancy rates only saw a decrease at selected properties (approximately six and ten percent at our Hopewell Centre and KITEC properties, respectively) which we believe was partly the result of changes in the general economic conditions following the financial crisis. We cannot guarantee that any future economic uncertainties or events will not have a more substantial impact on our financial condition or results of operations. Any global economic slowdown or economic uncertainty may adversely affect the business of the tenants of our commercial and residential properties, potential purchasers of our residential properties and travel patterns of guests at our hotel, which, in turn, may have a material and adverse effect on our business, results of operations and financial condition.

We may not be able to continue to attract and retain quality tenants or achieve a desirable mix of tenants.

Our investment properties compete for tenants with other property developers on factors including location, quality, maintenance, property management, rental rates, services provided and other lease terms. We cannot assure you that our existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with ours would increase the competition for tenants and, as a result, we may have to reduce rental rates or incur additional costs to make our properties more attractive. Also, we may not be able to lease our properties to a desirable mix of tenants or for rental rates that are consistent with our projections. If we are not able to retain our existing tenants, attract new tenants to replace those that leave or lease our new properties, our occupancy rates may decline. If we fail to attract quality tenants or keep our existing tenants, our investment properties may become less attractive and competitive. In addition, there is no certainty that we will be able to attract the desired tenants that will enable us to achieve our business objectives. This in turn may have a material and adverse effect on our business, results of operations and financial condition.

Our turnover and profit level are affected by our turnover mix and other factors and we may not be able to sustain our existing level of turnover or profit.

We recorded turnover of approximately HK$947.2 million, HK$1,056.2 million, HK$1,202.5 million, HK$591.3 million and HK$628.7 million for FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, respectively. We recorded profit of HK$4,062.7 million, HK$4,811.8 million, HK$2,744.5 million, HK$1,395.0 million and HK$10,237.2 during the same periods. Factors which may reduce our turnover and profit include:

- changes in the mix of turnover sources, such as rental income from our investment properties, income from the sale of our property development and income from our hotel, restaurant and catering operation;
- increased market competition;
- failure to achieve target rental rates, daily room rates and occupancy rates;
- failure to achieve target sales volumes and selling prices;
- a decrease in the amount of gain arising from changes in the fair value of our investment properties;
- our costs may not decrease in tandem with a reduction in turnover at our properties, as many of the expenses associated with owning and maintaining our properties are fairly fixed and inflexible; and
- failure to negotiate volume discounts with suppliers on favourable terms.

We cannot assure you that we can always maintain or increase our turnover or profit. Historically, our turnover mix has experienced certain fluctuations. For example, we derived nil, 58.8%, 35.8%, 40.4% and 27.4% of our total segment revenue from property development for FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, respectively. We may not be able to sustain similar patterns or levels of turnover or profit in the future.

Our business prospects depend on the success of our property development projects, which may be affected by many factors.

Our business prospects depend on the success of our property development projects, in particular Hopewell Centre II and the 200 Queen's Road East Project. These projects may be affected by many factors beyond our control, including but not limited to:

- delays in obtaining the necessary licences, permits or approvals from the Hong Kong Government;
- delays in obtaining the necessary consents or approvals from our joint venture and business partners;
- delays in obtaining the necessary financing;
- relocation of existing residents and/or demolition of existing buildings;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- natural catastrophes and adverse weather conditions;
- the involvement of lobbyists or other parties against a development project for environmental or other reasons;
- the discovery of historically significant objects on or around our project sites;
- changes in government policies or relevant laws or regulations; and
- economic conditions.

In addition, we have, in the past, encountered difficulties with third parties which have resulted in project delays. Delays or failure to complete the construction of a project according to our planned specifications, schedule or budget as a result of the above factors may affect our results of operations, financial condition, business prospects and reputation. We cannot assure you that we will not experience any significant delays in the completion or delivery of our projects or that we will not be subject to any liabilities to our tenants, any purchasers or relevant government authorities for any such delays. Any of the foregoing may have a material and adverse effect on our business, results of operations, financial condition and prospects.

We may not be able to manage our expansion and growth effectively.

We intend to continue to expand our portfolio of properties in the future. Expansion may place substantial strain on our managerial, operational and financial resources. It may also expose us to a number of risks and challenges, including but not limited to:

- the difficulty of identifying new opportunities;

- an inability to effectively integrate our new properties into our existing portfolio or operations;
- insufficient demand for our new properties;
- potential unknown risks associated with our new properties;
- an inability to achieve the expected profitability of such new properties;
- potential risks of competition among our properties;
- the difficulty of recruiting and retaining qualified personnel on commercially reasonable terms;
- the difficulty of maintaining uniform standards, controls, procedures and policies for our new properties; and
- changes in government policies or relevant laws or regulations.

We cannot assure you that we will be able to manage our expansion or growth effectively or that we will be able to expand our portfolio at any specific rate or to any specific size. Even if we were able to successfully expand or grow as desired, we cannot assure you that we will achieve our intended return on such investments. Any of the foregoing could have a material and adverse effect on our business, results of operations, financial condition and prospects.

We may not always be able to obtain suitable land reserves at reasonable cost.

We derive our turnover principally from rental income from our investment properties and, to a lesser extent in recent years, from the sale of properties which we have developed. As a result, we strive to maintain or increase our land reserves at an appropriate pace, each with suitable size and appropriate scope of usage for our requirements, and in strategic locations, in order to position us for sustainable business growth. In Hong Kong, suitable land is difficult to obtain at reasonable cost due to strong competition from other developers and the limited amount of undeveloped land. Such development sites have generally become increasingly scarce and expensive in recent years. As a result, our future growth prospects may be adversely affected if we are not able to acquire properties at suitable prices.

We have acquired individual units in several sites in Hong Kong which are being assembled for amalgamation and are referred to in this prospectus as the Amalgamation Properties. While we believe that the successful assembly and subsequent development of the Amalgamation Properties could generate attractive investment returns for Shareholders, there is no assurance that we will be able to complete the site assemblies on commercially viable terms or at all. We review the development potential of the Amalgamation Properties and decide whether we should continue to hold or dispose of any of the Amalgamation Properties from time to time. Amalgamation Properties, which are generally older and of lower quality than other assets in our investment property portfolio, may generate a lower level of rental income, if any, and, without the prospect of successful amalgamation and development, would not fit our investment criteria. If we are not able to complete the site assemblies on commercially viable terms or at all, we may have to dispose of the Amalgamation Properties, potentially at a loss.

We may not have adequate capital resources to fund our land acquisitions and future property developments.

Property development is capital intensive. In the past, we have financed our property projects primarily from income from operating activities and financing through bank borrowings and borrowings from related parties (principally the Remaining Group). Following the completion of the

Global Offering, we expect to finance our property projects, such as the development of Hopewell Centre II, primarily through net proceeds from the Global Offering, our internal resources and/or external bank borrowings.

Our ability to procure adequate financing for land acquisition and property developments depends on a number of factors that are beyond our control. For example, continued uncertainty in the equity and credit markets has impacted the availability of liquidity in the financial markets, which has made terms for financing less attractive and in some cases, resulted in the lack of availability of certain types of financing. While we believe that we have adequate sources of liquidity to meet our anticipated requirements for working capital, debt service and capital expenditures for the foreseeable future, we cannot assure you that we will be able to continue to secure financing on commercially reasonable or acceptable terms, which may materially and adversely affect our business, results of operations, financial condition and prospects.

A deterioration in the value of our brands may have a negative impact on our business.

We believe that our set of brands is an important component of our business and that the success of our business depends in part upon our continued ability to use our brands, to increase brand awareness and to further develop our brands such as "Hopewell", "The East", "GardenEast", "Panda Hotel", "Panda Place", "KITEC", "E-Max" and "Star Hall".

We also have a trademark license agreement with Hopewell which grants us the right to use certain trademarks owned by Hopewell. We consider it highly unlikely that the trademark agreement will be terminated by Hopewell. However, in the event that the trademark agreement is terminated, we may lose the right to use the trademarks and our business may be materially and adversely affected.

Any negative publicity concerning Hopewell, us, our properties or to a lesser extent, our major tenants, could adversely affect our reputation and business prospects. In addition, our brands may be misused by third parties and we may have to incur expenses in protecting them. Demand for our properties could diminish significantly if the quality of our brands is not preserved. Furthermore, any unauthorised use of our brands, trademarks of Hopewell or other intellectual property rights could harm our competitive advantages and businesses. Monitoring and preventing unauthorised use is difficult and the measures we take to protect our intellectual property rights may not be adequate. If our brands, trademarks of Hopewell or other intellectual property rights are not adequately protected, we may lose these rights and our business may be materially and adversely affected.

The success of our business may be affected by our relationships or business ventures with our joint venture and business partners.

We carry out, and expect to carry out in the future, some of our business through joint ventures and other business arrangements, such as our joint venture and business arrangement with another property developer and business partner (namely the URA) for the 200 Queen's Road East Project. Such arrangements involve a number of risks, including but not limited to:

- our joint venture and/or business partners may have economic or business interests or goals or philosophies that are inconsistent with ours and that may impact the volume and pricing of the units to be sold, the market positioning or the rental rates of the property as well as our or their reputation;

- any disagreement with any of our joint venture partners or business partners in connection with the scope or performance of our respective obligations under the relevant agreements might affect our ability to develop or operate a property;

- our joint venture partners and/or business partners may be unable or unwilling to perform their obligations, including but not limited to their obligations to make required capital contributions and shareholder loans;

- we may not be able to pass certain important board resolutions requiring certain consents from our joint venture partners or business partners if there is a disagreement between us and them; and

- our joint venture partners and/or business partners may take actions contrary to our requests or instructions or contrary to our policies or objectives with respect to our property investments.

Any of these and other factors may have material adverse effects on our businesses, results of operations, financial condition and prospects.

The appraised value of our properties may be different from the actual realisable value and is subject to change.

The appraised values of our properties as contained in "*Appendix IV — Property Valuation*" are based on assumptions that include elements of subjectivity and uncertainty and may be subject to substantial fluctuations. Such assumptions include:

- the exclusion of an estimated price inflated or deflated by special terms or circumstances, such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale or any element of special value;

- no allowance being made for any charges, mortgages, amounts owing on the properties, expenses or taxation which may be incurred in effecting a sale;

- the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values, unless otherwise stated; and

- no extraordinary expenses or delays will be incurred during construction.

In addition, assumptions used by our property valuer when valuing our properties may have exceeded the corresponding parameters in the current market and/or corresponding historical parameters associated with our properties. As a result, the appraised value of our properties may be different from their actual realisable value or a forecast of their realisable value.

Unforeseen changes to property development projects as well as economic conditions may affect the value of our properties. In particular, the fair value of our properties could decrease in the event that the market for comparable properties experiences a downturn as a result of the continuing effects of the global economic slowdown, or otherwise. In addition, the Hong Kong property market is at or near to historic peaks and has in the past been highly volatile and suffered significant falls in prices. A decline in Hong Kong's property market could materially and adversely affect the value of our properties.

Gains or losses arising from changes in the fair value of our investment properties are likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability and financial position.

We are required under HKFRS to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our combined statements of profit or loss and other comprehensive income for the period in which they arise. However, accounting standards may change from time to time, and such changes may materially and adversely affect our profitability and financial position.

For our office space, serviced apartments, car parks and retail outlets, the valuation is arrived at by using an income capitalisation approach (capitalising the rental income derived from the existing

tenancies with due provision for the reversionary income potential of the properties) or, where appropriate, by using a direct comparison method by making reference to comparable sales transactions as available in the relevant market. For our convention and exhibition venue, the valuation is also arrived at by using an income capitalisation approach (capitalising the estimated annual net income) and is based on the valuer's opinion as to the future trading potential and level of turnover likely to be achieved. For FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, fair value gains of our investment properties (including, but not limited to those under development) were HK$3,825.4 million, HK$4,515.7 million, HK$2,348.4 million, HK$1,193.1 million and HK$10,005.2, respectively, and accounted for a significant portion of our profit before taxation.

The gain arising from changes in fair value of our investment properties decreased from FY2011 to FY2012 primarily because the value of properties in Hong Kong generally increased at a slower pace in FY2012 than in FY2011. In 1HFY2013, we experienced a significant increase in fair value gain of completed investment properties of HK$7,852.2 million. This increase was primarily the result of an increase in the fair value of Hopewell Centre of HK$3,469.8 million, an increase in the fair value of KITEC of HK$2,788.1 million and an increase in the fair value of Panda Place of HK$798.3 million. For further information, please see "*Financial Information — Significant Factors Affecting our Results of Operations and Financial Condition — Changes in fair value of investment properties and recognition of fair value gains or losses under our management and accounting policies.*"

Fair value gains or losses are not cash items and, as a result, do not correspondingly increase or decrease our cash and cash equivalents despite the increase or decrease in profit. In addition, the sum of all gains arising from changes in the fair values of the individual units contained in a single piece of investment property may not necessarily equal the total gain arising from changes in fair value recognised by the entire investment property when viewed as a whole. Furthermore, the amount of revaluation adjustments have been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in market conditions will continue to create gains arising from changes in fair value of our investment properties at the previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future. In particular, the fair value of our investment properties could decline if the Hong Kong property industry experiences a downturn. Any such decrease in the fair value of our investment properties could materially and adversely affect our profitability.

We cannot assure you that third party contractors or service providers will always meet our quality standards or provide services in a timely manner.

We employ third party contractors to carry out various works, including but not limited to, design, construction, structural engineering, internal decoration, landscaping, electrical and mechanical engineering and lift installation. Despite our project management, we cannot guarantee that our third party contractors will always provide satisfactory services or possess the right experience. Moreover, as is common in the property industry, completion of our property developments may be delayed and we may incur additional costs or legal liabilities due to a contractor's financial or operational difficulties. Our contractors may undertake projects for other developers or engage in risky undertakings which may divert resources and cause a delay in the completion of our property projects or increase our development costs. Additionally, the services rendered by independent service providers (such as security, repair and maintenance, cleaners, seasonal catering servers and casual labour) may not always meet our quality standards. Any of these factors may materially and adversely affect our reputation, business, results of operations and financial condition.

Increases in the costs of labour or construction materials may have a material and adverse impact on our results of operations.

If the costs of labour or construction materials increase significantly and we cannot offset such increases by reducing other costs or cannot pass on such increase to the buyers or tenants of our properties, our business, results of operations and financial condition may be materially and adversely

affected. For example, Hong Kong recently introduced a statutory minimum wage of HK$28.0/hour (which was adjusted to HK$30.0/hour beginning 1 May 2013) and we cannot assure you that the minimum wage in Hong Kong will not continue to increase in the future. It is also possible that labour costs in Hong Kong may increase due to other regulatory changes, such as the proposed regulatory measure regarding maximum working hours. Any changes to future minimum wage laws and other labour regulations may increase our costs of labour. Furthermore, continuous increases in the price of construction materials will likely increase our construction costs and overall project costs. If we cannot rent or sell our properties at prices which are sufficient to cover all of our increased costs, we will not be able to achieve our target profit margins and our profitability will be adversely and materially impacted.

Our asset enhancement plans or renovations may not necessarily achieve the intended benefits or returns and may result in temporary closures, reduced turnover, cost overruns and delays.

As part of our on-going effort to maintain high-quality properties and to attract tenants and customers, we may enhance our properties through asset enhancement plans or renovations from time to time. Any such asset enhancement plans or renovations will involve capital investments. At times, such plans could result in a temporary closure of our rentable areas, which may affect the occupancy rate or visitor traffic in the vicinity, leading to a reduction in turnover generated by our properties. Additionally, there may also be potential cost overruns and risks of delays. We experienced such results during the renovation of Panda Place in FY2012 when our occupancy rates decreased by 16.2%, and at KITEC in 1HFY2013, when our occupancy rates decreased from 94.6% to 93.4%, as a result of our retention of available rental spaces for our own use purposes and to facilitate future development and renovation. We expect such decreases at KITEC to continue in the future as a result of further asset enhancement plans and renovations. We cannot assure you that our asset enhancement plans or renovations, when completed, will lead to higher occupancy rates and/or an increase in rental rates or achieve their intended benefits or returns. As a result, our business, results of operations and financial condition may be materially and adversely affected.

The planned development of our Wan Chai properties may involve considerable levels of noise and construction work which may adversely affect the attractiveness of our existing properties, and in turn, our turnover and profit.

Wan Chai is currently home to our cluster of properties including Hopewell Centre, QRE Plaza, GardenEast, and our retail units and car parking spaces located at Wu Chung House. In addition, we are currently developing Hopewell Centre II and the 200 Queen's Road East Project, both of which are located adjacent to or within a close distance from our existing properties in Wan Chai. As we continue to develop these properties, the resulting road works, noise levels and other disruptions commonly associated with large construction activities may negatively affect the attractiveness of our existing properties in Wan Chai to our potential tenants and customers during the construction phase. As a result, occupancy rates and rental rates at our existing Wan Chai properties during the construction phase may suffer which, in turn, may adversely affect both our turnover and profit.

Our results of operations are subject to changes in interest rates and we may experience an increase in finance costs due to a change in our financing structure in the future.

Our borrowings are principally denominated in HK dollars. The interest rates on some of our outstanding borrowings are based on floating rates. Changes in interest rates have affected, and will continue to affect, our business and results of operations. During FY2011, FY2012 and 1HFY2013, our bank borrowings carried floating interest rates of HIBOR plus 0.32%. As at 30 June 2011 and 2012 and 31 December 2012, our bank borrowings carried an interest rate of 0.52%, 0.62% and 0.60% per annum, respectively. Interest expenses on our borrowings incurred in FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013 were HK$79,000.0, HK$1.2 million, HK$7.6 million, HK$3.1 million and HK$10.1 million, respectively. In addition, interest rates directly affect the affordability of mortgages which, in turn, affects the demand for our residential properties that are available for sale.

Our interest income may also be affected by interest rate fluctuations. We cannot assure you that interest rates will not fluctuate significantly in the future.

Furthermore, we may be subject to increased finance costs due to a change in our financing structure. Historically, we financed our funding needs and the development of our investment properties through advances from Hopewell (principally through amounts due to the Remaining Group). Such advances were interest-free. The net amounts due to the Remaining Group were HK$10,611.9 million, HK$8,774.7 million, HK$8,647.0 million and HK$10,606.0 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. However, in the future, our operations will be partly financed through new bank loan facilities, which may result in an increase in our loan commitment fees or interest rates, thereby increasing our finance costs. For example, the Company has obtained the Refinancing Facility, being a loan facility of HK$4,000.0 million, of which HK$3,700.0 million has been drawn down and applied towards the repayment of the Outstanding Borrowings in full. The Refinancing Facility bears interest rates ranging from HIBOR plus 0.88% to 1.12%. As a result, our finance costs are expected to increase as compared to our finance costs during the Track Record Period. See "*Relationship with our Controlling Shareholder — Financial Independence*" for more details.

Any increase in interest rates or finance costs may materially and adversely affect our business, results of operations and financial condition.

We are subject to certain conventional restrictive covenants and certain risks normally associated with debt financing which may limit or otherwise adversely affect our operations.

We are subject to certain restrictive covenants under the terms of our bank borrowings which may restrict or otherwise adversely affect our operations. For example, we are prohibited from selling, transferring or otherwise disposing of all or a material part of our assets under the terms of our most substantial bank loan. Please refer to "*Financial Information — Indebtedness*" for more information. Failure by us to meet payment obligations or to comply with any affirmative covenant, or any violation by us of any restrictive covenant may constitute an event of default under the terms of our borrowings. If an event of default occurs, our lenders would be entitled to accelerate payment of all or any part of the outstanding indebtedness. If any of these events of default were to occur, our financial condition, results of operations and cash flow may be materially and adversely affected.

We had net current liabilities during the Track Record Period. Our indebtedness level could have an adverse effect on our financial condition, diminish our ability to raise additional capital to fund our operations and limit our ability to explore business opportunities.

We maintain a certain level of indebtedness to finance our operations. As at 31 December 2012, our total outstanding borrowings amounted to HK$3,700.0 million. Our indebtedness could have an adverse effect on us, for example, by:

- requiring us to dedicate a large portion of our cash flow from operations to fund repayments of our debt, thereby reducing the availability of our cash flow to expand our business;
- increasing our vulnerability to adverse general economic or industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such funding;
- restricting us from making strategic acquisitions or taking advantage of business opportunities; and
- making it more difficult for us to satisfy our obligations with respect to our debt.

In addition, as our indebtedness will require us to maintain an adequate level of cash flow from operations to satisfy our debt obligations as they become due, any decrease in our cash flow from operations in the future may have a material and adverse effect on our financial condition. Our net current liabilities were HK$6,069.1 million, HK$6,499.9 million, HK$7,906.5 million and HK$9,998.6 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively, of which HK$8,946.4 million, HK$9,629.5 million, HK$9,962.9 million and HK$10,606.0 million, respectively, were classified as amounts due to the Remaining Group. We had net current liabilities during the Track Record Period primarily because we utilised short-term liabilities (principally the amounts due to the Remaining Group) to fund the development of our investment properties or properties under development, both of which are accounted for as non-current assets. Additionally, all amounts due from the Remaining Group were settled prior to 31 December 2012, which resulted in a decrease in our total current assets. We expect all of our amounts due to the Remaining Group to be capitalised prior to the Listing.

Our success depends on the continued services of our senior management team.

Our success depends on the continued services provided by our executive Directors and our senior management team. A majority of our senior management team are highly experienced, having worked in their respective industries for more than 10 years. In particular, Sir Gordon Ying Sheung WU, one of our founders who currently serves as an executive Director and our chairman, and Mr. Thomas Jefferson WU, an executive Director and our managing Director, both have a long history of experience and successful leadership in the property and hospitality industries. Both have been recognised repeatedly for their leadership and management skills and have consistently demonstrated an ability to identify and act upon market opportunities. As a result of their in-depth knowledge and understanding of the property and hospitality industries, we have been able to capitalise on important market trends and execute many successful development projects and ventures. Competition for talented employees is intense in the property and hospitality industries due to the service-oriented and labour intensive nature of these industries, which has resulted in a reduced pool of suitable candidates. If members of our core management team leave or retire from the Group and we fail to find suitable replacements, and if we cannot attract, train and retain suitable staff, our business and future growth will be materially and adversely affected.

We may, from time to time, be involved in disputes and legal and other proceedings arising out of our operations and, as a result, may face significant liabilities.

We may be involved in disputes arising out of the development, completion, delivery, leasing or sale of our properties with contractors, suppliers, construction workers, tenants, residents in our properties or those in surrounding areas, joint venture partners, business partners, leasing agents, purchasers or other parties. These disputes may lead to protests or legal or other proceedings and may damage our reputation and divert our resources and management's attention. We may incur significant costs in defending ourselves in such proceedings, and if we are not successful in defending ourselves in such proceedings, we may be liable for damages, the amount of which may be significant.

In addition, we may have disagreements with regulatory bodies in the course of our business operations which may subject us to administrative proceedings or unfavourable decrees that may result in liabilities and/or impede the progress of our property developments. For example, a potential disagreement currently exists regarding a narrow strip of land of approximately 250 sq. ft. on which a small part of Hopewell Centre was erected and currently stands, and which was, by mistake, not included in a new lot of land re-granted to the Group by the Hong Kong Government during a land exchange exercise. As a result of this mistake, the DOL may either require us to: (i) demolish the part of the building standing on the 250 sq. ft. strip and deliver vacant possession to the Hong Kong Government; or (ii) pay a premium in respect of the 250 sq. ft. strip. While we are of the opinion that the matter does not prevent us from having a marketable title to Hopewell Centre, defending or

rectifying the matter may result in significant fees or other negative consequences. For more information, please refer to "*Business — Legal Compliance and Other Matters*".

The occurrence of any of the above events may materially and adversely affect our business, results of operations and financial condition.

Failure to comply with our environmental responsibilities may materially and adversely affect our operations and profitability.

We are subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees and provide for the shutdown by governmental authorities of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues and we may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. We have adopted environmental protection measures, including conducting environmental assessments on our property construction projects and hiring construction contractors who have good environmental protection and safety track records and requiring them to comply with the relevant laws and regulations on environmental protection and safety. In addition, we cannot assure you that more stringent environmental protection requirements will not be imposed in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet public expectations in relation to environmental matters, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions, any of which may have a material and adverse effect on our business, results of operations and financial condition.

We may suffer losses arising from uninsured risks.

We have insurance in place in relation to our completed properties and in relation to our properties under development. For more information, please see "*Business — Insurance*". Our insurance may not fully indemnify us for all potential losses, damages or liabilities related to our properties. Such exposures include potential losses which may arise as a result of war, terrorism, pollution, fraud, professional negligence and acts of God. Our insurers may become impaired and find themselves financially unable to meet claims. We may not have sufficient funds to cover any losses, damages or liabilities or to replace any property that has been destroyed in the course of our operations if such damages, losses or liabilities arise from events for which we do not have any or adequate insurance coverage. The occurrence of any of the above events and the resulting payments we make may have a material and adverse effect on our business, results of operations and financial condition.

The Controlling Shareholder has substantial control over the Company and its interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the Global Offering, Hopewell will remain as a controlling Shareholder of the Company with substantial control over its issued share capital. Subject to the Articles of Association of the Company and the Companies Ordinance, the Controlling Shareholder, by virtue of its controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meetings of the Shareholders and at Board meetings. Such matters include:

- election of Directors;
- selection of senior management;
- amount and timing of dividend payments and other distributions;

- acquisition of, or merger with, other entities;
- overall strategic and investment decisions;
- issuance of securities and adjustments to our capital structure; and
- amendments to the Articles of Association.

The interests of the Controlling Shareholder may differ from the interests of other Shareholders and it is free to exercise its votes according to its interests. To the extent that the interests of the Controlling Shareholder conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Our future dividend payments and policy will be subject to the discretion of the Board.

The amount of any dividends that we may declare and pay in the future will be subject to the discretion of the Board and will be based upon our earnings, cash flow, financial condition, capital requirements, distributable reserves and any other conditions that the Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into from time to time. The amounts of distributions that any company within the Group or Hopewell has declared and made in the past are not indicative of the dividends that we may pay in the future.

RISKS RELATING TO THE PROPERTY AND HOSPITALITY INDUSTRIES

We face significant competition that could adversely affect our business and financial condition.

The retail, office and residential property industry in Hong Kong is highly competitive. We compete for tenants and customers with developers, owners and operators of office and residential properties, many of which own properties similar to ours. We also compete with other property companies in Hong Kong for property acquisitions and property-related investments.

Our hotel and convention and exhibition venue are also facing significant competition from other hotels or resorts or convention and exhibition venues located in Hong Kong, Macau and Singapore. For example, the two new integrated resorts in Singapore which opened in 2010 have drawn many international conventions and exhibitions to Singapore. Our convention and exhibition venue may soon compete directly with new developments in Zhuhai, China and new arts and cultural venues to be opened in conjunction with the West Kowloon Cultural District project in Hong Kong.

Our success depends on a number of factors, some of which may be outside our control, including rental rates and daily room rates, supply of premises or rooms in the market, attractiveness of our property locations, attractiveness of our competitors' facilities and services, quality of the property, breadth and quality of services provided, recognition of our brands and local economic and business activity. An inability on our part to compete effectively may materially and adversely affect our business, results of operations and financial condition.

The Hong Kong hospitality industry relies on potential customers' desire, willingness and ability to travel to and reside in Hong Kong and the prevailing economic conditions and regulatory environment.

We own Panda Hotel and GardenEast (serviced apartments) and are currently planning the development of Hopewell Centre II (which will include hotel facilities). These properties expose us to risks that are common to the hospitality industry. Historically, the hospitality industry relies on potential customers travelling to Hong Kong on both short-stay and long-stay bases. Their desire, willingness and ability to travel to and reside in Hong Kong may be affected by a number of external

factors not within our control, including adverse local or global economic conditions, visa restrictions (such as laws and regulations which limit the number of daily mainland Chinese travellers allowed to travel to Hong Kong), travel disruptions, viral epidemics and fluctuations in exchange rates. We cannot predict the occurrence of these events or the extent to which they will directly or indirectly impact the hospitality industry. In addition, the Hong Kong Government is currently conducting a review on Hong Kong's tourism policy. The Chief Executive of Hong Kong was reported earlier this year as saying that Hong Kong's tourism policy should aim to bolster Hong Kong's social and economic benefits and not just increase the number of visitors. As such, the Hong Kong Government may introduce restrictions or limitations on visitors to Hong Kong that may, in turn, adversely affect the hospitality industry.

The recent European debt crisis and the slowdown in the Chinese economy has led to fluctuations in the global economy such as fewer jobs being created at local companies and multinational companies with offices in Hong Kong. This could materially affect the demand for serviced apartments and hotels and could adversely affect our business. In addition, during periods of financial uncertainty, our operations could be vulnerable to reduced business travel, decreased consumer spending and reduced disposable income, all of which may result in reduced demand for hotel rooms and serviced apartments and downward pressure on daily room rates or rental rates.

Working expatriates form a major source of demand for our serviced apartments and such persons often move to Hong Kong to work for multinational corporations or firms that have set up regional headquarters and offices in Hong Kong. The attractiveness of Hong Kong to such multinational corporations and their employees and the associated business-related travel is influenced by: (i) the political and economic stability of Hong Kong and mainland China; (ii) Hong Kong's regulatory, legal, tax and financial framework; (iii) Hong Kong's environment and levels of pollution; and (iv) Hong Kong's transport and infrastructure. Any adverse changes to the above factors could materially and adversely affect our business, results of operations and financial condition in the future.

We are exposed to seasonal volatility in the overall hospitality and large scale convention and exhibition market in Hong Kong.

In Hong Kong, the demand for our services, including hospitality, convention and exhibition and banquet services, are subject to seasonal fluctuations. The peak period for our convention and exhibition service spans from April to October, while the peak period for our banquet services spans from December to April. In addition, demand for our banquet services typically increases on dates that are believed to be auspicious under the Chinese lunar calendar. For example, our banquet revenue experienced increases between the months of December and April during the Track Record Period (ranging from approximately 20% to over 100% as compared to the average banquet revenue). These increases are also the result of the many holidays and festivals that occur during this period. While our hotel faces less fluctuation and maintains a relatively high occupancy rate throughout the year, our hotel business does experience fluctuations from time to time. For example, our hotel experienced lower monthly occupancy rates (approximately five to ten percent lower as compared to the average occupancy rate) in the month after the summer holidays and in the month after Christmas in 2012. While measures have been incorporated to address the seasonal fluctuations for our businesses, comparisons of results of operations between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance.

The occupancy rates of, and revenues generated by, Panda Hotel and, as a result, its asset value, may be viewed as more volatile than those of other classes of real estate.

Unlike other classes of real estate such as office buildings and retail premises, hotels, by their nature, generally do not have occupants who are committed to medium- and long-term contractual rental payments. Hotels can also experience high variability in occupancy rates at different times due to external factors outside of our control. In addition, in the case of Panda Hotel, a sizable proportion

of its revenue is generated by its restaurant and catering operations. See "— *Risks Relating to the Property and Hospitality Industries*" for details of certain factors affecting the results of operations of Panda Hotel. This in turn means that the occupancy rates of, and revenues generated by, Panda Hotel and, as a result, its asset value, may be viewed as more volatile than those of other classes of real estate.

The hospitality industry has a significant amount of fixed costs and we may be subject to increases in such costs.

The operation of our hotel, as well as the restaurants and other associated facilities within the hotel, involve a significant amount of fixed costs. Such fixed costs include maintenance and upkeep costs as well as employee and staff salaries and expenses. These fixed costs limit our ability to respond to adverse market conditions. Should the hospitality industry decline and occupancy or daily room rates be adversely affected, or should the demand for our restaurant services at our hotel be reduced, we may not be able to avoid a negative impact on our business. The occurrence of any of the above events may have a material and adverse effect on our business, results of operations and financial condition.

Our business is subject to government policies and regulations, and in particular, we are susceptible to changes in policies related to the Hong Kong property industry.

Our business is subject to government policies and regulations, and in particular, we are susceptible to changes in policies related to the Hong Kong property industry. The Hong Kong Government has recently implemented a series of policies and regulations to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies and regulations include, but are not limited to, many taxes and duties, such as (i) the recently modified *ad valorem* stamp duty, which applies to both residential and commercial property, save for residential property acquired by a permanent resident of Hong Kong who does not own any other residential property at the time of acquisition; (ii) the special stamp duty, which is imposed on disposal of properties in Hong Kong made within 36 months after acquisition; and (iii) a buyer's stamp duty on residential properties purchased by any person (including a company incorporated) except a permanent resident of Hong Kong.

In addition to these policies, the Hong Kong Government may enact such regulations as increased mortgage down payments, supply of land controls, building regulations, environmental-related regulations and other fiscal policies. Furthermore, the Hong Kong Government has indicated that it may, in the future, make available a large quantity of existing government buildings for use as offices, conference centres and exhibition halls. These policies, regulations and plans, as well as any future policies enacted with regard to commercial or residential property ownership, could materially and adversely impact the Hong Kong property market or the supply of available land. In addition, these may adversely impact the future sale of our residential properties, particularly those located at the 200 Queen's Road East Project. We cannot assure you that the Hong Kong Government will not adopt additional and more stringent industry policies or regulations in the future, which in turn may materially and adversely affect our business, results of operations and financial condition.

Failure to comply with relevant quality control and sanitation requirements may adversely affect our operations and profitability.

As we provide food and beverage and banquet services at our hotels and convention and exhibition venue, we are subject to the inherent risk of our products being found to be unfit for consumption or to cause illness due to contamination or degeneration, tampering by third parties or other problems arising during the various stages of procurement, transportation, preparation and storage. The occurrence of such problems may result in customer complaints or adverse publicity which could cause serious damage to our reputation and brand and which may discourage consumers from using our services.

Additionally, we are subject to extensive and stringent health and sanitation policies that impose fines and/or suspension or revocation of licenses for violation of such laws, regulations or decrees. Furthermore, these regulations are constantly evolving, and we cannot assure you that the Hong Kong Government will not impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant costs which we may be unable to pass on to our customers. If we fail to comply with existing or future health and sanitation laws and regulations or fail to meet public expectations in relation to health and safety, our business, results of operations, financial condition and reputation may be materially and adversely affected.

Our hotel business could be adversely and materially affected by a material disruption of our information systems.

Our hotel relies on the efficient and uninterrupted operation of its information systems. For example, we depend on our information systems for hotel bookings made directly, via telephone, by travel agents, online through our website and through our online reservations partners. In addition, our hotel depends on our information systems to run our day-to-day operations, including among others, hotel services and amenities such as guest check-in and check-out, housekeeping and room service, as well as methods for tracking and reporting the financial results of our hotel.

Our information systems are vulnerable to damage or interruption from circumstances beyond our control, including but not limited to, fire, power loss, telecommunications failures, computer viruses, break-ins and similar events. Any damage caused by such events may result in interruptions to input, retrieval and transmission of data and may also result in an increase in service time which could disrupt our normal operations. In addition, if our information systems are materially disrupted and our redundant systems or disaster recovery plans cannot address such disruptions, we may not be able to restore our operation capacity within a sufficiently adequate time frame to avoid a negative impact on our business. The occurrence of any of the above events may have a material and adverse effect on our business, results of operations and financial condition.

Our operations and prospects may be materially and adversely affected by a recurrence of SARS, an outbreak of other epidemics or natural disasters.

Any recurrence of Severe Acute Respiratory Syndrome (SARS) or an outbreak of any other epidemic in places where we operate, such as influenza A (H1N1) and avian flu (including H5N1 and H7N9), may result in material disruptions to our and our tenants' operations.

Natural disasters or other catastrophic events such as earthquakes, floods or severe weather conditions affecting the regions where we operate could, depending upon their magnitude, significantly disrupt our business operations or cause a material economic downturn in the affected areas, which in turn could materially and adversely affected our business, results of operations and financial conditions.

The opening of various transportation infrastructure projects in 2015 and beyond may have an adverse effect on the demand for hotels in Hong Kong.

Integration between mainland China and Hong Kong is expected to further increase with the completion of various transportation infrastructure projects in 2015 and beyond, including the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass. As a result, visitors from mainland China may have easier and faster means of travel to and from Hong Kong, which may lead to more same-day visitors from mainland China and fewer visitors from mainland China requiring overnight accommodations in Hong Kong. This may in turn adversely affect overall demand for the hotel industry. We derive a sizable portion of our revenue from our hotel, restaurant and catering operating segment from, amongst others, overnight visitors from mainland China. Accordingly, the completion

and opening of any or all of the above transportation infrastructure projects may have a material adverse effect on our business, results of operations, financial condition and prospects.

RISKS RELATING TO THE GLOBAL OFFERING

There is no existing public market for the Shares and their liquidity and market price may fluctuate.

Prior to the completion of Global Offering, there was no public market for the Shares. We have applied for the offering of, and permission to deal in, the Shares on the Stock Exchange. The offering, however, does not guarantee that an active trading market for the Shares will develop, or, if it does develop, that following completion of the Global Offering, it will be sustained or that the market price of the Shares will not fluctuate. In addition, we cannot assure you that the offering will result in the development of an active and liquid public trading market for the Shares. Furthermore, the price and trading volume of the Shares may be volatile. Factors that may affect the volume and price at which the Shares will trade include:

- actual or anticipated fluctuations in our results of operations;
- announcements of new projects by us or our competitors;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations; and
- general economic, market or regulatory conditions or other developments affecting us or our industry.

Shareholders' interests in the share capital of the Company may be diluted in the future. We may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our business. We may require additional equity funding after the offering and the equity interest of Shareholders will be diluted should the Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

The sale of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

Future sales of a substantial number of the Shares by the current Shareholders could negatively impact the market price in Hong Kong of the Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by the Hopewell Controlling Shareholders are subject to certain restrictions regarding their disposal for a period of six months after the date on which trading in the Shares commences on the Stock Exchange. We cannot assure you that the current Shareholders will not dispose of any Shares they own now or may own in the future.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, Hopewell's business, our industry and the Global Offering.

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media, and/or research analyst coverage regarding us, our business, Hopewell's business, our industry and the

Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus.

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Relevant Parties and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon the facts and statistics contained in this prospectus.

DIRECTORS

Name	Residential address	Nationality
Chairman and Executive Director		
Sir Gordon Ying Sheung WU	25 Perkins Road Jardine's Lookout Hong Kong	British
Managing Director and Executive Director		
Mr. Thomas Jefferson WU	25 Perkins Road Jardine's Lookout Hong Kong	British
Deputy Managing Director and Executive Director		
Mr. Wing Lam WONG	Flat B, 20th Floor, Tower 9 Parc Royale 8 Hin Tai Street Shatin, New Territories Hong Kong	Chinese
Executive Director		
Mr. Albert Kam Yin YEUNG	House 40, Palm Drive Redhill Peninsula Tai Tam Hong Kong	British
Independent Non-executive Directors		
Mr. Ahito NAKAMURA	Flat A, 9th Floor, Tower 3 No. 37 Repulse Bay Road Hong Kong	Japanese
Mr. Stephen Hoi Yin LEE	3rd Floor, Tropicana Court 45 South Bay Close Hong Kong	British
Mr. Alexander Lanson LIN	Apt. A1, 10th Floor, Block A Villa Monte Rosa 41A Stubbs Road Hong Kong	Chinese

Joint Global Coordinators and Joint Sponsors	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong *(in alphabetical order)*
Joint Bookrunners	*Hong Kong Public Offering:* BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower, Citibank Plaza 3 Garden Road Central Hong Kong *International Offering:* BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower, Citibank Plaza 3 Garden Road Central Hong Kong
Legal Advisers to the Company	*as to Hong Kong laws:* Woo, Kwan, Lee & Lo 26th Floor, Jardine House 1 Connaught Place Hong Kong *as to US laws:* Dorsey & Whitney Suite 3008, One Pacific Place 88 Queensway Hong Kong *as to Cayman Islands laws:* Maples and Calder 53rd Floor, The Center 99 Queen's Road Central Hong Kong
Legal Advisers to the Joint Sponsors and the Underwriters	*as to Hong Kong and US laws:* Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
Auditors and Reporting Accountants	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway Hong Kong

Receiving Banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong The Bank of East Asia, Limited 10/F, 10 Des Voeux Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Central Hong Kong
Property Valuer	DTZ Debenham Tie Leung Limited 16th Floor, Jardine House 1 Connaught Place Central Hong Kong
Independent Market Consultant	Savills (Hong Kong) Limited 23rd Floor, Two Exchange Square Central Hong Kong

Registered Office in the Cayman Islands	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters and Principal Place of Business in Hong Kong Registered under Part XI of the Companies Ordinance	Room 63-01, 63rd Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Company's Website	**www.hopewellhkproperties.com** *(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information on the Company's website forms part of this prospectus*.)
Company Secretary	Mr. Cho Wa LAW *(FCCA, FCPA, FCS, FCIS)*
Authorised Representatives	Mr. Thomas Jefferson WU 25 Perkins Road Jardine's Lookout Hong Kong Mr. Cho Wa LAW Flat F, 10th Floor, Scholastic Garden 48 Lyttelton Road Mid-Levels Hong Kong
Audit Committee	Mr. Stephen Hoi Yin LEE (*Chairman*) Mr. Ahito NAKAMURA Mr. Alexander Lanson LIN
Nomination Committee	Sir Gordon Ying Sheung WU (*Chairman*) Mr. Ahito NAKAMURA Mr. Stephen Hoi Yin LEE
Remuneration Committee	Mr. Alexander Lanson LIN (*Chairman*) Mr. Ahito NAKAMURA Mr. Wing Lam WONG
Cayman Islands Principal Share Registrar and Transfer Office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Compliance Adviser	Anglo Chinese Corporate Finance, Limited 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
Principal Banker	Bank of China (Hong Kong) Limited 10th Floor, Bank of China Tower 1 Garden Road Hong Kong

REGULATORY OVERVIEW OF THE HONG KONG PROPERTY INDUSTRY

(i) The land system in Hong Kong

The freehold of all land in Hong Kong (except St. John's Cathedral in Central, which was granted freehold) is owned by the Hong Kong Government. Land is generally leased to private parties by the Hong Kong Government under long-term leases. Such leases are in the form of "government leases" which usually contain a few standard restrictions and carry a nominal annual rent, or in the form of "conditions of grant" which usually contain more restrictions and an annual rent linked to rateable value and under which the lessee will, subject to compliance with the conditions, be entitled to a lease of the land. The lessee of the government lease or conditions of grant is normally referred to as the owner of the leased property.

There are usually various restrictive covenants in the conditions of grant and sometimes in the government leases, including land use restrictions. If a lessee wishes to modify the land use restrictions or remove or modify development restrictions in a government lease or conditions of grant, the lessee must apply to the DOL, and is usually required to pay a premium for the same.

(ii) Government lease terms

The terms of government leases vary according to the prevailing land policies at the time. In the past, government leases have been granted for fixed terms of 75 years, 99 years, 150 years or 999 years with or without right of renewal.

The Sino-British Joint Declaration on the Question of Hong Kong was signed between the PRC government and the British government on 19 December 1984, coming into force on 27 May 1985. Amongst other things, it sets out provisions with regard to the grant of new land, and the extension of non-renewable land leases following the resumption of Chinese sovereignty over Hong Kong from 1 July 1997. It was provided that government leases granted by the Hong Kong Government between 27 May 1985 and 30 June 2047 would carry terms that expired not later than 30 June 2047. These leases were granted at a premium and nominal rent until 30 June 1997, after which date the lessees did not need to pay an additional premium, but were required to pay an annual rent to the Hong Kong Government equivalent to 3% of the rateable value of the property from time to time.

At the time of the Sino-British Joint Declaration on the Question of Hong Kong, many non-renewable leases were in existence in respect of land in the New Territories district of Hong Kong. Pursuant to the New Territories Lease (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong) (the "**New Territories Lease (Extension) Ordinance**"), which was enacted in 1988, all terms of government leases relating to land in the New Territories have been automatically extended to 30 June 2047, without payment of any additional premium, although the lessees are required under the New Territories Lease (Extension) Ordinance to pay an annual rent to the Hong Kong Government at 3% of the rateable value of the land from time to time.

On 1 July 1997, the Basic Law came into force. Amongst other things, it gives effect to the land policies enshrined in the Sino-British Joint Declaration on the Question of Hong Kong. Article 8 of the Basic Law provides that all laws previously in force in Hong Kong prior to 1 July 1997 (including the rules of equity, ordinances, subordinate legislation and customary law) shall be maintained, except for any that contravene the Basic Law, and subject to any amendment by the legislature of Hong Kong. It is further provided under Article 120 of the Basic Law that all leases granted, decided upon or renewed before the establishment of Hong Kong as a special administrative region of the PRC which extend beyond 30 June 1997, and all rights in relation to such leases, shall continue to be recognised and protected under the laws of Hong Kong and the policies formulated by the Hong Kong Government. In respect of leases of land without a right of renewal which expire after the establishment of Hong Kong as a special administrative region of the PRC, Article 123 of the Basic Law provides that such lease shall be dealt with in accordance with the laws and policies formulated by the Hong Kong Government on its own.

(iii) The disposal of land by the Hong Kong Government

Government land in Hong Kong is normally disposed of by way of public auction or tender under which the Hong Kong Government sells the land to the highest bidder or tenderer for a premium.

Since 1999, sites for government land have been made available by the Hong Kong Government through an application system. Under this system, the Hong Kong Government publishes lists of sites available for sale upon application, and sites on such lists are only put up for public sale if there is an offer to buy the sites at a premium acceptable to the Hong Kong Government. Following the making of such offer, the applicant may sign an agreement with the Hong Kong Government and pay a deposit equivalent to the lesser of 5% of the minimum price he is prepared to pay for the site and HK$25 million. An applicant whose minimum bid for a site is acceptable to the Hong Kong Government must still compete with others in an open auction or tender for the site.

On 28 February 2013, the Hong Kong Government announced that the application system for initiating the sale of Hong Kong government land will be abolished in respect of the Hong Kong Government's 2013–2014 Land Sale Programme, beginning in April 2013. During the course of the 2013–2014 Land Sale Programme, land sales will be conducted through regular tenders organised into quarterly schedules, allowing the Hong Kong Government to initiate sales of sites and control land supply by reference to market demand.

(iv) Deeds of mutual covenant and multi-story buildings

The Hong Kong Government does not issue a separate government lease for each unit in a multi-storey building. Generally, a document known as a "deed of mutual covenant" notionally divides the building and land granted under the government lease or conditions of grant into a number of equal undivided shares. The owners of units in a multi-storey building own collectively both the land, by way of leasehold, and the building upon it. Together, the land and building are held by the co-owners as tenants in common in proportion of these undivided shares which usually bear some relationship to the size of the individual units held by the various owners within the building.

Deeds of mutual covenant contain co-owners' agreements as to the manner of regulating their co-ownership of the land and the building and the effective maintenance and management of the building. Some deeds of mutual covenant may also provide for management shares to be allocated to each unit for the purposes of calculating a co-owner's contribution to management expenses. Under a deed of mutual covenant, each co-owner is allocated a number of shares which entitle that co-owner to the exclusive use and occupation of the co-owner's unit(s) to the exclusion of other co-owners, and giving each co-owner certain rights and obligations in relation to the use, maintenance and repair of the common parts and facilities of the building(s), to which each co-owner is bound to contribute a proportionate share of the associated costs and expenses by reference to the undivided shares or management shares allocated to its unit(s). Most deeds of mutual covenant also require a co-owner to pay management fee deposits and to make contributions to the management funds before taking possession of a unit.

(v) Compulsory acquisition of land

Many old buildings in Hong Kong are held under co-ownership as provided in paragraph (iv) above. Accordingly, to develop an old building, a developer needs to acquire all units in the building from each individual co-owner. Prior to 1999, in the event where one minority co-owner of a building refused to sell its unit to the majority owner and developer, the re-development of the building would be unable to proceed. To address this problem, the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong) (the "**Land (Compulsory Sale for Redevelopment) Ordinance**") was enacted in 1998, coming into force in 1999, whereby a person who owns (or persons who together own, other than as mortgages) not less than 90% of the undivided shares in a lot may make an application to the Lands Tribunal for an order for the sale of

the whole building for the purpose of redevelopment. The Land (Compulsory Sale for Redevelopment) Ordinance applies to all types of properties and is not limited to residential properties. If an applicant can prove to the satisfaction of the Lands Tribunal that certain specified requirements have been met, the Lands Tribunal may order the whole lot, including all the units owned by the minority owners, to be sold by way of public auction. Under the Land (Compulsory Sale for Redevelopment) Ordinance, an applicant may apply to the Lands Tribunal for an order for compulsory sale for the whole lot if, amongst other things, the following conditions are satisfied:

(a) the owner has already acquired not less than 90% of the undivided shares in the lot;

(b) re-development is justified due to the age or state of repair of the building; and

(c) the majority owner has taken reasonable steps to acquire all the undivided shares in the lot (including negotiation for the purchase of the shares owned by a minority owner on terms that are fair and reasonable).

The Land (Compulsory Sale for Redevelopment) Ordinance (Specification of Lower Percentage) Notice (Chapter 545A of the Laws of Hong Kong), which came into force on 1 April 2010, has lowered the compulsory sale application threshold to 80% for the following three classes of lots:

(a) a lot with each of the units on the lot representing more than 10% of all the undivided shares in the lot. In such case, the building must have less than ten units;

(b) a lot where the building is at least 50 years old; or

(c) a lot where the building is an industrial building which is at least 30 years old and lies within a non-industrial zone under a draft or approved Outline Zoning Plan prepared under the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong) (the "**Town Planning Ordinance**").

An applicant applying for a compulsory sale order under the above three categories must also satisfy the Lands Tribunal that (a) the re-development of the lot is justified due to the age or state of repair of the existing building; and (b) the majority owner has taken reasonable steps to acquire all the undivided shares in the lot.

(vi) Town planning and outline zoning plan

The Town Planning Board, formed under the provisions of the Town Planning Ordinance, is the principal body responsible for statutory town planning in Hong Kong. One type of statutory plan prepared and published by the Town Planning Board is known as the "outline zoning plan", which shows the land use zones, development parameters and major road systems of an individual planning area. Areas covered by outline zoning plans are, in general, zoned for specified purposes, such as residential, commercial, industrial, green belt, open space, government, institution or community uses. Each outline zoning plan includes as an attachment a "schedule of notes" showing the uses which are always permitted in a particular zone, and other uses for which prior permission must be sought from the Town Planning Board.

(vii) Occupation permit

An occupation permit is a document issued by the Buildings Department under the provisions of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the "**Buildings Ordinance**") and stipulates the designated use of the property as at the time of issue, and may be issued in respect of the whole or part of a new building. If any material change is intended to be made to the use of the premises which would contravene the designated user specified in the occupation permit, one month's notice must be given to the Building Authority of the intended change and the Building

Authority may prohibit such change of use where, in its opinion, the building is not suitable by reason of its construction for the intended use. The occupation permit confirms that the statutory requirements of the Buildings Ordinance have been complied with, and will also show the permitted use of the building. Under usual practice, the occupation permit must be produced by the vendor to prove title in a property transaction.

Inconsistency with an occupation permit is potentially a title defect for a property which may be subject to requisition by a purchase during the course of a sale and purchase transaction. In the event that such requisition is not answered to the satisfaction of the purchaser, or the purchaser does not otherwise agree to purchase the property subject to such title defect, inconsistency with an occupation permit may entitle such purchaser to refuse completion of a sale and purchase of that property. In the absence of the issuance of a building order by the Building Authority, however, the existence of discrepancies with the terms of an occupation permit does not carry penalty under the relevant building-related statutory provisions.

(viii) The Buildings Department and the Building Authority

Amongst other things, the Buildings Department provides services to owners and occupants of existing premises in the private sector through the enforcement of the Buildings Ordinance. Such services include the reduction of dangers and nuisances created by unauthorised building works and advertisement signboards, improving fire safety measures in buildings and providing advice on the suitability of premises for the issue of licenses for specified commercial uses. Any alteration of premises, including the building of, as well as demolition of, structures carried out without the required permits and consents under the authority of the Buildings Department may be subject to warning notices, and subsequent building orders issued by the Building Authority.

(a) The enforcement policy of the Buildings Department

On 1 April 2011, the Buildings Department issued a revised enforcement policy on the prioritisation of enforcement work of the Buildings Department against unauthorised building works, which came into effect from 1 April 2011. This policy stated, amongst other things, that the Buildings Department will no longer issue warning notices but warning orders to unauthorised structures on rooftops, flat roofs, yards and lanes of buildings, irrespective of their level of risk to public safety or whether they are newly constructed.

Under section 40(1BA) of the Buildings Ordinance, any person who, without reasonable excuse, fails to comply with building orders issued under section 24(1) of the Buildings Ordinance is liable on conviction to a fine of HK$200,000 and imprisonment for one year, as well as a further fine of HK$20,000 for each day during which failure to comply with such order has continued.

Under section 40(1B) of the Buildings Ordinance, any person who fails to comply with building orders issued under sections 26(1) or 28(3) of the Buildings Ordinance without reasonable excuse is liable on conviction to a fine of HK$50,000 and imprisonment for one year, as well as a further fine of HK$5,000 for each day during which failure to comply with said order has continued. Any prosecution under the Buildings Ordinance may be commenced within 12 months of non-compliance with the relevant building order, or within 12 months of such non-compliance coming into notice of the Building Authority. Further, if any order to remove unauthorised building works is not complied with, the Building Authority may direct a government contractor to carry out relevant works and bill the owner of the property (as at the date of completion of the work) for a supervision charge and all costs incurred.

(b) Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme

The Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme were introduced in June and December 2011, respectively, through the enactment of relevant

amendments to the Buildings Ordinance through the Buildings (Amendment) Ordinance 2011 and subsidiary legislation, including the Buildings (Inspection and Repair) Regulation (Chapter 123P of the Laws of Hong Kong). The amended Buildings Ordinance empowers the Building Authority to issue statutory notices to owners as necessary requiring them to carry out prescribed inspections and repairs of their buildings and windows every ten years and five years, respectively.

The owners or owners' corporations who do not comply with statutory notices for mandatory building inspection without reasonable excuse may be prosecuted, and are liable upon conviction to a fine of HK$50,000 and imprisonment for one year, while failure to comply with a statutory notice for mandatory window inspection without any reasonable excuse may lead to the service of a penalty notice for a fixed fine of HK$1,500. Each year, 2,000 buildings will be selected for both mandatory building and window inspection to be carried out concurrently, while 3,800 buildings will be selected for mandatory window inspection only.

(ix) Government rates in Hong Kong

Government rates in Hong Kong is a form of indirect tax levied on properties by the Hong Kong Government. The revenue collected from government rates forms part of the Hong Kong Government's general revenue. Government rates are charged at a percentage of the rateable value which is the estimated rental value of a property at a designated valuation reference date, assuming that the property was then vacant and to let. For the current financial year of 2013–2014, the percentage charge for government rates is 5%. On 27 February 2013, the Hong Kong Government announced that rates concession will be given to all ratepayers to offset the rates payable for the four quarters from April 2013 to March 2014, subject to a ceiling of HK$1,500 per quarter for each rateable tenement. For properties liable for rates for part of a quarter, the rates will be adjusted in proportion to that partial period in the corresponding quarter. Any unused portion of the concession in each quarter cannot be used to offset the outstanding rates in any other quarters.

Rateable values are subject to annual review by the Rating and Valuation Department of the Hong Kong Government, and properties in all parts of Hong Kong are liable to be assessed to rates under the Rating Ordinance (Chapter 116 of the Laws of Hong Kong). Both the owner and the occupier of a premises are liable for rates, and in practice, payment of government rates is dependent upon the terms of the agreement between these parties.

(x) Stamp duty in Hong Kong

The Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) (the "**Stamp Duty Ordinance**") imposes duty, payable within a specified time frame, on certain types of documents, including agreements for sale and purchase of properties in Hong Kong, conveyances on sale or leases of immovable properties in Hong Kong. All parties executing the relevant documents are liable for arrangement for the stamping of such documents within a prescribed time limit, failing which penalties of up to ten times the amount of stamp duty may become payable to the Hong Kong Government. Non-payment of penalties under the Stamp Duty Ordinance will attract civil liability, and any chargeable instrument which is not duly stamped will generally not be admissible in evidence in civil proceedings.

(a) Special stamp duty

In June 2011, the Stamp Duty (Amendment) Ordinance 2011 (Ordinance No. 14 of 2011) was enacted, pursuant to which a special stamp duty is imposed on disposal (which includes a resale or transfer) of residential properties in Hong Kong made within 24 months after its acquisition, on top of *ad valorem* stamp duty. Unless the transaction is exempted from special stamp duty or special stamp duty is not applicable, any residential property acquired on or after 20 November 2010 by either an individual or a company (regardless of the place of incorporation) which is resold within 24 months will be subject to special stamp duty.

On 26 October 2012, the Financial Secretary of the Hong Kong Government announced that the Stamp Duty Ordinance would be further amended to adjust the rates of special stamp duty and extended the property holding period for all residential properties acquired on or after 27 October 2012 to a period of 36 months. The applicable amended rates of special stamp duty, which are set out in the Stamp Duty (Amendment) Bill 2012 (gazetted on 28 December 2012) are:

- 20% if the property has been held for six months or less;
- 15% if the property has been held for more than six months, but for less than 12 months; and
- 10% of the property has been held for more than 12 months, but for less than 36 months.

(b) Buyer's stamp duty

It was further announced by the Financial Secretary of the Hong Kong Government on 26 October 2012 that a buyer's stamp duty on residential properties would be introduced with effect from 27 October 2012. The provisions in respect of this buyer's stamp duty are set out in the Stamp Duty (Amendment) Bill 2012 (gazetted on 28 December 2012), and provide that upon the enactment of this legislation, any residential property acquired by any person (including a company incorporated) except a permanent resident of Hong Kong will be subject to buyer's stamp duty. This buyer's stamp duty is charged at a flat rate of 15% on the full stated consideration or market value (whichever is higher) of all residential properties, on top of the existing stamp duty and special stamp duty, if applicable.

(c) Ad valorem stamp duty

On 22 February 2013, the Financial Secretary of the Hong Kong Government announced that the Stamp Duty Ordinance will be amended to adjust the *ad valorem* stamp duty rates and to advance the charging of *ad valorem* stamp duty on non-residential property transactions from conveyance on sale to the agreement for sale. Any residential property (save for residential property acquired by a permanent resident of Hong Kong who does not own any other residential property in Hong Kong at the time of acquisition) and all non-residential property, where the agreement for sale is executed on or after 23 February 2013 will be subject to new rates of *ad valorem* stamp duty upon enactment of the relevant legislation. In line with the existing regime, both the buyer and seller will be jointly and severally liable to pay the new *ad valorem* stamp duty irrespective of any agreement to the contrary between them.

The abovementioned proposals by the Hong Kong Government will have legal effect once the relevant legislation is enacted.

REGULATORY OVERVIEW OF THE HONG KONG HOTEL, RESTAURANT AND CATERING INDUSTRY

(i) Hotel and guesthouse licence

A hotel and guesthouse licence is a document issued by the Hotel and Guesthouse Accommodation Authority of the Home Affairs Department of the Hong Kong Government, which processes applications for new licences of hotels and guesthouses, their renewal as well as their transfer, under the provisions of the Hotel and Guesthouse Accommodation Ordinance (Chapter 349 of the Laws of Hong Kong) (the "**HGAO**").

According to the HGAO, a "hotel" or a "guesthouse" means any premises whose occupier, proprietor or tenant holds out that, to the extent of his available accommodation, he will provide

sleeping accommodation for any person presenting himself who appears able and willing to pay a reasonable sum for the services and facilities provided.

All new establishments must apply for a licence from the Hotel and Guesthouse Accommodation Authority before commencing operations unless a certificate of exemption has been issued or if the premise is excluded from the application of the HGAO under the Hotel Guesthouse Accommodation (Exclusion) Order (Chapter 349C of the Laws of Hong Kong) by reason of the sleeping accommodation being exclusively provided on a basis of a minimum period of 28 continuous days.

Validity periods of licences range from 12 to 84 months and are subject to renewal upon their expiration. The holder of a licence should apply for a renewal not less than three months prior to the expiry of the licence. It is the responsibility of the applicant to ensure that his premises do comply with the lease conditions, deed of mutual covenant and other regulations or laws of Hong Kong.

(ii) Restaurant licence

Any person operating a restaurant in Hong Kong is required to obtain a restaurant licence from the Food and Environmental Hygiene Department of the Hong Kong Government (the "**FEHD**") under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) (the "**FBR**") before commencing a restaurant business. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except with a restaurant licence.

A general restaurant licence or light refreshment licence will be issued by the FEHD depending on the type of food to be served. A provisional licence valid for a period of 6 months or a lesser period can be issued to licensees pending the issue of a full licence, which are generally valid for a period of 12 months.

(iii) Food factory licence

We are required under the FBR to obtain a food factory licence issued by the FEHD in respect of our food businesses involving the preparation of food for sale off the premises. A provisional licence, which is valid for a period of 6 months or a lesser period would be issued to a new applicant who has fulfilled the basic requirements in accordance with the FBR pending fulfillment of all outstanding requirements for the issue of a full food factory licence.

(iv) Liquor licence

In Hong Kong, a person must obtain a liquor licence from the Liquor Licensing Board under the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) (the "**DCR**") before the commencement of sale of liquor for consumption on the premises.

It is provided under section 17(3B) of the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) that where regulations prohibit the sale or supply of any liquor, no person shall sell, or advertise or expose for sale, or supply or possess for sale or supply liquor except with a liquor licence. Regulation 25A of the DCR prohibits the sale of liquor for consumption on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor licence. A liquor licence will only be valid if the relevant premises remain licensed as a restaurant. Applications for liquor licences are referred to the Commissioner of Police and the District Officer concerned for comments. In general, a liquor licence is valid for a period of 12 months or lesser period, subject to continuous compliance with the requirements under the relevant legislation and regulations.

(v) Water pollution control licence

In respect of certain of our operations in Hong Kong, we are required to obtain water pollution control licences from the Environmental Protection Department of the Hong Kong Government prior to any discharge of trade effluents under the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (the "**WPCO**").

Under sections 8(1) and 8(2) of WPCO, a person who discharges (i) any waste or polluting matter into the waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered into those waters) to impede the proper flow of the water in a manner leading or likely to lead to a substantial aggravation of pollution commits an offence. The occupier of the premise also commits an offence. Under sections 9(1) and 9(2) of the WCPO, a person who discharges any matter into a communal sewer or communal drain into a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain into a water control zone commits an offence. Section 12(1)(b) of the WCPO however, states that a person does not commit an offence under the aforementioned sections should the discharge or deposit in question be made under, and in accordance with, a water pollution control licence.

A licence will be granted with terms and conditions specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records. Authorised officers may carry out inspections to ensure the compliance of the discharge.

A water pollution control licence is generally valid for five years, subject to continuous compliance with the requirements under the relevant legislation and regulations. A water pollution control licence is renewable.

(vi) Hotel television (transmission) licence

A hotel television (transmission) licence is a document issued by the Communications Authority pursuant to section 6(D)(2)(a) of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong). A person is required to obtain a telecommunications licence to establish or maintain a means of telecommunication. The person who wants to establish or maintain a telecommunications system for the provision of television entertainment and information services within a hotel is required to apply for a hotel television (transmission) licence. Only hotels licensed by the Hotel and Guesthouse Accommodation Authority under the Telecommunications Ordinance will be considered by the Communications Authority.

A hotel television (transmission) licence is usually valid for 12 months and at the discretion of the Communications Authority, may be renewed for a period of 12 months at a time.

(vii) Place of public entertainment licence

In Hong Kong, no person shall keep or use any place of public entertainment without a licence issued by the Licensing Authority pursuant to the Places of Public Entertainment Ordinance (Chapter 172 of the Laws of Hong Kong) whereby the general public is admitted with or without payment. "Entertainment" includes, amongst others, a concert, opera, ballet, stage performance or other musical, dramatic or theatrical entertainment, cinematograph, laser projection display, circus, a lecture or story-telling, an exhibition of any pictures, photographs, books, manuscripts or other documents or things, a sporting exhibition or contest, a bazaar, an amusement ride or any mechanical device (other than such an amusement ride) which is designed for amusement or a dance party.

For a place of public entertainment specially designed as a theatre or cinema, an application is required to be made to the Licensing Authority together with supporting documents such as drawings

or diagrams showing the installation or any electric, lighting, cooling, ventilation or mechanical apparatus, and such information and specifications as the Buildings Department, Fire Services Department of the Hong Kong Government (the "**FSD**") or the Licensing Authority may consider necessary. The applicant shall make public his intention and the purpose for which the premises will be used by exhibiting a notice on the site, or by advertisement in four newspapers (two English and two Chinese) circulated in Hong Kong. A copy of the notice or each of the four newspapers, as the case may be, shall be forwarded to the Licensing Authority.

The Licensing Authority may, upon compliance with the requirements, issue a licence for the use of the premises for such period as may be specified. Such licence may be renewed at the discretion of the Licensing Authority after consultation with the Buildings Department and FSD.

Regulation 162(1) of the Places of Public Entertainment Regulations (Chapter 172A of the Laws of Hong Kong) provides that any person who desires to keep or use any place of public entertainment, which is other than a cinema or theatre, must submit an alternative application form together with supporting documents at least 42 days for a function requiring erection of temporary structure, or 18 days for a function other than a dance party not requiring erection of temporary structure, or seven working days for a dance party not requiring erection of temporary structure before the commencement of the proposed function.

OVERVIEW OF OTHER APPLICABLE LAWS AND REGULATIONS

Standards for electric vehicle charging facilities

As described in "*Business—Environmental Matters*", our properties at Hopewell Centre, Panda Place and KITEC offer charging facilities and free parking to visitors using electric vehicles as part of our support for the reduction of carbon emissions. The regulation of electric vehicle charging facilities is provided by the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) and the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), which require fixed electrical installations to comply with relevant requirements, and for electrical work on charging facilities to be carried out by registered electrical contractors and registered electrical workers of the appropriate grade. The Electrical and Mechanical Services Department of the Hong Kong Government has also published the "Technical Guidelines on Charging Facilities for Electrical Vehicles" in July 2011, prescribing recommendations for regular inspection of charging facilities, installation and maintenance considerations.

HISTORY

Our origins and the establishment of Hopewell brand trace back to 1963, when Sir Gordon Ying Sheung WU and his father Mr. WU Chung co-founded Hopewell Construction Company, Limited in Hong Kong, which is one of the first companies to obtain registered contractor status in Hong Kong. At the time of establishment, the development of properties for sale and construction were Hopewell Construction Company, Limited's core competence and in the course of 40 years, it has developed property projects with an aggregate GFA of over 25 million sq. ft. Since 1969, Hopewell has focused on the area of urban redevelopment, well before the establishment of statutory redevelopment bodies such as the Land Development Corporation, which was established in 1988, and the URA, which replaced the Land Development Corporation in 2001.

In the late 1970s, economic reform and the opening up of China to global trade provided new opportunities for investment into a large and emerging market. Following such developments, Hopewell took advantage of this opportunity and built a five-star 1,200 room hotel in Guangzhou, China, known as China Hotel (中國大酒店), which commenced operations in 1984. Having anticipated the infrastructure required to support urban and economic development, such as power plants, roads and highways, Sir Gordon Ying Sheung WU made a pioneering move to further extend Hopewell's investment focus to the Pearl River Delta region in China and developed Hopewell into one of the leading transport and infrastructure conglomerates over the next few decades. In August 2003, Hopewell successfully spun-off its highway and toll road operating and development businesses in China into Hopewell Highway.

While establishing a strong presence in China, Hopewell continued to expand its business interests in property investment and the hospitality industry in Hong Kong by applying its project management experience in the PRC to its projects in Hong Kong and gradually shifting its focus to asset management in the 2000s.

In the past four decades, we have developed a comprehensive property portfolio of assets located in prime locations and in areas with high redevelopment and significant growth potential. Since our establishment, we have been continually developing ourselves as one of the largest landlords in terms of GFA in Wan Chai through continued enhancement of our existing properties and construction of new projects, such as the 200 Queen's Road East Project and the Hopewell Centre II Project. Our Tsuen Wan properties, Panda Hotel and Panda Place, enjoy a well-recognised local reputation and have significant growth potential due to their convenient location and relative proximity to the PRC. We were also one of the first property developers to have a large-scale multi-purpose commercial complex in the Kowloon East district. The Hong Kong Government has recently announced that it intends to transform the Kowloon East district into Hong Kong's second CBD. For further information on our business, please refer to *"Business"*.

The key milestones in our over 40 years of heritage are set out below:

1970s Hopewell was listed on the Stock Exchange in August 1972. During this period, Hopewell engaged in the construction of a variety of properties, ranging from Conway Mansion, Rosemary and Evelyn Towers, and Butler Towers, being high-end residential properties, and Allway Gardens, a large housing and retail complex, to Kowloon Air Freight Agents Terminal, an industrial centre, and the Hing Wai Ice & Cold Storage, being a storage facility.

1980s Construction of the flagship property, Hopewell Centre was completed in 1983. It was the tallest building in Hong Kong for the next six years and is also known for its innovative architectural design and high utilisation rate. Between 1980 to 1989, we completed, among others, (i) our joint venture development, Telford Gardens, a large-scale private residential and commercial complex located in Kowloon Bay, (ii) several high-end residences located on Plantation Road on the Peak, and

(iii) Parkway Court located on Park Road in the Mid-Levels. Further, throughout the course of this decade, Hopewell contributed to the idea of widening Broadwood Road from a narrow one-way path in Happy Valley to a standard two-way road and constructed several high-end residential properties in this area such as Villa Lotto, Villa Rocha and Broadwood Park in the 1980s, and Broadview Villa in the 1990s.

1990s Panda Hotel opened in March 1992 and commenced operations with about 1,000 guest rooms. At the time, it had the largest number of guest rooms amongst all hotels in Hong Kong. In 1993, Wu Chung House, named in honour of the late Mr. WU Chung, the co-founder of the Hopewell Group, was completed. In 1995, construction of KITEC (formerly known as Hongkong International Trade & Exhibition Centre), one of the first large-scale multi-purpose commercial complexes in the Kowloon East district, was completed. We were involved in the design and construction of B P International House located in the prime location of Tsim Sha Tsui for its owner, Scout Association of Hong Kong, and continued to provide management services to B P International House since 1993.

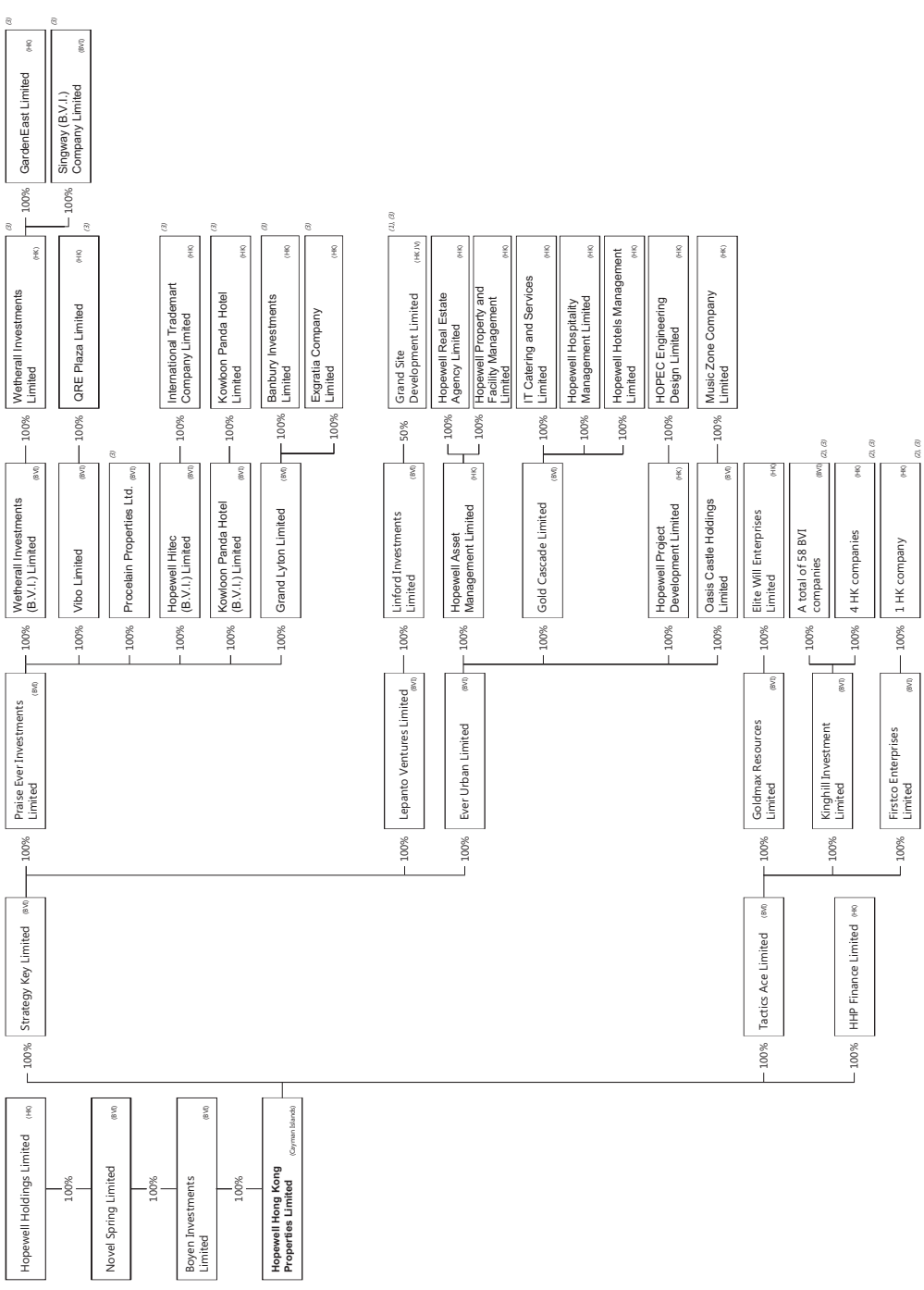
2000s The shopping arcade located beneath Panda Hotel underwent extensive renovation works and re-opened as Panda Place in 2005. E-Max, a new shopping and entertainment centre located in KITEC commenced operations in 2007. Between 2005 and 2009, we completed several construction projects in Wan Chai which are clustered around our flagship property, Hopewell Centre, such as QRE Plaza and GardenEast. In 2009, the tender for the 200 Queen's Road East Project in Wan Chai was awarded to the joint venture company which we formed with Sino Land.

2010s to the present The sale of units of Broadwood Twelve, a luxury apartment project in Happy Valley, commenced in 2010. The land exchange with the Hong Kong Government for Hopewell Centre II was completed in October 2012.

As at the Latest Practicable Date, the Group owned and/or operated several Hong Kong properties, including, among others, Hopewell Centre, QRE Plaza, Wu Chung House (six retail shops and 80 car parking spaces only), GardenEast, KITEC, Panda Place, Panda Hotel, Broadwood Twelve and the Amalgamation Properties. We are currently engaged in the development of Hopewell Centre II, a hotel with comprehensive conference facilities and the development of the 200 Queen's Road East Project, a URA redevelopment project with a joint venture partner. For more information on these properties and projects, please refer to *"Business"*.

CORPORATE STRUCTURE

The simplified shareholding and corporate structure of the Group after the Reorganisation and before the Global Offering is set out below:



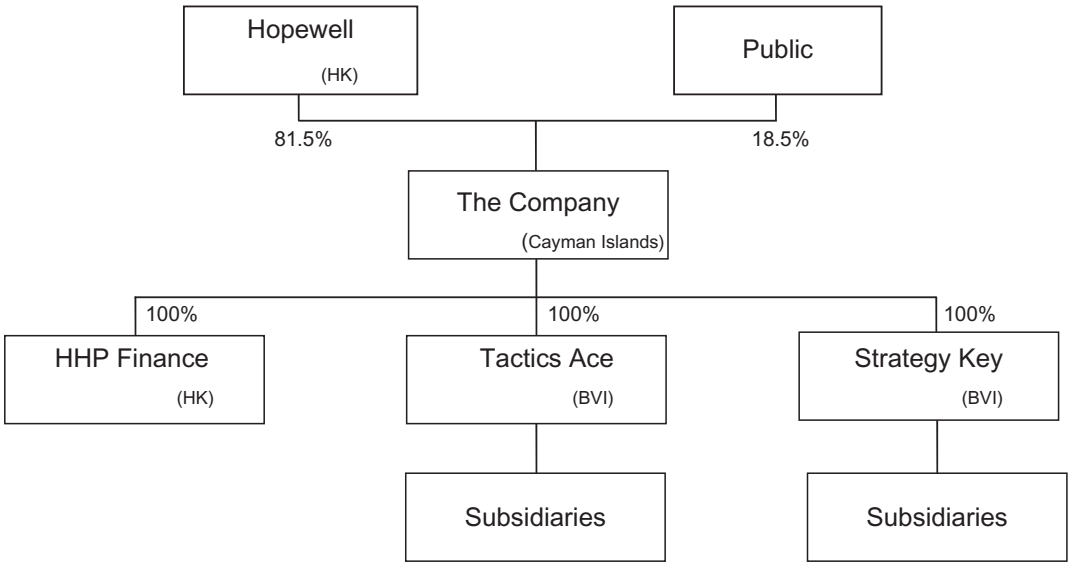
Notes:

(1) The other shareholder of Grand Site holding the other 50% of its entire issued share capital is Mega Sino, a wholly-owned subsidiary of Sino Land.

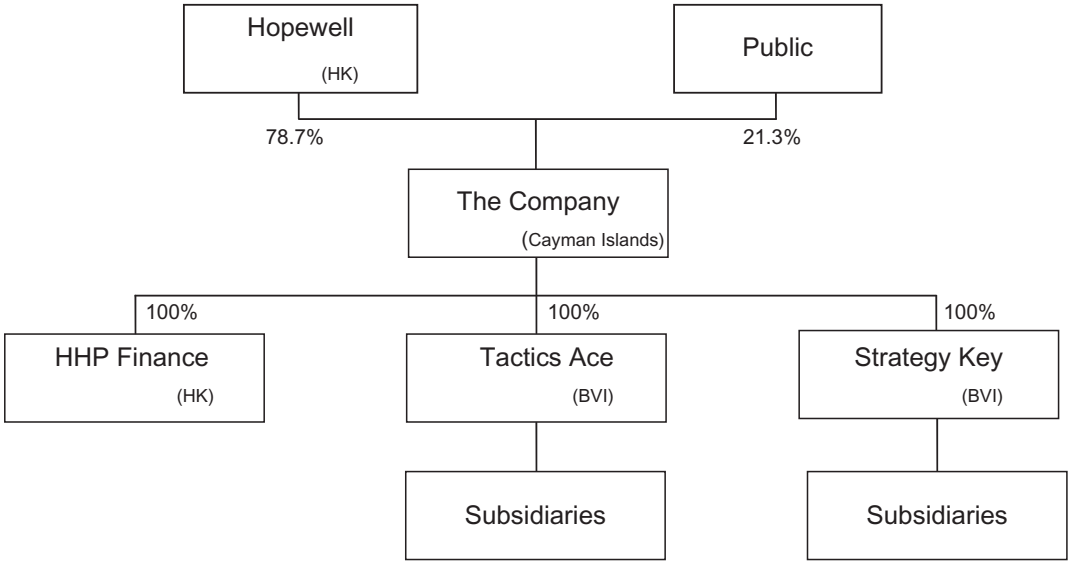
(2) Such companies were established for the purposes of, among others, holding properties for the purpose of site amalgamation.

(3) Such companies directly hold the Group's property interests.

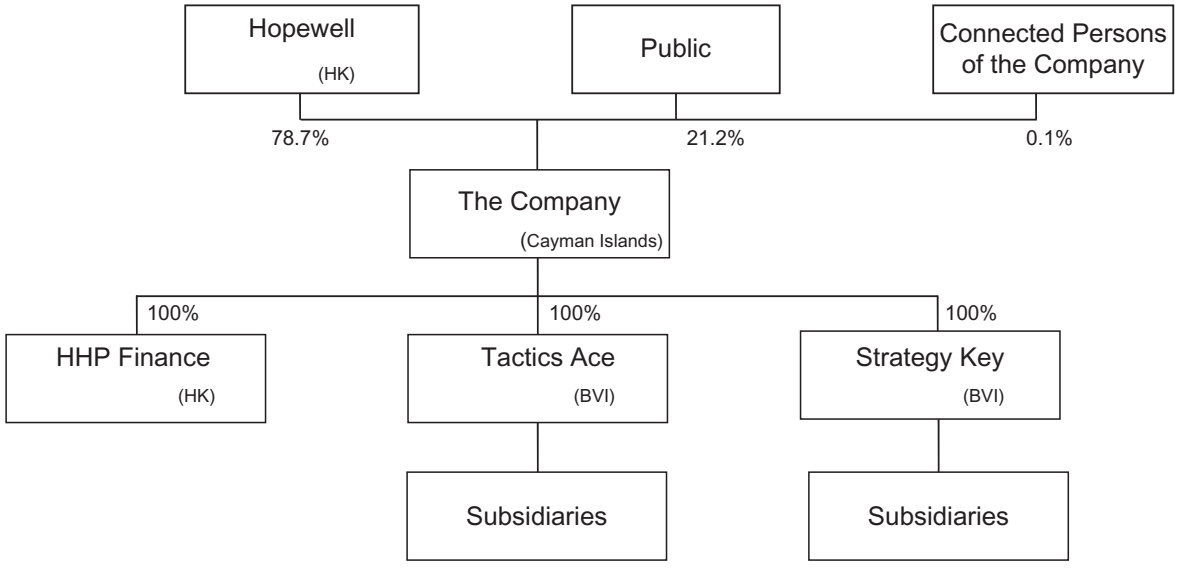
The simplified shareholding and corporate structure of the Group immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and that no connected person of the Company who is an Eligible Employee or a Qualifying Hopewell Shareholder takes up any Shares under the Employee Preferential Offering or the Preferential Offering (as the case may be)) is set out below:



The simplified shareholding and corporate structure of the Group immediately following the completion of the Global Offering (assuming that the Over-allotment Option is exercised in full, and that no connected person of the Company who is an Eligible Employee or a Qualifying Hopewell Shareholder takes up any Shares under the Employee Preferential Offering or the Preferential Offering (as the case may be)) is set out below:



The simplified shareholding and corporate structure of the Group immediately following the completion of the Global Offering (assuming that (i) the Over-allotment Option is exercised in full; (ii) the Assured Entitlements under the Preferential Offering are fully taken up by the Qualifying Hopewell Shareholders (except Sir Gordon Ying Sheung WU, Mr. Thomas Jefferson WU and Lady WU Ivy Sau Ping KWOK, and the companies controlled by them, who will not take up any Reserved Shares to which they or the companies controlled by them would be entitled to apply for under the Preferential Offering[(1)]); (iii) no connected persons of the Company who is an Eligible Employee takes up any Shares under the Employee Preferential Offering; (iv) connected persons of the Company would not take up any Shares except in the capacity of Qualifying Hopewell Shareholders; and (v) there is no change in the relationship between the Eligible Employees and the Qualifying Hopewell Shareholders on the one hand and the Group on the other hand after the Latest Practicable Date) is set out below:



Spin-off by Hopewell

On 8 February 2013, Hopewell announced, among others, that on 14 January 2013, it had submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules ("**PN15**") in relation to the proposed spin-off of the Company by way of a separate listing of the Shares on the Main Board of the Stock Exchange (the "**Spin-off**") and that the Stock Exchange had, on 6 February 2013, granted approval on the Spin-off proposal and confirmed that Hopewell may proceed with the Spin-off. In the same announcement (the "**PN15 Announcement**"), Hopewell also announced, among others, that the reduction of the issued share capital of the Company held by it following completion of the Spin-off would be expected to constitute a deemed disposal under Rule 14.29 of the Listing Rules and that this may constitute a major transaction of Hopewell under Chapter 14 of the Listing Rules. Accordingly, the Spin-off would be subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The Spin-off was approved by an ordinary resolution passed at an extraordinary general meeting of Hopewell held on 23 May 2013.

Note:

(1) For further details, please refer to "*Structure of the Global Offering — The Preferential Offering — Basis of the Assured Entitlement*".

REASONS FOR THE SPIN-OFF

In the PN15 Announcement, Hopewell stated, among others, that it considered the Spin-off to be in the interests of Hopewell and the Hopewell Shareholders taken as a whole based on the following reasons:

(i) More defined business focus and efficient resource allocation:

The separate listing of the Company creates a more defined business focus for both the Group and the Remaining Group. Following completion of the Spin-off, the Remaining Group will focus on further development of property development and investment, property related services and hospitality businesses and power in the PRC (the "**Remaining Group Businesses**"). The Group will focus on the property development and investment, property related services and hospitality businesses in Hong Kong (the "**Group Businesses**"). The Spin-off will separate the strategies for each of the Remaining Group and the Group and allow the respective management to efficiently allocate their resources to their respective businesses. The Spin-off will help to establish the Company as a premium Hong Kong property pure play platform and further enhance branding for its Hong Kong property development and investment, property related services and hospitality businesses.

The independent listing of the Company will also lead to a distinct alignment of its management's responsibilities and accountability with its operating and financial performance. This is expected to result in enhanced management focus, which should in turn lead to improved decision-making processes, faster response-time to market changes and increased operational efficiency. The top management of the Company will be under heightened scrutiny from the investor community, which will be able to measure their performance against the stock market performance of the Company relative to its industry peers listed on the Stock Exchange. It will also be possible to link management incentives to such performance, thereby increasing management motivation and commitment.

(ii) Enhances access to capital markets for the Group and increases financing flexibility:

As a result of the Spin-off, the Remaining Group and the Group will have separate fund raising platforms in the equity and debt capital markets, which will increase financing flexibility for both groups. This flexibility will create a separate robust capital structure with a separate balance sheet for the Group and will allow the Company to independently raise capital to support its growth through continuing organic expansion as well as acquisitions (as demonstrated by the raising of equity via the Global Offering, should it proceed). A listing on the Stock Exchange will also provide clarity to the credit profile of the Company for rating agencies and financial institutions that wish to analyse and lend against the credit rating of an operator of Hong Kong property development and investment, property related services and hospitality businesses.

(iii) Clarifies the equity story and creates own investor base for the Group Businesses:

Through the Spin-off, the Group Businesses will be able to be valued on a stand-alone basis and investors will be provided with more details regarding the operating performance of each of the Group and the Remaining Group so that they can better analyse their respective businesses.

The Spin-off will also help to diversify the shareholder base of Hopewell as a whole. The Group will also be able to attract new investors who are seeking investments specifically in the industries of Hong Kong property development and investment, property related services and hospitality, thereby creating its own investor base and market following.

(iv) Creates value for the Hopewell Shareholders by better identifying and establishing the value of the Group:

The Hopewell Board believes that a separate listing of the Group Businesses will enhance value for the Hopewell Shareholders by better identifying and establishing the fair value of the Group Businesses. Given that the Company will remain as a subsidiary of Hopewell after completion of the Spin-off, the Hopewell Board believes that this value will represent an enhancement to its existing value within the confines of Hopewell's listing, as Hopewell will benefit directly from the Company's growth. Listing the Group Businesses separately can improve transparency of its market value by increasing visibility of its future earnings, bringing direct research coverage and aligning the specific characteristics of Hong Kong property development and investment, property related services and hospitality businesses with the appropriate investor base. The Hopewell Board also believes that the Spin-off of the Company will mark a new milestone of growth for Hopewell's corporate branding.

On 8 February 2013, Hopewell announced, among others, that in accordance with the requirements of PN15, it proposes to give due regard to the interests of the Hopewell Shareholders by providing the Qualifying Hopewell Shareholders pursuant to the Assured Entitlement if the Spin-off proceeds. Details of the Preferential Offering are set out in "*Structure of the Global Offering*".

OVERVIEW

We are one of the leading developers, owners and operators of high quality properties in Hong Kong given our recognition as one of the "Top Ten Developers" in Hong Kong at the BCI Asia Awards 2012. We have a highly recognised brand, symbolising quality, innovation and excellence, and a well-established track record of over 40 years of creating shareholder value through developing projects in prime locations and in areas with high redevelopment and significant growth potential in Hong Kong. We have three main business segments:

- property investment, comprising property letting, agency and management;
- hotel, restaurant and catering operation, comprising hotel ownership and management, restaurant operations and food catering; and
- property development, comprising the development and/or sale of investment properties held for sale, property under development and project management.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths which allow us to compete effectively in the property markets in Hong Kong.

A property portfolio strategically located in prime locations and in areas with high redevelopment and significant growth potential

Our properties are strategically located in prime locations and in areas with high redevelopment and significant growth potential in Hong Kong, including Wan Chai, Kowloon East and Tsuen Wan. By leveraging our asset management and execution capabilities as well as our local knowledge of the districts where our properties are located, we have developed and are developing properties that promote and impact the development of the surrounding communities.

(a) Wan Chai

We have operated in Wan Chai for over 30 years and are one of the largest landlords in Wan Chai in terms of GFA with a comprehensive portfolio of properties clustered around the Company's flagship property, Hopewell Centre. We are well positioned to benefit from the growing popularity and the ongoing redevelopment of the area. In view of this, we have created and launched "The East" as a brand for a dining and entertainment community in Wan Chai in December 2007, which we expect to drive the redevelopment of Wan Chai and position our properties well with the evolving demographics of the area. We believe that "The East" brand will enhance our tenant mix and current position in Wan Chai, which encompasses our following existing and future properties (all of which are within close proximity to each other):

- Hopewell Centre
- QRE Plaza
- Wu Chung House (six retail shops and 80 car parking spaces only)
- GardenEast
- Hopewell Centre II (currently under development and which is expected to be completed by 2018)
- 200 Queen's Road East Project (a joint venture project currently under development and which is expected to be completed by 2015)

Wan Chai has become increasingly attractive to corporate tenants and over time has become a prime CBD due to its proximity to Central and Admiralty, which are the traditional CBDs of Hong Kong. The demand for quality office space in Central and Admiralty has surpassed the limited supply, thereby creating an increase in rental rates in these areas in recent years. This has resulted in a decentralisation trend whereby many corporate tenants are opting to relocate from Central and Admiralty to other areas, which creates a spill-over effect in adjacent areas such as Wan Chai, resulting in rising rental rates for office space in Wan Chai. Rental rates in Wan Chai has also exhibited resilience in the recent economic downturn given that, while rental rates have declined, the decline is much smaller than other areas in Hong Kong. According to the Savills Report, the gap in office rents between Central and Wan Chai is expected to continue to narrow.

At the same time, the Wan Chai area has become increasingly affluent. According to the Savills Report, residents in Wan Chai now have the highest income on average across all districts in Hong Kong. In recent years, there have been various private sector-driven and government-initiated redevelopment projects to revitalise the area, creating a cluster effect which we believe will continue to increase traffic to the area and attract more high-income residents. Our aim is for our completed and future investment properties to initiate transformational change in the Wan Chai area, turning it into a rejuvenated hub comprising of premium residential, office, hotel, serviced apartment and retail elements by 2018. We model such transformational initiatives in Wan Chai against a similar model adopted for Roppongi Hills in Tokyo, one of Japan's largest integrated property developments.

(b) Kowloon East

We are one of the first property developers to have a large-scale multi-purpose commercial complex in the heart of the 488-hectare Kowloon East district, which comprises the Kai Tak Development Area and the former industrial areas of Kwun Tong and Kowloon Bay. Accordingly, we have enjoyed a first mover advantage in building up our brand recognition and operating experience in the area.

Our Kowloon Bay property, KITEC (and E-Max which is integrated within KITEC), will benefit from the large-scale development of the area. In October 2011, the Hong Kong Government announced its plans to transform Kowloon East into a new central business district in Hong Kong (branded as "CBD2"). It is estimated that there will be a total supply of office space in Kowloon East, which, once completed, will be twice the existing supply of office space in Central. Kowloon East is an emerging place and over the years has attracted multinational companies and other tenants from Hong Kong Island who are looking for affordable rents and availability of contiguous spaces.

In June 2012, the Hong Kong Government established the Energizing Kowloon East Office, a branch of the Development Bureau, to launch and implement various initiatives, including plans to relocate several government offices to the area, development of public and private housing units, construction of sports and tourism facilities and the enhancement of pedestrian access networks. Transportation links will also be improved by the current construction of the Shatin-Central Link MTR network extension project and the consideration of an environmentally friendly linkage system (otherwise known as EFLS) to be implemented throughout Kowloon East. A cruise terminal meeting international standards located at the site of the former Kai Tak airport is expected to commence operations in June 2013.

Furthermore, in January 2013, the Hong Kong Government proposed in its 2013 policy address to set up a recreational landmark, "Kai Tak Fantasy", on the former runway tip of the Kai Tak Development Area, which can be turned into an "edutainment" destination reflecting Kai Tak's unique aviation, maritime and transportation history. We believe that the synergy of these developments will create a cluster effect that will increase traffic flow to the Kowloon East district and therefore, increase demand for services and offerings at KITEC.

(c) Tsuen Wan

Our properties, Panda Hotel and Panda Place, have significant growth potential in light of their well-recognised reputation in the Tsuen Wan district. Given Tsuen Wan's relative proximity to mainland China and its convenient transportation links, being close to the Hong Kong International Airport and serviced by the Tsuen Wan, West Rail, Tung Chung and Airport Express MTR lines, Tsuen Wan is an attractive option for mainland Chinese and other Asian travellers who are looking for an affordable and convenient location to stay in Hong Kong. The area has also experienced a general increase in population since the completion of the Tsuen Wan Town Centre project by the URA in 2007, which has created a more vibrant environment and community. Accordingly, the number of visitors to Panda Place has been increasing steadily and the tenant mix has improved. Panda Hotel has also experienced a steady increase in average occupancy rates and room rates in recent years.

A distinct and integrated portfolio of stable income-generating properties

We have a distinct portfolio of properties in Hong Kong that includes office, retail, residential, convention and exhibition and hotel properties. Our strategic mix of properties allows us to generate steady rental income and includes the following:

(a) Complementary cluster of properties in Wan Chai

We own a combination of office and retail properties and serviced apartments that are located within close proximity in Wan Chai, which includes Hopewell Centre, QRE Plaza, our interests in Wu Chung House and GardenEast. The cluster effect of these properties creates an integrated community experience for the working population and residents in Wan Chai and nearby areas. We expect that the synergies created by the retail elements of our existing properties, together with our future projects such as Hopewell Centre II and the 200 Queen's Road East Project, in Wan Chai will further enhance our overall rental performance in the future.

(b) KITEC and E-Max in Kowloon Bay

KITEC and E-Max is an integrated high-quality and large-scale multi-purpose commercial complex with convention and exhibition space, performance venue capabilities, as well as office and retail space. E-Max is a popular venue for hosting a wide variety of events, including art and entertainment events. E-Max provides a comprehensive range of dining, entertainment and lifestyle options to visitors and tenants. The Star Hall at KITEC is a multi-purpose convention and exhibition venue that offers a seating capacity of between 3,000 and 3,600 for concerts and seminars and banquets of up to 160 tables in size. Given its capacity, Star Hall is highly popular for performances catering to such audience sizes.

(c) Panda Hotel and Panda Place in Tsuen Wan

Panda Hotel is a full-service hotel in Tsuen Wan which has a retail podium, Panda Place, that targets a younger clientele and also serves as a shopping stop for travellers. By proactively improving the tenant mix of our properties and carrying out various asset enhancement plans, we have been able to maintain high occupancy rates and achieve strong average growth in daily room rates and rental rates at Panda Hotel and Panda Place. For example, the average occupancy rate at Panda Hotel was approximately 84.3%, 89.5%, 89.9% and 93.6% in FY2010, FY2011, FY2012 and 1HFY2013, respectively, and the average daily room rate at Panda Hotel was approximately HK$426.0, HK$565.0, HK$700.0 and HK$752.0, respectively, during the same periods. Given the integrated structure of Panda Hotel and Panda Place, the synergy created by the complex draws customers and visitors and provides stable recurring income to the Company.

Effective and experienced asset management capabilities and sound financial management

Our effective and experienced asset management capabilities are characterised by a focus on asset enhancement, proactive lease management and capturing opportunities arising from market trends and for synergistic growth. We have historically enhanced the value of our property portfolio and attracted high-quality tenants through various asset enhancement and refurbishment works, such as our continued refurbishment of Panda Place and Hopewell Centre. One of our key operating strengths is derived from the proactive and high-level monitoring of our properties which allows us to plan and cater for the future expansion needs of our tenants who intend to take up larger office or retail space.

We also adopt a proactive approach in managing our tenant mix to continually optimise our property portfolio, maintain high occupancy rates and secure rental income in advance. The expected rental revenue for FY2013 in respect of the office portions of Hopewell Centre and KITEC, arising from tenancy and licence agreements in force as at 31 December 2012 (excluding the Group's tenancies for its own use), amount to approximately HK$193.7 million and HK$78.3 million, which represents approximately 108.3% and 111.4% of the relevant properties' rental revenue for FY2012, respectively. By monitoring and actively forecasting market trends, we have also achieved rental reversions on our properties and are well-positioned to benefit from the expected strong rental growth from the redevelopment and revitalisation of the areas where our properties are located. In addition, we use a proprietary LIS, which was developed in-house to effectively monitor and manage various aspects of our tenancies, including tenancy renewals and forecasts and cost control measures.

Our business operations and property development projects are well supported by income generated from operating activities and various forms of external financing which provide us with the flexibility to capture market opportunities as they arise. We manage our exposure to debt conservatively and have historically in recent years maintained relatively low leverage. As at 31 December 2012, our net debt-to-shareholders' equity ratio was approximately 17.0%.

Strong brand with visionary management and high standard of corporate governance

We have an established operating history of over 40 years during which time we have established a strong brand representing quality, innovation and excellence. Hopewell Centre, the first circular skyscraper in Hong Kong, is an iconic landmark in Hong Kong and has become synonymous with the Wan Chai district. It was the tallest building in Hong Kong from 1983 to 1989. Our portfolio of prominent and high quality properties in prime locations and in areas with high redevelopment and significant growth potential in Hong Kong and the "Hopewell" brand have made us a partner of choice for a diverse range of internationally reputable tenants, such as Rolls Royce, McLaren, Bayer and Principal Trust Company (Asia) Limited. We believe that the goodwill associated with our brand name instils consumer confidence. We were recognised as one of the "Top Ten Developers" in Hong Kong at the BCI Asia Awards 2012, which recognises the top developers in Hong Kong that had the greatest impact on the built environment.

Our management team has solid industry experience and strong execution capabilities. Our management team's ability to identify and act effectively on market opportunities with a pioneering vision provides us with a competitive edge to capture and capitalise on important market trends and market niches. Our investment and capital management processes are highly disciplined. We carefully review risks related to our asset enhancements and property developments to limit our exposure and aim to maximise returns.

We are also committed to a high standard of corporate governance and have received multiple awards for corporate governance, investor relations and social responsibility (including the "Best Investor Relations" and "Best Corporate Social Responsibilities" awards at the Asian Excellence Recognition Awards in 2011 and 2012, which were organised and awarded by Corporate Governance Asia). In addition, our managing Director, Mr. Thomas Jefferson WU, was awarded the "Director of the

Year Award" by the Hong Kong Institute of Directors in 2010 where he was cited by the panel of judges as being a "thoughtful, visionary and pragmatic leader with a good understanding of the Company's strengths and developmental needs". He was also named "Asia's Best CEO (Investor Relations) in Hong Kong" in 2012 and is a two-time award winner at the Asian Corporate Director Recognition Awards in 2011 and 2012, both of which were organised and awarded by Corporate Governance Asia.

We believe that our emphasis on branding, asset enhancement and strong management is key to maintaining the high quality of our properties and services throughout our projects, from conception to completion and to post-completion management. We conduct ongoing reviews of our property portfolio and implement strategic enhancement plans to create and optimise long-term value in our existing properties. For example, we have enhanced the value of Hopewell Centre, Panda Place and KITEC by refurbishing the premises, upgrading the properties' facilities and carrying out reconfiguration layouts to meet the demands of tenants as well as refining the tenant mix to bolster our assets' performance.

BUSINESS STRATEGIES

Continue to create shareholders value through development of projects in prime locations and in areas with high redevelopment and significant growth potential

We seek to create long-term value by integrating large-scale, mixed use and new projects with our existing cluster of properties into developments that will allow people to live, work, socialise and shop in close proximity. For example, we have strategically partnered with Sino Land to work with the URA in developing the 200 Queen's Road East Project, a high-end large-scale mixed-use project in Wan Chai, which will be one of the largest future residential projects on Hong Kong Island in terms of number of units. By integrating the 200 Queen's Road East Project and the Hopewell Centre II project with our existing property portfolio in Wan Chai, our aim is to increase traffic and pedestrian flow within the enlarged cluster of properties. We aim to bring vitality to the local community and highlight the surrounding area's distinctiveness by incorporating redevelopment, heritage conservation and green elements, which will enhance rental return. We believe that additional synergies will be realised from a diversified and balanced mix of office, retail, residential, hotel and serviced apartment together with an interconnecting pedestrian walkway, which will provide a continuous link via our properties from Kennedy Road to Wan Chai MTR station and Wan Chai North (which covers another major business district in Wan Chai).

In line with our belief in pioneering urban redevelopment, we believe that our current projects will revitalise and transform the districts where they are located, which will in turn further enhance the value of our property portfolio. Accordingly, we intend to continue to evaluate and acquire strategic sites or properties that we believe will further add value to, and complement, our existing property portfolio, and will enter into strategic partnerships to achieve these goals. Furthermore, we firmly believe in contributing to the local communities where we operate by proactively engaging and consulting various stakeholders such as local district councils and non-governmental organisations to further develop the local community network. Our vision is to become a leader in transforming the local communities where we operate, and we will ensure that our properties in development will continue to add value to our existing portfolio.

Maintain a well-planned pipeline of future strategic development and asset enhancement projects

We have a pipeline of new projects which we believe will generate synergies with our existing properties in Wan Chai and will further energise the area by bringing in new residents, workers and visitors. This includes the 200 Queen's Road East Project, a high-end large-scale mixed-use development project in Wan Chai, and the Hopewell Centre II project, which will include one of the largest hotels in Hong Kong (in terms of number of rooms) with comprehensive conference facilities. The 200 Queen's Road East Project is a landmark redevelopment project and will include

approximately 1,300 residential units and a themed retail portion linked to Wan Chai MTR station. We expect that the Hopewell Centre II project will further increase traffic to the area with the construction of a 55-storey complex, which adjoins to Hopewell Centre and will include over 1,000 guest rooms coupled with convention, office and retail space. We believe there is market demand for a large-scale hotel with comprehensive conference facilities that has the capacity to accommodate large-size conference delegations at international premium standards. Both projects will be linked with our existing properties, Hopewell Centre and QRE Plaza, as well as the Wan Chai MTR station and have infrastructure access to the Hong Kong Convention and Exhibition Centre. Upon completion of the 200 Queen's Road East Project and Hopewell Centre II, our properties portfolio will become one of the largest retail clusters in Wan Chai CBD and on Hong Kong Island with an estimated GRA of approximately 640,000 sq. ft.

We have submitted an application to the Buildings Department for a planned major asset enhancement to transform the retail space of KITEC into an entertainment-driven commercial space with a multi-cinema complex and spacious layouts to attract a desirable mix of tenants. We are continuously identifying and evaluating other asset enhancement and development opportunities that will add synergistic value to our existing properties and further strengthen our investment properties portfolio to achieve long-term growth and profitability.

Proactive management and asset enhancement strategies to achieve sustainable growth

We are able to achieve sustainable growth and strengthen our brand through active management of our properties and a strong focus on service and quality. We are continuously optimising our retail and office tenant mix to achieve rental reversion and maintain high occupancy rates.

We will continue to upgrade our existing properties through enhancements such as facade renovations and refurbishments. We believe that the asset enhancements carried out on our existing properties enhance their marketability to tenants. For example, we are currently carrying out renovations on Panda Hotel to provide "premium" floors to cater to a growing demand for value-added services and features. The office and common areas of Hopewell Centre were also refurbished and there are plans to revamp its retail podium and facade. We believe this will strengthen our image as a premium property company in Hong Kong.

Continue to identify and capitalise on market opportunities to develop pioneering landmark properties

We will continue to leverage our extensive experience in the property industry to identify and capitalise on market opportunities to develop pioneering landmark properties. For example, we have identified the shortage of conference space and the limited supply of large-scale and high-end hotels in prime locations of Hong Kong, and have accordingly formulated our plan to develop the Hopewell Centre II conference hotel, which is strategically located in the CBD of Wan Chai. In addition, we recognised the lack of performance venues in Hong Kong and have introduced a "live-house" concert performance concept, which is well developed in countries like Japan and Taiwan, at E-Max to further enhance its entertainment elements. "Music Zone", a "live-house" designated venue for music events, was set up in July 2012 with an audience capacity of 500-600 persons. Unlike other venues within E-Max, "Music Zone" is equipped with a built-in stage, professional sound, lighting equipment and musical instruments.

Remain focused as one of the leading Hong Kong property companies

We will continue to focus on premium quality properties in prime locations and in areas with high redevelopment and significant growth potential in Hong Kong. Our aim is to maintain a diversified property business model which includes office, retail, residential, service apartment, convention and exhibition and hotel properties. We will also continue to enhance our existing property assets and actively seek strategic acquisitions to create synergy. As one of the few convention and exhibition facilities providers in Hong Kong, we aim to leverage our flexibility as a private-sector operator to

grow our business, strengthen our market share and improve our profitability. At the same time, we will continue to grow our hotel business to take advantage of the growing demand for hotel rooms in Hong Kong. Our overall focus on Hong Kong allows us to benefit from its favourable tax regime and relatively stable legal, regulatory, political and business environment.

Continue to adopt a disciplined capital management approach to maintain a strong and healthy financial position

We intend to maintain a strong and healthy financial position through a disciplined approach towards capital management. Our intention is to continue to invest in and develop projects in a prudent and focused manner and to maximise flexibility in funding our projects by maintaining access to, and exploring, different financing alternatives.

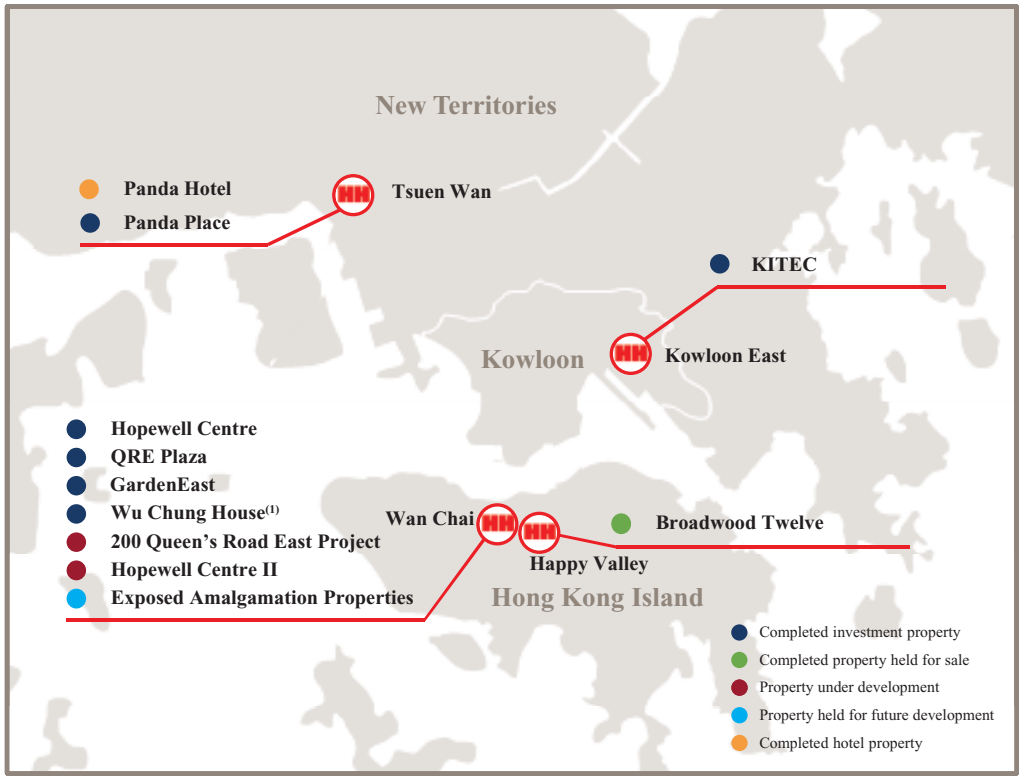
We will also continue to implement strict cost control measures to maximise our capital return and to maintain a strong financial position.

OUR PROPERTY PORTFOLIO

Overview

We own a diversified portfolio of properties in Hong Kong that includes office, retail, convention and exhibition, serviced apartment, residential and hotel properties. Excluding Hopewell Centre II, 200 Queen's Road East Project, Broadwood Twelve and the Amalgamation Properties, our property portfolio has an aggregate GRA attributable to the Group of approximately 3.5 million sq. ft. and a total value of approximately HK$30,894.6 million, as determined by DTZ, as at 31 March 2013.

The map below provides an overview of our property portfolio:



Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

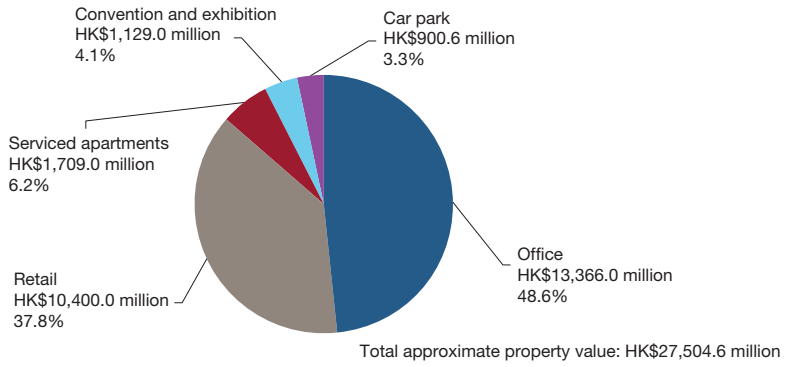
In this prospectus, unless the context requires otherwise:

- "investment property" means the investment properties which we hold for long term investment, consisting mainly of our office, retail, convention and exhibition and serviced apartment properties;
- "hotel, restaurant and catering operation" means the hotel which we own and manage as well as restaurant and food catering operations and unless expressly specified, does not include the hotel in Hopewell Centre II; and
- "property development" means the development of investment properties which we hold for sale, our property under development and project management.

Completed Investment Property

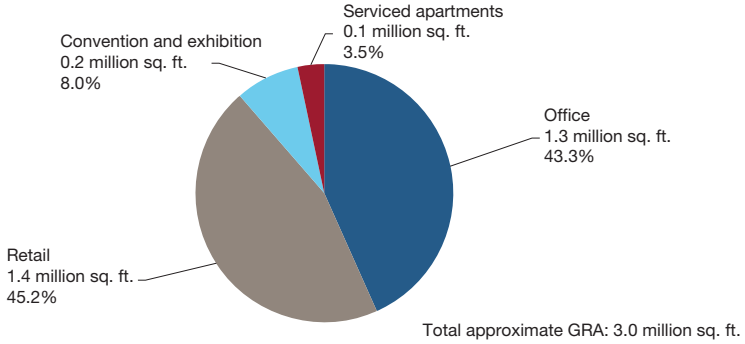
The chart below shows a breakdown of our completed investment property portfolio by type of property (excluding Broadwood Twelve and Panda Hotel) by value attributable to the Group as at 31 March 2013. All valuations cited in this section are derived from professional valuations, including those set out in the table in *"Business — Investment Property Portfolio — Overview of completed investment property"* below, which shows a breakdown of our completed investment property portfolio, and in *"Appendix IV — Property Valuation"*.

Property valuation of completed investment property portfolio by type of property as at 31 March 2013



The chart below shows the approximate GRA (attributable to the Group) of our completed investment property portfolio (excluding Broadwood Twelve and Panda Hotel) as at 31 March 2013 broken down by type of property.

Approximate GRA of our completed investment property portfolio by type of property as at 31 March 2013



Hotel, restaurant and catering operations

As at 31 March 2013, Panda Hotel consists of 911 rooms and has a total GRA of approximately 434,934 sq. ft., comprising approximately 380,892 sq. ft. of hotel space and approximately 54,042 sq. ft. of restaurant space. Our restaurant and catering operations at KITEC and Panda Hotel take up a GRA of approximately 92,955 sq. ft.

Property Development

Broadwood Twelve, the Group's latest and only property development held for sale, consists of 76 high-end residential units and has a total GFA of approximately 113,900 sq. ft. As at 31 March 2013, there are remaining 18 residential units and 11 car parking spaces of Broadwood Twelve which are held for sale.

INVESTMENT PROPERTY PORTFOLIO

Our completed investment property portfolio comprised an aggregate GRA of approximately 3.0 million sq. ft. as at 31 March 2013. Our completed investment property mainly comprises of office, retail, convention and exhibition and service apartment space in prime locations and in areas with high redevelopment and significant growth potential in Hong Kong.

The table below shows the GFA, GRA and other information of the properties in our completed investment property portfolio as at 31 March 2013.

Overview of completed investment property

Name of property	Approximate GFA (in sq. ft.)	Approximate GRA (in sq. ft.)	Number of serviced apartments	Number of car parking spaces	Attributable to the Group (%)	Tenure of leasehold expiry	Year completed	Property valuation as at 31 March 2013 (HK$ million)	Average occupancy rate for 1HFY2013 (%)	Average monthly effective rent for 1HFY2013 (HK$ per sq. ft.)
WAN CHAI										
Hopewell Centre	**840,692**	**809,609**			**100%**	**1985-2135**	**1983**	**12,720.0**		
Office	N/A	637,343	N/A	N/A				9,772.0	95.9	30.0
Retail	N/A	172,266	N/A	N/A				2,730.0	100.0	38.1
Car park	N/A	N/A	N/A	300				218.0	N/A	N/A
Wu Chung House[1]	**17,674**	**17,738**			**100%**	**1992-2047**	**1993**	**530.6**		
Retail	17,674	17,738	N/A	N/A				457.0	100.0	69.6
Car park	N/A	N/A	N/A	80				73.6	N/A	N/A
GardenEast	**96,576**	**110,852**			**100%**	**1855-2854**	**2008**	**1,862.0**		
Serviced apartment	N/A	104,400	216	N/A				1,709.0	93.4	54.0
Retail	N/A	6,452	N/A	N/A				153.0	100.0	57.1
QRE Plaza	**77,033**	**79,541**			**100%**	**1863-2841**	**2007**	**1,152.0**		
Retail	77,033	79,541	N/A	N/A				1,152.0	86.0	34.0
KOWLOON EAST										
KITEC and E-Max	**1,774,555**	**1,753,238**			**100%**	**1987-2047**	**1996**	**9,345.0**		
Office	N/A	668,536	N/A	N/A				3,594.0	96.6	10.4
Retail	N/A	842,544	N/A	N/A				4,206.0	93.4	7.2
Convention and exhibition	N/A	242,158	N/A	N/A				1,129.0	N/A	N/A
Car park	N/A	N/A	N/A	763				416.0	N/A	N/A
TSUEN WAN										
Panda Place	**229,675**	**230,026**			**100%**	**1898-2047**	**1991**	**1,797.5**		
Retail	229,675	230,026	N/A	N/A				1,604.5	95.0	12.7[2]
Car park	N/A	N/A	N/A	402				193.0	N/A	N/A
Panda Hotel – commercial	**15,041**	**14,287**	N/A	N/A	**100%**	**1898-2047**	**1991**	**97.5**	87.7	18.6
TOTAL	**3,051,246**	**3,015,291**	**216**	**1,545**				**27,504.6**		

Notes:

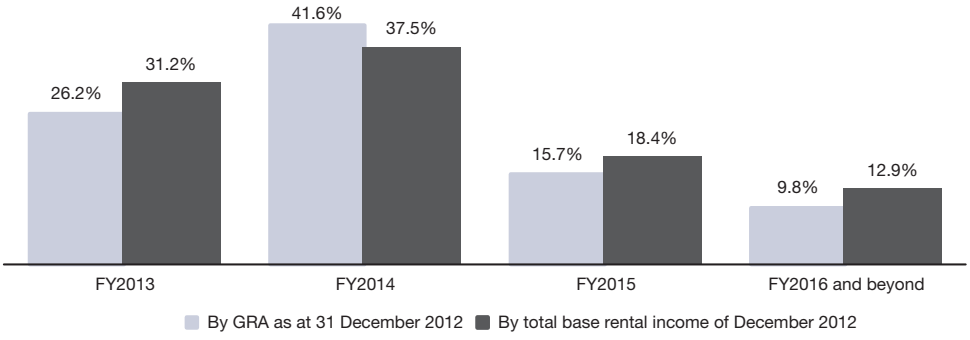
(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

(2) The lower average monthly effective rent per sq. ft. in 1HFY2013 was primarily due to the temporary closure of certain portions of our retail space for renovations for several months. Our average monthly effective rent per sq. ft. for December 2012 was HK$15.7.

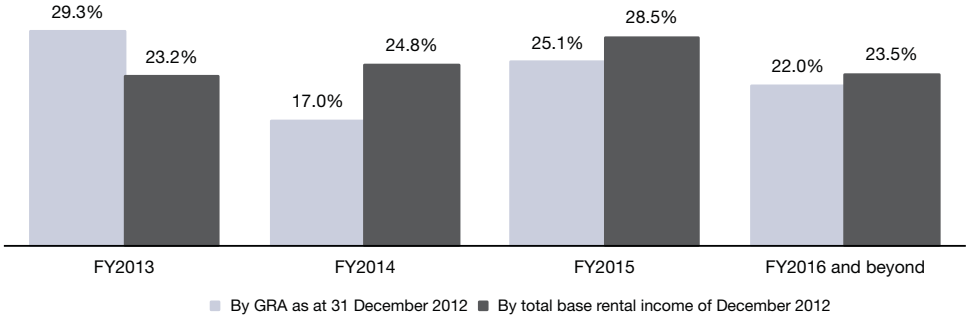
As at 31 March 2013, our completed investment property portfolio comprised office space with a total GRA of approximately 1.3 million sq. ft., retail space with a total GRA of approximately 1.4 million sq. ft., convention and exhibition space with a total GRA of approximately 0.2 million sq. ft. and serviced apartment units with a total GRA of approximately 0.1 million sq. ft.

The following charts show as at 31 December 2012 the percentage of the total base rental income from our completed investment properties, for the month ended 31 December 2012, derived from leases expiring in the periods indicated below.

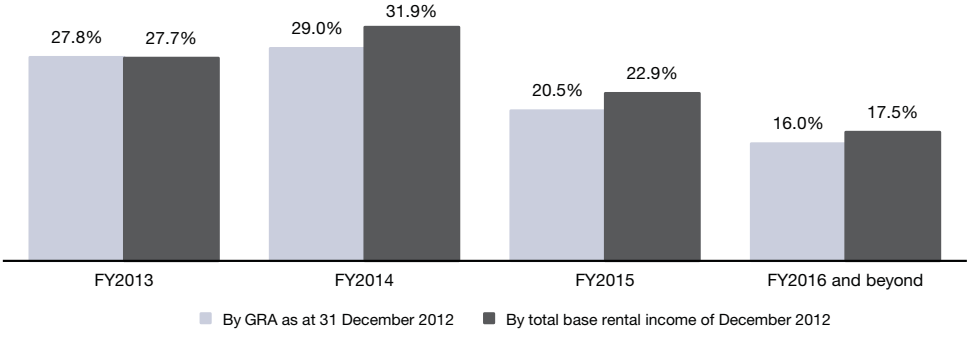
Lease expiry profile
Completed investment properties (office)



Lease expiry profile
Completed investment properties (retail)

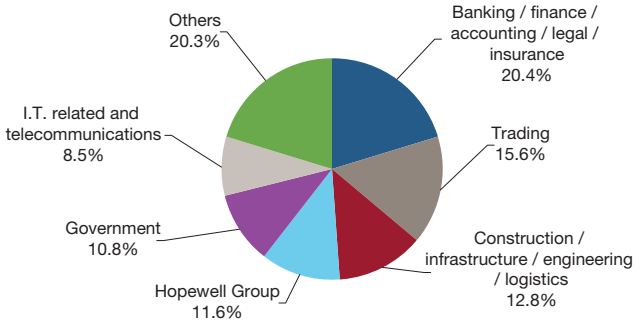


Lease expiry profile
Completed investment properties (overall)

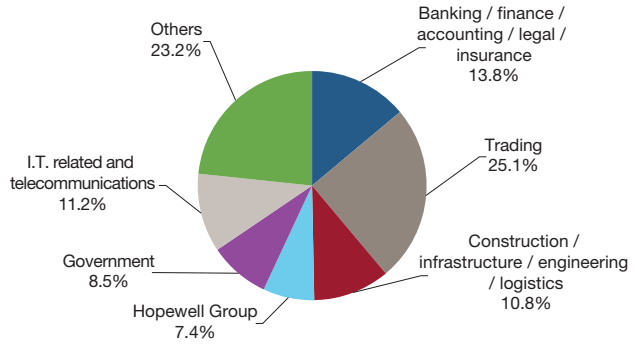


The charts below show the tenant mix of our office properties by the principal nature of their businesses (based on our own internal classifications), as a percentage of our office rental income for the month ended 31 December 2012 and as a percentage of the office GRA as at 31 December 2012.

Office rental income attributable to the Group by tenants' trades (for the month ended 31 December 2012)



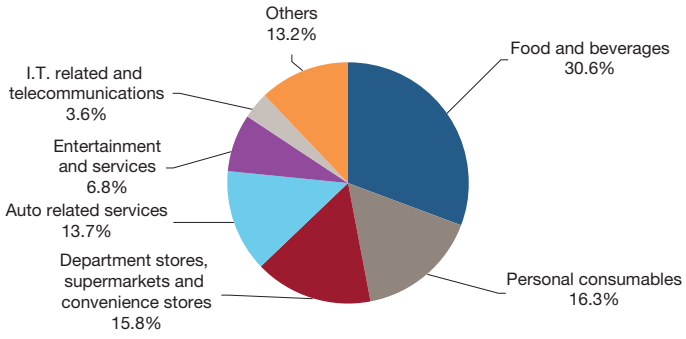
Office GRA attributable to the Group by tenants' trades (as at 31 December 2012)



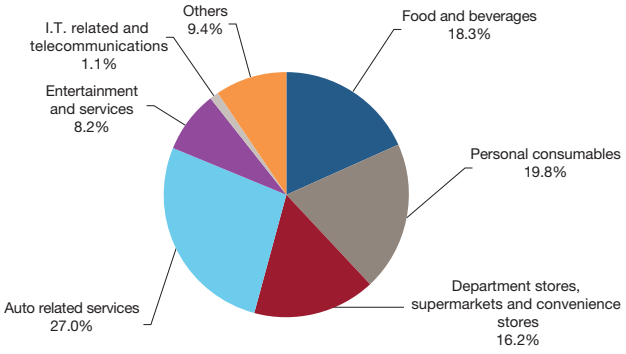
As at 31 December 2012, our top five tenants for office properties (based on rental income for the month ended 31 December 2012) together occupied approximately 16.3% of our total office GRA in Hong Kong and accounted for approximately 24.4% of our total rental income from office space.

The charts below show the tenant mix of our retail properties by the principal nature of their businesses (based on our internal classifications), as a percentage of our retail rental income for the month ended 31 December 2012 and as a percentage of the retail GRA as at 31 December 2012.

Retail rental income attributable to the Group by tenants' trades (for the month ended 31 December 2012)



Retail GRA attributable to the Group by tenants' trades (as at 31 December 2012)



As at 31 December 2012, our top five tenants for retail properties (based on rental income for the month ended 31 December 2012) together occupied approximately 46.4% of our total retail GRA in Hong Kong and accounted for approximately 31.0% of our total rental income from retail space.

Wan Chai

Wan Chai is a key area in Hong Kong for business, conventions and exhibitions, entertainment and shopping as well as art and cultural activities. The district is a key traffic hub with its convenient transportation access and an interchange for east and west Hong Kong Island. Due to the limited availability and high occupational costs for office space in Central and Admiralty, quality office space in Wan Chai becomes a viable alternative for tenants in Central. The rental gaps between Central and vicinity areas lead to an emerging decentralisation trend, whereby corporate tenants are relocating from Central and Admiralty to Wan Chai. The surge of demand for office space has also created a spill-over effect on areas near Central and Admiralty, resulting in rising market rents for office space in Wan Chai given its convenience and availability of quality office inventory as well as its close proximity to Central and Admiralty.

The East

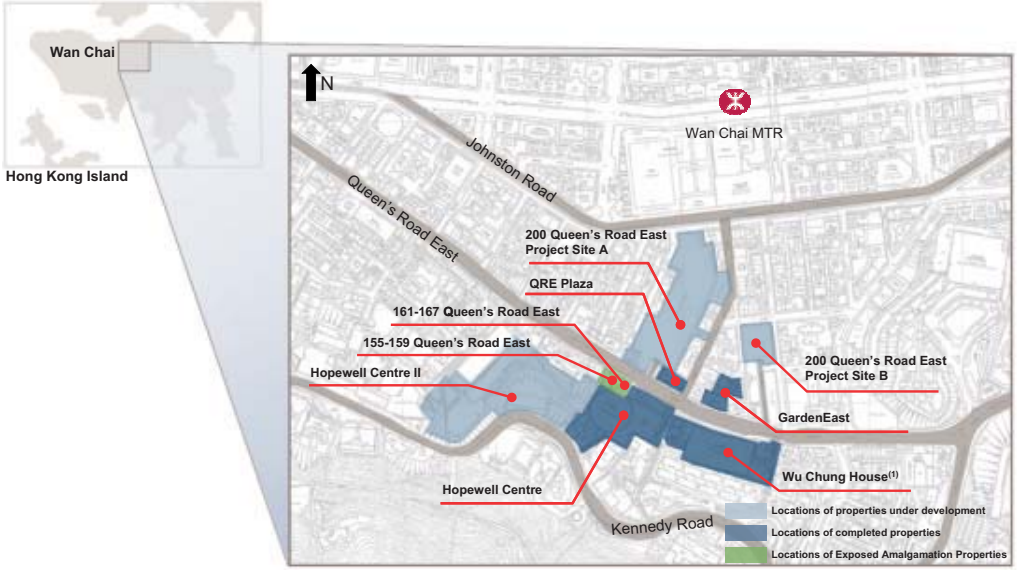
We are one of the largest landlords in Wan Chai in terms of GRA with a comprehensive property portfolio clustered on Queen's Road East around Hopewell Centre. To enhance our position in Wan

Chai, we created and introduced the concept of "The East" in December 2007, which is the brand name for a dining and entertainment community in Wan Chai. "The East" encompasses a cluster of retail outlets with a GRA of approximately 275,997 sq. ft., which are spread across all of our properties in Wan Chai including Hopewell Centre, QRE Plaza, GardenEast and Wu Chung House (six retail shops). For the second consecutive year in 2012, our "The East" brand was awarded the "U Choice Award" within the food and beverage lifestyle category by MetroInfo FM99.7, a radio channel operated by Metro Broadcast Corporation Limited in Hong Kong. We launched "The East Club", a membership scheme where members can collect reward points at retail outlets and restaurants in Hopewell Centre, QRE Plaza, GardenEast and Wu Chung House (six retail shops), which can be exchanged for cash coupons to be used at designated outlets at these locations.

By integrating our existing properties with our properties under development (Hopewell Centre II and the 200 Queen's Road East Project) and other developments currently underway in Wan Chai, we expect that the synergies and cluster effect created by the retail elements of our properties will create an integrated lifestyle experience for our tenants and members of the public. This will also strengthen the Group's branding and further enhance the overall rental return of our properties in the future.

Whilst we are capitalising on the decentralisation trend whereby many corporate tenants are opting to relocate from Central and Admiralty to Wan Chai, we believe that our "The East" brand is a key component of our leasing strategy for our properties in Wan Chai as we aim to introduce new tenants who can complement "The East" as a lifestyle brand. We believe that the refinement of our tenant mix will increase the retail value of our properties which in turn will enhance the perception of our office premises.

The map below shows the location of our properties in Wan Chai.



Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

Hopewell Centre

Background

Hopewell Centre is the Company's flagship property and is an iconic landmark in Hong Kong situated in the heart of Wan Chai at 183 Queen's Road East. Hopewell Centre is a 66-storey Grade A office building with a total GFA of approximately 840,692 sq. ft. It has a total GRA of approximately 809,609 sq. ft., comprising office space of approximately 637,343 sq. ft., retail space of approximately 172,266 sq. ft. and 300 car parking spaces. It has entrances on both Queen's Road East and Kennedy Road. According to a survey conducted by TNS, a global independent research firm, Hopewell Centre is a widely recognised landmark property in Wan Chai with 80% awareness among the general public and 70% of them agreeing that Hopewell Centre is a landmark property in Wan Chai. Over 90% of the taxi drivers surveyed were also aware of the location of Hopewell Centre. The results were derived from a face-to-face survey conducted by TNS in April 2013 with 502 people who were aged between 18 to 64 years old who constituted the general public and 302 taxi drivers.

Upon its completion in March 1983, Hopewell Centre was the tallest building in Hong Kong and the second tallest building in Asia, and remained so until 1989. The building's pioneering design with its cylindrical structure is an architectural landmark in Hong Kong and was one of the first Hong Kong buildings constructed in the 1980s recognised for its energy efficiency. The circular and column free design of Hopewell Centre also ensures that the floor layout and materials are maximised.

Historical asset enhancements

In line with our strength in asset enhancement, we have carried out ongoing refurbishment of Hopewell Centre such as upgrading and modernising the common areas, carpark facilities and air-handling units, reconfiguring tenant areas and installing new customer service concierge. Two newly refurbished observation lifts with modern seamless cylindrical glass curtains were reopened in 2011 and provide an access to VIEW 62 by Paco Roncero, a Spanish restaurant which opened in June 2012. VIEW 62 by Paco Roncero, located on the 62nd floor of Hopewell Centre, is the only revolving restaurant in Hong Kong.

Through our asset enhancement works, we have been able to increase tenancy renewals based on our strategy of securing tenants who occupy larger office space. Renovation work carried out to improve the office and common areas of Hopewell Centre and the enhancement of our property management such as the introduction of "Tenant Club" and "Elite Club for VIPs", a tenants membership scheme where our tenants receive certain benefits at our properties, have also helped to improve our relationship with our tenants.

Tenancies

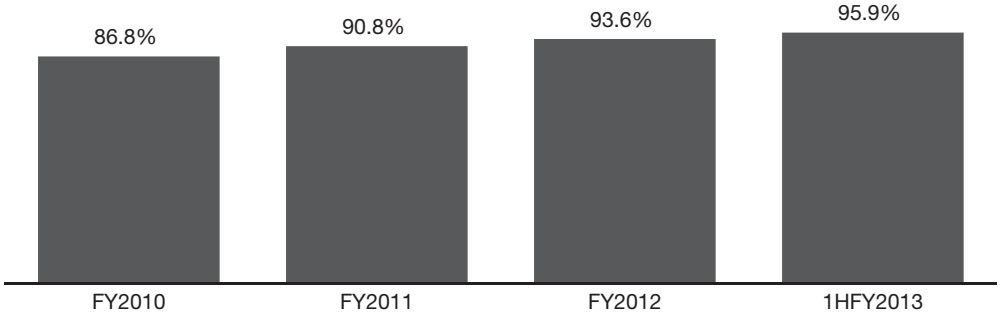
Through the continuous enhancements being made to Hopewell Centre's building specifications and services and our efforts to add value to the property, Hopewell Centre has been able to retain its existing tenants and attract new quality tenants over the years, including leading financial and professional firms. As at 31 December 2012, there were a total of 126 office tenants and 33 retail tenants in Hopewell Centre. The five largest tenants (in terms of rental income for the month ended 31 December 2012 and excluding the Group itself) at Hopewell Centre were (in alphabetical order):

- A.S. Watson Group (HK) Limited (trading as Taste, Watsons and Watson's Wine);
- Bank of China (Hong Kong) Limited;
- Bayer MaterialScience Limited;
- Computershare Hong Kong Investor Services Limited; and
- The Financial Secretary Incorporated.

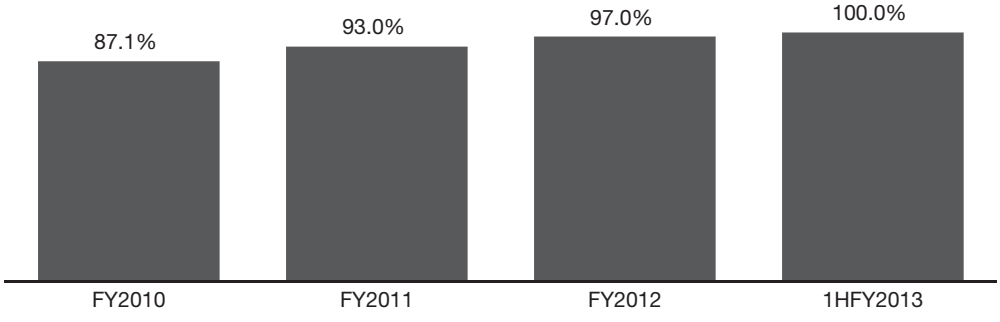
These five largest tenants contributed approximately 28.1% of the total rental income of Hopewell Centre for the month ended 31 December 2012 and accounted for approximately 28.7% of the total leased GRA of Hopewell Centre as at 31 December 2012. Some of our most recent major tenants at Hopewell Centre include Bayer MaterialScience Limited and Principal Trust Company (Asia) Limited.

The chart below shows the average occupancy rate of Hopewell Centre during the Track Record Period. The average occupancy rate for office and retail spaces for 1HFY2013 was approximately 95.9% and 100.0%, respectively.

Average occupancy rate
Hopewell Centre (office)

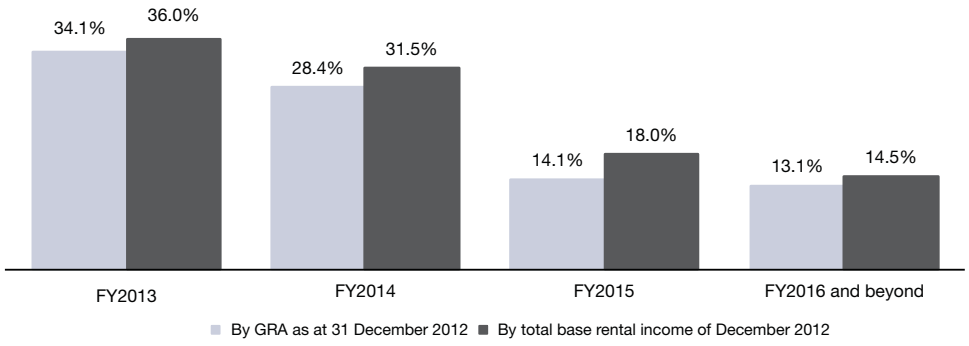


Average occupancy rate
Hopewell Centre (retail)

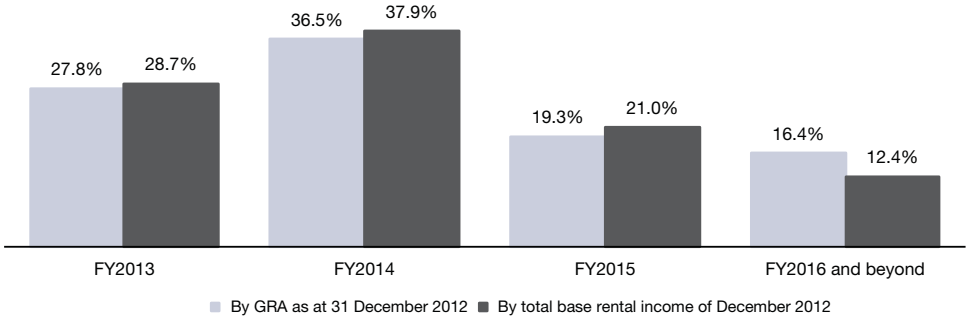


The weighted average lease term to expiry for Hopewell Centre was approximately 3.0 years as at 31 December 2012. The charts below show the percentage of the total leased GRA of Hopewell Centre taken up as at 31 December 2012 by leases expiring in the periods shown and the percentage of total base rent of Hopewell Centre for the month ended 31 December 2012 attributable to those leases.

Lease expiry profile
Hopewell Centre (office)



Lease expiry profile
Hopewell Centre (retail)



Rental rate and income

The following tables show the average monthly effective rent, average monthly spot rent and the net rental income of Hopewell Centre for office and retail space during the Track Record Period.

Average monthly effective rent, average monthly spot rent and net rental income
Hopewell Centre (office)

	Average monthly effective rent (per sq. ft.)	Average monthly spot rent (per sq. ft.)	Net rental income (million)
FY2010	HK$25.4	HK$26.8	HK$161.7
FY2011	HK$26.1	HK$30.7	HK$168.6
FY2012	HK$27.9	HK$37.4	HK$178.9
1HFY2013	HK$30.0	HK$42.4	HK$ 99.5

In February 2013 and April 2013, the Company signed offer letters with two tenants for the lease of certain office premises at Hopewell Centre, which in aggregate amounted to approximately 27,339 sq. ft. of GRA. The rental rate for these two tenancies ranged from approximately HK$45.6 to HK$53.0 per sq. ft. One of these two tenants had previously signed an offer letter with the Company

in November 2011 for the lease of office premises at Hopewell Centre, which amounted to 76,644 sq. ft. of GRA, at the rate of approximately HK$47.5 per sq. ft. The aforesaid tenancies are subject to the execution of formal tenancy agreements with the two tenants.

Average monthly effective rent and net rental income
Hopewell Centre (retail)

	Average monthly effective rent (per sq. ft.)	Net rental income (million)
FY2010	HK$32.0	HK$53.0
FY2011	HK$32.9	HK$59.6
FY2012	HK$33.9	HK$66.2
1HFY2013	HK$38.1	HK$38.1

The rental reversion achieved on new leases in respect of space attributable to leases renewed in FY2012 is approximately 32.0% for office space and 21.0% for retail space, respectively.

Future asset enhancements

Plans to revamp the retail podium and facade of Hopewell Centre are expected to commence in 2014. The new design of the retail facade will upgrade the image of Hopewell Centre and enhance its attractiveness on Queen's Road East. The total capital expenditure for the revamp of the retail podium and facade is expected to be approximately HK$54.6 million, which will be funded from our internal cash flow. Furthermore, to assist with the integration of our cluster of properties in Wan Chai, we intend to construct a pedestrian walkway between the Kennedy Road residential area in the Mid-Levels, Wan Chai MTR station and Wan Chai North, via Hopewell Centre, Hopewell Centre II and the 200 Queen's Road East Project. For further information, see "*Business — Investment Property Portfolio — Investment Property under Development or Held for Future Development — Hopewell Centre II"* below.

We also intend to add an entertainment element to Hopewell Centre by introducing an upmarket "live-house" concept performance venue at Hopewell Centre to extend the business hours of "The East" dining and entertainment community. We believe that the opening of a new "live-house" performance venue will further enhance our "The East" brand and improve our market positioning in Wan Chai.

Property valuation

As at 31 March 2013, Hopewell Centre was valued at approximately HK$12,720.0 million. For further information, see "*Appendix IV — Property Valuation*".

QRE Plaza

Background

QRE Plaza is a 25-storey building at 202 Queen's Road East in the commercial area of Wan Chai, Hong Kong. It has a total GFA of approximately 77,033 sq. ft. and a total GRA of approximately 79,541 sq. ft of retail space offering a wide range of dining establishments and lifestyle outlets. As the name of the property suggests, QRE Plaza aims to provide customers and visitors with "**Q**uality Lifestyle, **R**elaxation and **E**ntertainment", and positions itself as a lifestyle hub for our Wan Chai properties. QRE Plaza was completed in November 2007 and is connected to Hopewell Centre and Wu Chung House via a footbridge, creating integral links between our properties which further enhances our branding and lifestyle concept, "The East". It is also within walking distance of Wan Chai MTR station.

Tenancies

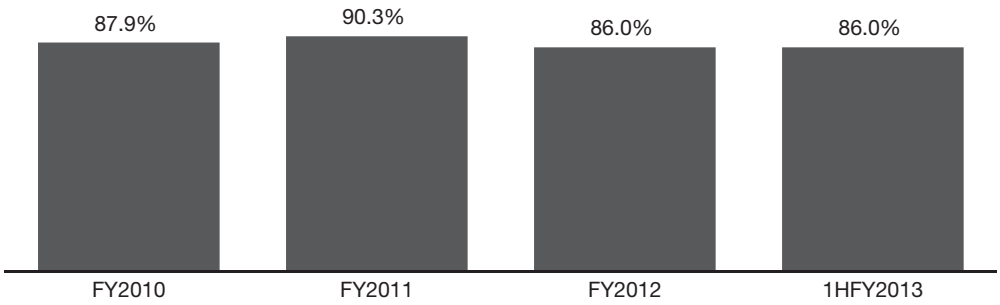
As at 31 December 2012, there were a total of 15 tenants in QRE Plaza, which included 7 food and beverage tenants providing a wide range of cuisine options to the nearby working population and residents in the area. There is also a fitness centre and spa operating within QRE Plaza. The five largest tenants (in terms of rental income for the month ended 31 December 2012 and excluding the Group itself) in QRE Plaza were (in alphabetical order):

- City Grow Investment Limited (trading as Oyster Bar & Grill);
- Kelley Production Company Limited (trading as Hong Kong Funky Dance Centre);
- LaCucina Italian (HK) Limited (trading as La Cucina Italiana);
- Sime Darby Motor Group (HK) Limited (trading as MINI); and
- Tung Jia Food and Beverage Management Limited (trading as Zummer).

These five largest tenants contributed approximately 51.6% of the total rental income of QRE Plaza for the month ended 31 December 2012 and accounted for approximately 44.3% of its total leased GRA as at 31 December 2012.

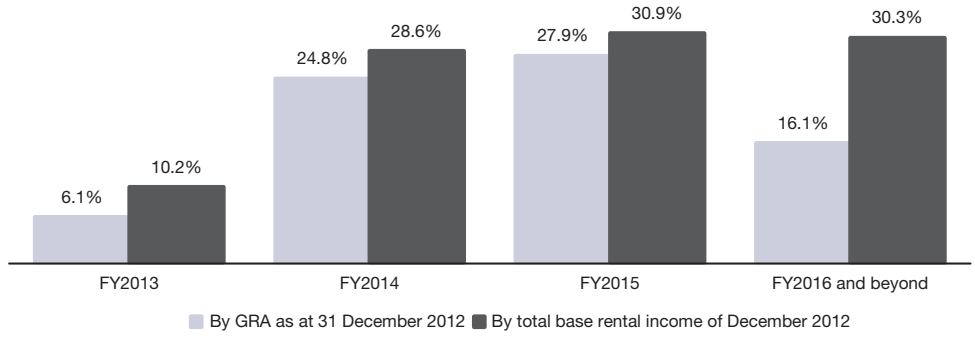
The chart below shows the average occupancy rate of QRE Plaza during the Track Record Period. The average occupancy rate for 1HFY2013 was approximately 86.0%.

Average occupancy rate
QRE Plaza (retail)



The weighted average lease term to expiry for QRE Plaza was approximately 3.5 years as at 31 December 2012. The chart below shows the percentage of the total leased GRA of QRE Plaza taken up as at 31 December 2012 by leases expiring in the periods shown and the percentage of total base rental income of QRE Plaza for the month ended 31 December 2012 attributable to those leases.

Lease expiry profile
QRE Plaza (retail)



Rental rate and income

The following table shows the average monthly effective rent and the net rental income of QRE Plaza during the Track Record Period.

Average monthly effective rent and net rental income
QRE Plaza (retail)

	Average monthly effective rent (per sq. ft.)	Net rental income (million)
FY2010	HK$22.1	HK$17.7
FY2011	HK$23.2	HK$19.2
FY2012	HK$26.3	HK$20.8
1HFY2013	HK$34.0	HK$12.6

Property valuation

As at 31 March 2013, QRE Plaza was valued at approximately HK$1,152.0 million. For further information, see "*Appendix IV — Property Valuation*".

GardenEast

Background

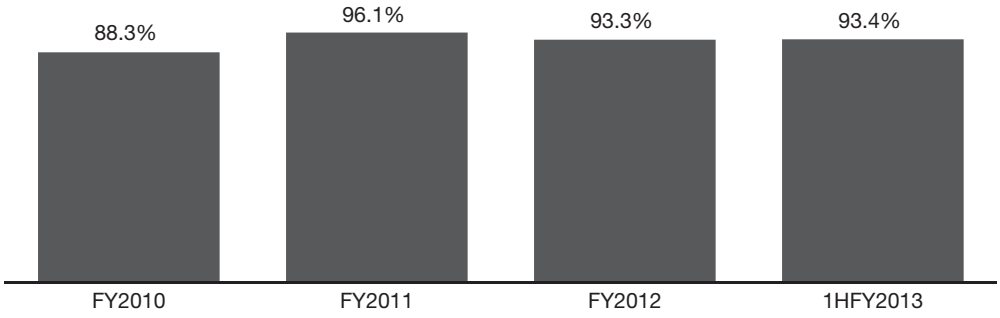
GardenEast is a 28-storey serviced apartment building located at 222 Queen's Road East, Wan Chai, Hong Kong which offers quality green living to urban dwellers. It has a total GFA of approximately 96,576 sq. ft. and a total GRA of approximately 110,852 sq. ft., comprising residential space of approximately 104,400 sq. ft. and retail space of approximately 6,452 sq. ft. GardenEast consists of 216 luxury apartments, which range from 395 sq. ft. to 672 sq. ft. each, and three retail shops spread across two storeys. GardenEast has its own greenery planted in abundance in its open garden and includes facilities such as a gymnasium, business centre, multifunction room, podium garden and sun-deck area on the rooftop for residents. GardenEast was conceptualised and built as a dedicated serviced apartment tower. It was completed in September 2008.

GardenEast is located within walking distance of Wan Chai MTR station and is situated next to QRE Plaza and across from Hopewell Centre and Wu Chung House. This creates an integrated lifestyle experience for our tenants, many of whom are working professionals, which accentuates and aligns with our brand "The East".

Tenancies

As at 31 December 2012, there were a total of 165 serviced apartment tenants and three retail tenants in GardenEast. The chart below shows the average occupancy rate of GardenEast during the Track Record Period. The average occupancy rate for serviced apartment and retail space for 1HFY 2013 was approximately 93.4% and 100.0%, respectively.

Average occupancy rate
GardenEast (serviced apartment)

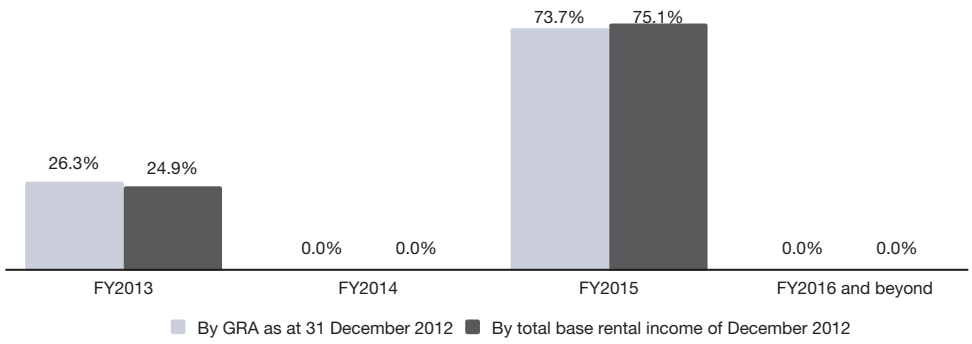


Average occupancy rate
GardenEast (retail)

For FY2012, the average lease term of our serviced apartments at GardenEast was approximately 42.8% for less than three months, approximately 23.1% for three months to six months and approximately 34.1% for over six months.

The weighted average lease term to expiry for the retail portion of GardenEast was approximately 3.0 years as at 31 December 2012. The chart below shows the percentage of the total leased GRA of the retail portion of GardenEast taken up as at 31 December 2012 by leases expiring in the periods shown and the percentage of total base rental income of the retail portion of GardenEast for the month ended 31 December 2012 attributable to those leases.

Lease expiry profile
GardenEast (retail)



Rental rate and income

The following tables show the average monthly effective rent and the net rental income of GardenEast during the Track Record Period.

Average monthly effective rent and net rental income
GardenEast (serviced apartment)

	Average monthly effective rent (per sq. ft.)	Net rental income (million)
FY2010	HK$41.9	HK$46.4
FY2011	HK$47.0	HK$56.6
FY2012	HK$52.7	HK$60.8
1HFY2013	HK$54.0	HK$31.6

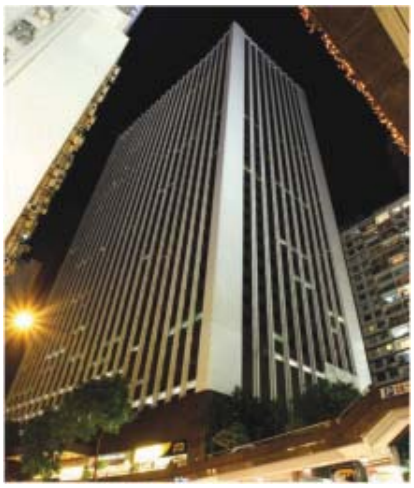
Average monthly effective rent and net rental income
GardenEast (retail)

	Average monthly effective rent (per sq. ft.)	Net rental income (million)
FY2010	HK$41.0	HK$1.8
FY2011	HK$53.5	HK$3.3
FY2012	HK$49.0	HK$3.6
1HFY2013	HK$57.1	HK$2.3

Property valuation

As at 31 March 2013, GardenEast was valued at approximately HK$1,862.0 million. For further information, see "*Appendix IV — Property Valuation*".

Retail shops and car parking spaces at Wu Chung House



Background

We own six retail shops located on the ground and second floors of Wu Chung House, a 38-storey office building completed in April 1993 and located on 213 Queen's Road East in the commercial district of Wan Chai. We also own 80 car parking spaces at Wu Chung House. Wu Chung House is named after the father of our Chairman, Sir Gordon Ying Sheung WU. Our six retail shops at Wu Chung House has a total GFA of approximately 17,674 sq. ft. and a total GRA of approximately 17,738 sq. ft. Wu Chung House, which forms part of our "The East" lifestyle brand, is located across from GardenEast and is within walking distance from Wan Chai MTR station. It is connected to Hopewell Centre and QRE Plaza via a footbridge.

Tenancies

As at 31 December 2012, there were a total of six retail tenants in Wu Chung House (for the retail portion which we own). The five largest tenants (in terms of rental income for the month ended 31 December 2012) in our six retail shops at Wu Chung House were (in alphabetical order):

- Bioscreen Limited (trading as Organic Beauty, Bioscreen Organic and HK Medi-spa);
- Elite Blithe Limited (trading as Nha Trang Vietnamese Cuisine);
- Grand Seasons (Central) Food & Beverages Caterers Company Limited (trading as Café de Coral);
- Sime Darby Motor Group (HK) Limited (trading as Rolls Royce and McLaren); and
- Spread Zone Limited (trading as Raakee).

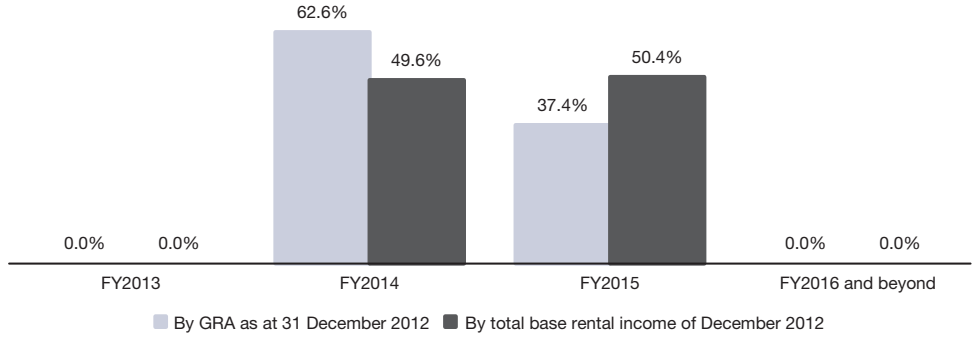
These five largest tenants contributed approximately 97.1% of the total rental income of our interests in Wu Chung House for the month ended 31 December 2012 and accounted for approximately 98.4% of the total leased GRA of our interests in Wu Chung House as at 31 December 2012.

The chart below shows the average occupancy rate for our six retail shops at Wu Chung House during the Track Record Period. The average occupancy rate for our six retail shops at Wu Chung House for 1HFY2013 was approximately 100.0%.

Average occupancy rate
Wu Chung House (six retail shops)

The weighted average lease term to expiry for our six retail shops at Wu Chung House was approximately 3.3 years as at 31 December 2012. The chart below shows the percentage of the total GRA of our six retail shops at Wu Chung House taken up as at 31 December 2012 by leases expiring in the periods shown and the percentage of total base rental income of our six retail shops at Wu Chung House for the month ended 31 December 2012 attributable to those leases.

Lease expiry profile
Wu Chung House (retail)



Rental rate and income

The following table shows the average monthly effective rent and the net rental income of our six retail shops at Wu Chung House during the Track Record Period.

Average monthly effective rent and net rental income
Wu Chung House (retail)

	Average monthly effective rent (per sq. ft.)	Net rental income (million)
FY2010	HK$46.8	HK$9.9
FY2011	HK$45.2	HK$9.4
FY2012	HK$64.9	HK$13.8
1HFY2013	HK$69.6	HK$7.4

Property valuation

As at 31 March 2013, our six retail shops and 80 car parking spaces at Wu Chung House were valued at approximately HK$457.0 million and HK$73.6 million, respectively. For further information, see "*Appendix IV — Property Valuation*".

Kowloon East

Kowloon East comprises the Kai Tak Development Area and the former industrial areas of Kwun Tong and Kowloon Bay. The "Energizing Kowloon East" programme was launched by the Hong Kong Government on 7 June 2012 to transform Kowloon East into Hong Kong's second CBD (or CBD2) to support economic growth and strengthen global competitiveness. Given the advanced age of the industrial buildings in the surrounding vicinity, Kowloon East, which is currently in a redevelopment phase, has substantial redevelopment potential. A cruise terminal meeting international standards is expected to open in June 2013. Kowloon East has a diverse tenant profile and the recent completion of high-quality new office buildings has attracted a cluster of new tenants to the district. Kowloon East is now the second largest office district in Hong Kong after Central.

Similar to Wan Chai, Kowloon East is benefiting from another decentralisation trend, as large, multi-floor tenants relocate from core areas such as Central and Admiralty to Kowloon East. Multinational companies have gradually been moving in, and forming a cluster in Kowloon East, with most of the demand coming from the wholesale and trade sectors as well as the insurance and telecommunication sectors, which has resulted in rising market rents for office space in Kowloon East. This trend became one of the key drivers for Hong Kong's new CBD2 which will further increase the supply of quality office space. The Hong Kong Government is currently constructing a new government office building and has announced plans to relocate other government office buildings to the nearby area of KITEC in the future.

We were one of the first property developers to have a major large-scale multi-purpose commercial complex in Kowloon East. In light of the Hong Kong Government's plan to develop the Kai Tak Development Area into a tourism and entertainment hub, we believe that our KITEC and E-Max integrated property will benefit from the large scale infrastructure development and revitalisation of Kowloon East.

Below is a map of Kowloon East which shows the proposed plans of CBD2 and the location of the cruise terminal at the Kai Tak Development Area. As such, the completed developments may deviate from the depiction.

Source: Savills Research & Consultancy

KITEC and E-Max

Background

KITEC (formerly known as the Hongkong International Trade & Exhibition Centre or HITEC) is an integrated high quality and large-scale multi-purpose commercial complex comprising office, convention and exhibition space, performance venue capabilities and a shopping mall known as E-Max. The KITEC and E-Max complex is located at 1 Trademart Drive, which is in the heart of Kowloon Bay and the Hong Kong Government designated CBD2 area. KITEC was completed in June 1996 and a revamp of the complex was completed in 2007.

KITEC is a large scale development with a total GFA of approximately 1,774,555 sq. ft. and is the only convention and exhibition centre in Kowloon, a concept which we introduced to the area. It has a total GRA of approximately 1,753,238 sq. ft., comprising office space of approximately 668,536 sq. ft., retail space of approximately 842,544 sq. ft. and convention and exhibition space of approximately 242,158 sq. ft.

The development includes:

- Star Hall, a concert hall completed in November 2007 with a seating capacity of between 3,000 and 3,600;
- three rotunda halls each with a seating capacity between 1,000 to 1,600, which are used for exhibitions, seminars, banquets and concerts;
- a 702 seat theatre-styled auditorium;
- 11 meeting rooms; and
- "Music Zone", a "live-house" concept performance venue for concerts, with an audience capacity of 500 to 600.

New marketing strategies that aim to attract more local and international events and additional traffic to KITEC's convention and exhibition facilities have proved successful. The following are a selection of notable events held in KITEC during the Track Record Period:

- 2010 — Hong Kong Arts Festival Sadingding Concert
- 2010 — Tears for Fears Live in Hong Kong
- 2010 — Cable TV World Cup Events (held at KITEC in 2002 and 2006)

- 2011 — Bob Dylan Live in Hong Kong
- 2011 — Kenny G Heart & Soul Hong Kong Live
- 2011 — Star Hall Select — Hong Kong Philharmonic Orchestra and Hins Cheung concert
- 2012 — Hong Kong Arts Festival World of Wearablearts
- 2012 — Hello Kitty Expo (held annually at KITEC since 2008, except 2011)
- 2012 — Disney Live Musicals (held annually at KITEC since 2009)
- 2012 — IFPI Awards Presentation (to be held again in 2013)

E-Max, an eight-storey retail and entertainment complex integrated within KITEC, which provides a comprehensive range of dining, entertainment and lifestyle options to visitors and tenants. Given the scale of the property, E-Max has attracted a wide variety of tenants ranging from an integrated automobile sales and trading mall, a home design and furniture centre, an international duty free outlet, restaurants and other retail and entertainment outlets.

Historical asset enhancement

From 1996 to 2006, KITEC mainly consisted of convention and exhibition space and display offices as it was originally designated as a complex for international trade and specifically catered to business guests and host trade shows. In 2007, we made a strategic decision to revamp KITEC by introducing a retail and entertainment element to the complex, which was branded as E-Max. The external walls of KITEC was refurbished to bring a more lively facade to the complex. We created a modern retail arcade by converting the display offices located on the ground floor to the sixth floor into retail space. We also created a multi-purpose performance venue, now known as Star Hall, and a eight-storey high atrium to provide a wide space for functions and marketing events.

The continuous asset enhancement works carried out at KITEC are part of our leasing strategy to increase the marketability of the complex to tenants. In addition, we aim to attract more sizeable multinational corporation tenants with higher rental affordability. Our tenancy agreements contain provisions which allow us to co-terminate the leases of smaller units to form larger floor plates and to meet the demands of existing and prospective tenants.

After the E-Max revamp, we conducted a comprehensive renovation programme beginning in January 2010 for the office section of KITEC. The renovation programme included a complete facelift to the facade of the property, upgraded office facilities, a new office lift lobby, and modification of the common areas and building amenities.

Convention, exhibition and entertainment

Star Hall offers a wide variety of value-added options and flexibility to its users which makes it an attractive venue to host concerts, trade shows, consumer shows and banquets. We will continue its plans to actively bring in quality music and entertainment performances to E-Max under the "Star Hall Select" brand to strengthen E-Max's positioning as an entertainment hub.

The following table shows the total revenue for convention and exhibition space at KITEC during the Track Record Period.

Total convention and exhibition revenue (by event type)

	Event type	Revenue (million)	Number of events
FY2010	Exhibitions	HK$3.2	24
	Conventions and seminars	HK$15.8	238
	Entertainment and special events	HK$15.6	139
	Others[1]	HK$5.0	N/A
	TOTAL	**HK$39.6**	**401**
FY2011	Exhibitions	HK$4.2	21
	Conventions and seminars	HK$16.3	239
	Entertainment and special events	HK$14.9	151
	Others[1]	HK$5.0	N/A
	TOTAL	**HK$40.4**	**411**
FY2012	Exhibitions	HK$6.0	36
	Conventions and seminars	HK$16.3	262
	Entertainment and special events	HK$19.6	182
	Others[1]	HK$6.6	N/A
	TOTAL	**HK$48.5**	**480**
1HFY2013	Exhibitions	HK$3.2	20
	Conventions and seminars	HK$8.2	122
	Entertainment and special events	HK$17.8	148
	Others[1]	HK$4.5	N/A
	TOTAL	**HK$33.7**	**290**

Note:
(1) "Others" are income derived from equipment rental and other miscellaneous services.

Tenancies

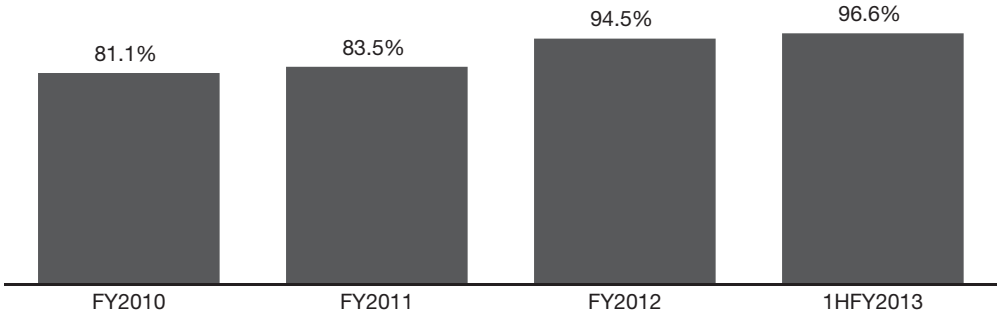
As at 31 December 2012, there were a total of 173 tenants in KITEC and 29 tenants in E-Max. The five largest tenants (in terms of rental income for the month ended 31 December 2012 and excluding the Group itself) in KITEC and E-Max were (in alphabetical order):

- Home Expo (Hong Kong) Limited (trading as Maxhome);
- Prime Capital Enterprises Limited (trading as Kowloon Bay Integrated Auto Mall 九龍灣綜合名車展);
- SmarTone Mobile Communications Limited;
- Wharf T&T Limited; and
- Wintop Management Limited (trading as Metropolitan Pacific 都會國際免稅廣場).

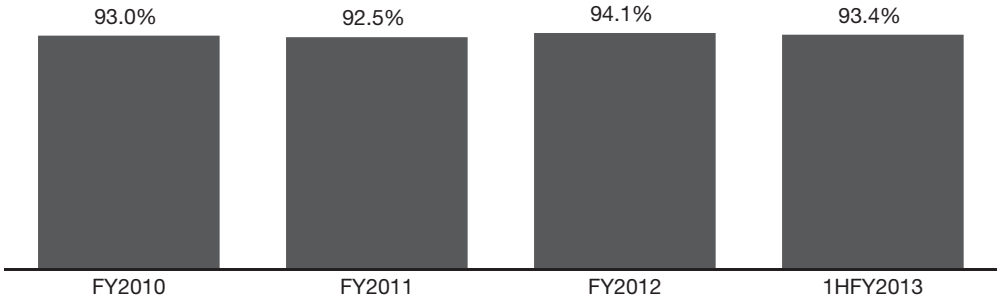
These five largest tenants contributed approximately 37.0% of the total rental income of KITEC and E-Max for the month ended 31 December 2012 and accounted for approximately 44.0% of the total leased GRA of KITEC and E-Max as at 31 December 2012.

The charts below show the average occupancy rate of KITEC and E-Max during the Track Record Period. The average occupancy rate of KITEC and E-Max for 1HFY2013 was approximately 96.6% and 93.4%, respectively.

Average occupancy rate
KITEC (office)

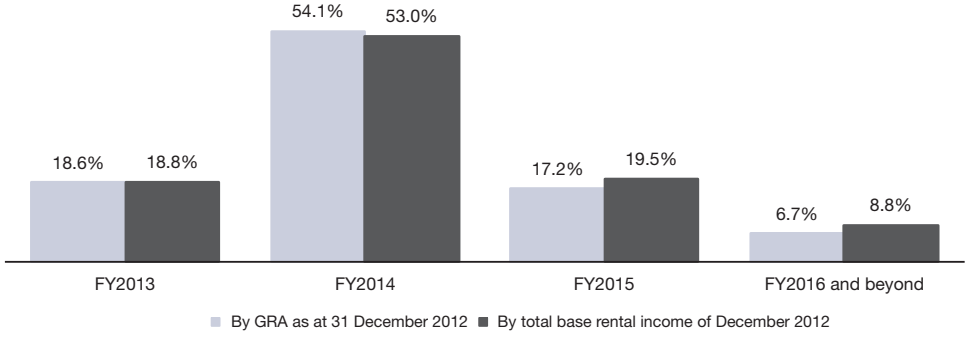


Average occupancy rate
E-Max (retail)

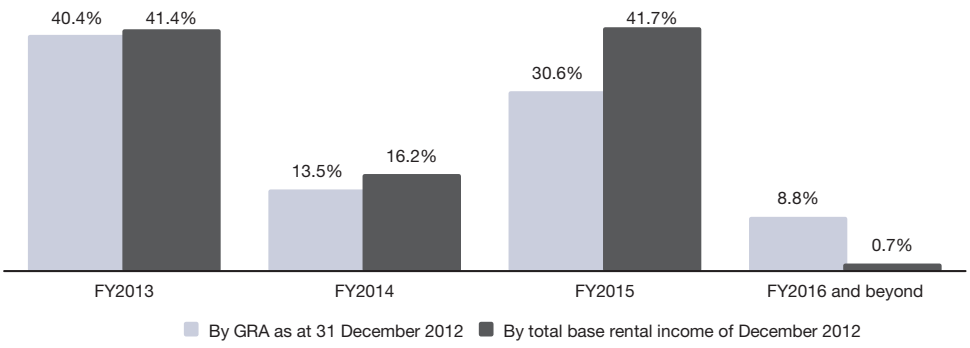


The weighted average lease term to expiry for KITEC and E-Max was approximately 1.8 years as at 31 December 2012. The charts below show the percentage of the total leased GRA of KITEC and E-Max taken up as at 31 December 2012 by leases expiring in the periods shown and the percentage of total base rental income of KITEC and E-Max for the month ended 31 December 2012 attributable to those leases.

Lease expiry profile
KITEC (office)



Lease expiry profile
E-Max (retail)



Rental rate and income

The following table shows the average monthly effective rent, average monthly spot rent and the net rental income of KITEC and E-Max during the Track Record Period.

Average monthly effective rent, average monthly spot rent and net rental income
KITEC (office)

	Average monthly effective rent (per sq. ft.)	Average monthly spot rent (per sq. ft.)	Net rental income (million)
FY2010	HK$ 9.1	HK$ 9.0	HK$57.0
FY2011	HK$ 9.2	HK$ 9.8	HK$57.1
FY2012	HK$ 9.5	HK$12.2	HK$70.3
1HFY2013	HK$10.4	HK$13.4	HK$39.1

In April 2013 and May 2013, the Company signed offer letters with two tenants for the lease of certain office premises at KITEC, which in aggregate amounted to approximately 100,347 sq. ft. of GRA. The rental rate for these two tenancies ranged from approximately HK$20.0 to HK$21.0 per sq. ft. and the tenancies are subject to the execution of formal tenancy agreements with the two tenants.

Average monthly effective rent and net rental income
E-Max (retail)

	Average monthly effective rent (per sq. ft.)	Net rental income (million)
FY2010	HK$5.0	HK$42.5
FY2011	HK$5.8	HK$51.4
FY2012	HK$6.6	HK$58.7
1HFY2013	HK$7.2	HK$32.2

Future asset enhancement

Short term

As part of our "active landlord strategy", we constantly monitor and evaluate the performance of our tenants and the utilisation of space to maximise the potential return of our leases. For example, we currently have plans to refurbish the basement, ground floor and second floor of E-Max to improve the tenant mix and rental yield by expanding the arcade area with new layouts and enhancing retail floor linkage with better vertical connection. As part of our refurbishment plans, we have relocated, and will relocate, some of our tenants to other areas within E-Max to improve the utilisation of space.

We will relocate the duty free store on the second floor to basement one to make way for general retail stores as this will improve our tenant mix in E-Max and also enable us to achieve higher rental rates. In addition, we have reduced the space leased to the automobile sales and trading mall on the basement to accommodate the relocation of the duty free store and in the process we were able to obtain a higher rental rate from the automobile sales and trading mall. We believe the refurbishment of E-Max will enhance the overall shopping experience for our customers.

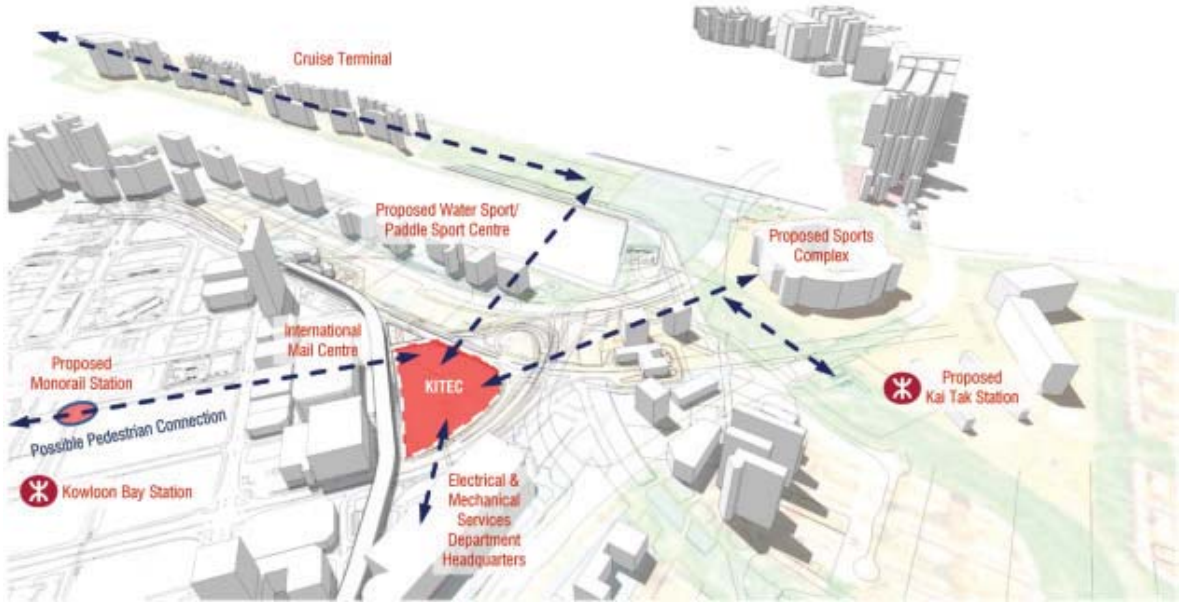
We also plan to reposition E-Max as an entertainment hub to target a younger clientele and have commenced our "E-Max II" refurbishment plan in May 2013. We submitted an application to the Buildings Department to convert the existing bowling alley on the ground floor into a multi-cinema complex. It is currently anticipated that the multi-cinema complex will offer nine cinema houses and a capacity of approximately 1,184 seats which will make it one of the largest cinema complexes in Kowloon Bay. The multi-cinema complex will also include a grand premiere house with approximately 434 seats and a vast functional area at the atrium which can be utilised for major film festivals and events. The conversion of the multi-cinema complex is estimated to be completed in 2014 and we believe that the conversion will draw more crowds to the complex that will benefit E-Max. We received the approval of the Buildings Department for our "E-Max II" refurbishment plan in May 2013.

We also plan to introduce a brand new "live-house" concept performance venue, which is estimated to be completed by 2014. We aim to introduce a greater variety of performance formats and channels to E-Max, which we believe will strengthen E-Max's position as an entertainment hub.

The total capital expenditure for the refurbishment of the basement, ground floor and second floor of E-Max, "E-Max II" refurbishment plan and the introduction of a "live-house" concept performance venue is expected to be approximately HK$199.6 million, which will be funded from our internal cash flow.

Long term

In light of the Hong Kong Government's plans to transform Kowloon East into CBD2, we are also currently studying the possibility of redeveloping a certain portion of KITEC given its potential to be redeveloped into an approximately 100 metres tall building from its existing height of approximately 54 metres. We believe that the location of KITEC will potentially become a key traffic hub in the vicinity area where extensive pedestrian networks would be provided to link up the KITEC site with Kowloon Bay MTR station, cruise terminal, Kai Tak MTR station and Kowloon City area. The following depicts an artist's illustration of the KITEC site in the redevelopment of Kowloon East with other proposed developments. As such, the completed developments may deviate from the depiction.



Source: Ronald Lu & Partners

Property valuation

As at 31 March 2013, KITEC and E-Max were collectively valued at approximately HK$9,345.0 million. For further information, see "*Appendix IV — Property Valuation*".

Tsuen Wan

Tsuen Wan, one of the first three new towns developed in Hong Kong, is located in the southwest New Territories. The town is currently undergoing a redevelopment and transition phase, changing from a traditional manufacturing and industrial base to a hub for residential properties, retail, hospitality and service-based industries. Many old industrial buildings are being redeveloped into new private residential and commercial properties.

Tsuen Wan is a gateway to Hong Kong International Airport on Lantau Island, and one of the major transportation hubs in the western New Territories. Four MTR lines serve the Tsuen Wan district, namely the Tsuen Wan, West Rail, Tung Chung and Airport Express lines, and are complemented by the comprehensive road network which connects the district to various parts of Hong Kong.

Our properties, the Panda Place and Panda Hotel, are well recognised in the Tsuen Wan district. Panda Hotel, the first hotel to open in Tsuen Wan, is a full-service hotel which is complemented by its retail podium, Panda Place. Over the years, we have carried out various asset enhancement plans on both properties and we have proactively modified the tenant mix to target the younger families moving into the district.

Panda Place

Background

Panda Place is a shopping arcade located within Panda Hotel which consists of a five-storey podium and 402 car parking spaces at 3 Tsuen Wah Street in Tsuen Wan, Hong Kong. The retail portion has a total GFA of approximately 229,675 sq. ft. and a total GRA of approximately 230,026 sq. ft. of retail space. Panda Place was completed in March 1991 and initially operated as Yaohan Department Store by Yaohan Department Store (Hong Kong) Limited until its closure in November 1997. Thereafter, the shopping arcade within Panda Hotel continued to operate as a bazaar until September 2005 when we carried out a major revamp project to modernise the premises and renamed it as Panda Place. We believe that the synergy created by Panda Place and Panda Hotel will provide a one-stop shop for our business and individual customers. For more information on Panda Hotel, please refer to "*Business — Hotel, Restaurant and Catering Operation — Hotel — Panda Hotel*" below.

Historical asset enhancements

Through the Group's proactive leasing strategies and promotional activities, we have succeeded in attracting a wide variety of tenants for Panda Place in the food and beverage, fashion and accessories, home design, lifestyle, education and entertainment sectors. In March 2012, Panda Place underwent an extensive renovation programme, which was completed in September 2012, whereby the building facade, interiors and facilities were upgraded together with the reconfiguration of the building's retail space. The renovation was carried out to enhance the competitiveness and rental income of Panda Place by offering visitors a refined shopping experience with a new tenant mix and modern look.

As a result of the revamp to Panda Place, we have improved the tenant mix at Panda Place and in the process, we successfully secured AEON Stores (Hong Kong) Co., Limited, a Japanese department store operator, as an anchor tenant which has committed to lease approximately 120,000 sq. ft. of Panda Place starting from August 2012 and is expected to draw increased visitors to Panda Place. In addition, given that a majority of Panda Hotel's guests are from mainland China and Tsuen Wan has a growing population of younger families, we have tailor-made our trade mix to capture the demands of these visitors and younger demographic. For example, the ground floor of Panda Place has a mix of cosmetics, electrical goods, optical products and watches stores which are targeted at tourists from mainland China. On the three basement levels of Panda Place, together with AEON, we offer a mix of young and trendy lifestyle and fashion shops which meet the needs of local younger families.

Tenancies

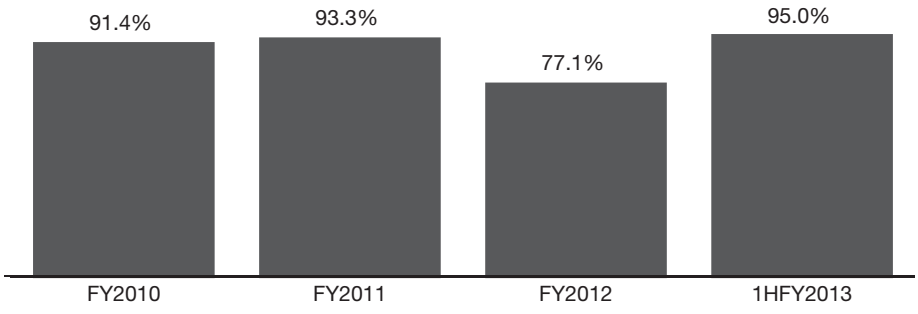
As at 31 December 2012, there were a total of 54 tenants in Panda Place. The five largest tenants (in terms of rental income for the month ended 31 December 2012) in Panda Place were (in alphabetical order):

- A.S. Watson Group (HK) Limited (trading as Fortress);
- AEON Stores (Hong Kong) Co., Limited (trading as AEON);
- Good Peace International Limited (trading as Honorary Family 裕滿人家);
- Sa Sa Cosmetic Company Limited (trading as Sa Sa 莎莎); and
- Sino City Group Limited (trading as Fat Angelo's and Angelo's Pizza).

These five largest tenants contributed approximately 46.2% of the total rental income of Panda Place for the month ended 31 December 2012 and accounted for approximately 64.3% of its total leased GRA as at 31 December 2012.

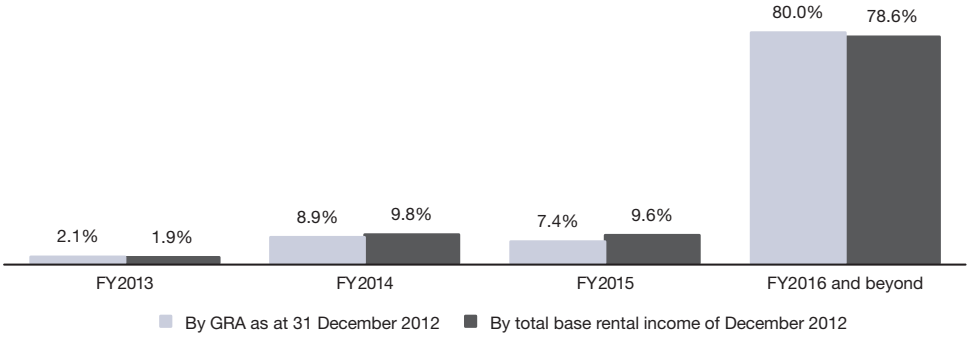
The chart below shows the average occupancy rate of Panda Place during the Track Record Period. The average occupancy rate for 1HFY2013 was approximately 95.0%. The occupancy rate for FY2012 was lower than our usual average occupancy rate over the Track Record Period due to the closure of certain portions of our retail space in Panda Place for renovation in 2012.

Average occupancy rate
Panda Place (retail)



The weighted average lease term to expiry for Panda Place was approximately 7.6 years as at 31 December 2012. The charts below show the percentage of the total leased GRA of Panda Place taken up as at 31 December 2012 by leases expiring in the periods shown and the percentage of total rental income of Panda Place for the month ended 31 December 2012 attributable to those leases.

Lease expiry profile
Panda Place (retail)



Rental rate and income

The following table shows the average monthly effective rent and the net rental income of Panda Place during the Track Record Period.

Average monthly effective rent and net rental income
Panda Place (retail)

	Average monthly effective rent (per sq. ft.)	Net rental income (million)
FY2010	HK$13.3	HK$32.9
FY2011	HK$13.7	HK$35.1
FY2012	HK$15.7	HK$33.2
1HFY2013	HK$12.7(1)	HK$ 9.2(1)

Note:

(1) The decrease in the average effective rate and net rental income of Panda Place for 1HFY2013 was due to the closure of certain portions of our retail space in Panda Place for renovation works and certain tenants obtaining rent free periods in their tenancies. We expect the net rental income of Panda Place to increase for FY2013 given the reopening of Panda Place.

Property valuation

As at 31 March 2013, Panda Place, the commercial portion of Panda Hotel and the car parking spaces were collectively valued at approximately HK$1,895.0 million. For further information, see "*Appendix IV — Property Valuation*".

HOTEL, RESTAURANT AND CATERING OPERATION

Hotel

Panda Hotel

Background

Being one of the largest hotels in Hong Kong (in terms of number of rooms) and the first hotel to open in Tsuen Wan, Panda Hotel is a full-service hotel, catering to business and leisure travellers. Located at 3 Tsuen Wah Street in Tsuen Wan, Hong Kong, Panda Hotel is adjacent to Tsuen Wan MTR station and is well connected with all major transportation networks. Panda Hotel is committed to providing quality comfort and the best value to its guests and its vision is to provide a "Home Away from Home" for its guests. Over the years, Panda Hotel has become a well-recognised brand in the Tsuen Wan district through its dedication to service and quality.

Panda Hotel was completed in March 1991 and opened in March 1992. It has a total GFA of approximately 424,717 sq. ft. Panda Hotel has a total of 911 contemporary design rooms (856 guest rooms and 55 suites), which are all extensively furnished and fully equipped with modern amenities. There are three types of guests rooms and seven types of suites (including ten theme suites) to cater to a wide variety of guests with different budgets. The size of the guest rooms and suites ranges from 220 sq. ft. to 1,540 sq. ft. Given the large scale of Panda Hotel, we have a track record of working with different sports associations and MICE operators to accommodate large groups. For example, in 2009, Panda Hotel was an event sponsor and one of the official hotels of the East Asian Games where it accommodated approximately 600 athletes and officials from eight countries. Furthermore, in 2012, Panda Hotel was the preferred hotel of the Asia-Pacific Broadcasting Union Asia Pacific Robot Contest 2012 Hong Kong (alias ABU ROBOCON 2012 Hong Kong) where it accommodated 338 players and officials from 15 countries.

Panda Place, a five-storey retail podium which is integrated with Panda Hotel, provides a one-stop shopping destination for our hotel guests and other shoppers. Its wide array of retail, entertainment and restaurants is popular among locals and tourists alike and creates synergy with Panda Hotel. Panda Hotel also features four restaurants serving a variety of Chinese and European cuisines, a business centre, a swimming pool, a health club, a recreation room and a children's playground.

Historical asset enhancement

To maintain Panda Hotel's competitiveness, we have implemented an ongoing guest room renovation with special themes and staff training programme to upgrade the quality of the hotel's services. We have also embarked on a facility upgrading programme in which three floors were converted into executive floors. As a result of our continuous asset enhancement, the HKTB has upgraded Panda Hotel from "medium tariff category" to "high tariff B category" in 2011 under its hotel classification system.

Future asset enhancement

We intend to carry out further enhancement works in 2013 to capture the business traveller segment given the higher yield generated from such guests. We will renovate higher zone guestrooms and further upgrade our facilities. In particular, we are currently carrying out renovations on, and converting, two floors of Panda Hotel to "premium" floors, which will be branded as "Panda Plus" floors and caters to our guests' growing demand for value-added services and features. After the renovation, Panda Hotel will have two executive floors, two "Panda Plus" floors and 15 floors of deluxe rooms. The total capital expenditure for the aforesaid enhancement works is expected to be approximately HK$45.0 million, which will be funded from our internal cash flow.

Occupancy rate and other operating data

The table below shows the average occupancy rate, average daily rate and RevPAR for Panda Hotel during the Track Record Period.

	FY2010	FY2011	FY2012	1HFY2013
Average occupancy rate (%)	84.3	89.5	89.9	93.6
Average daily rate (HK$)	426.0	565.0	700.0	752.0
RevPAR (HK$)	359.0	506.0	629.0	704.0

The table below shows the revenue (room and non-room) for Panda Hotel during the Track Record Period.

	FY2010	FY2011	FY2012	1HFY2013
		(HK$ million)		
Room revenue	131.4	184.8	230.9	129.8
Non-room revenue				
Restaurant and banquet	70.0	78.1	92.9	46.2
Other revenue (laundry services, use of business and service centres, mini bar and foreign exchange)	3.6	3.8	3.8	1.9
TOTAL	**205.0**	**266.7**	**327.6**	**177.9**

The table below shows the revenue generated from tour groups, business travellers and other travellers who stayed at Panda Hotel during the Track Record Period.

	FY2010	FY2011	FY2012	1HFY2013
		(HK$ million)		
Tour groups	39.4	58.7	81.8	50.0
Business travellers	44.0	56.7	64.5	28.0
Other travellers	48.0	69.4	84.6	51.8
TOTAL	**131.4**	**184.8**	**230.9**	**129.8**

The tables below show the average occupancy rates and revenue (room and non-room) for Panda Hotel from FY2003 to 1HFY2013.

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	1HFY2013
Average occupancy rates (%)	65.1	79.6	84.8	87.3	84.4	83.6	79.9	84.3	89.5	89.9	93.6
Revenue (HK$ million)	112.3	148.7	175.4	194.0	197.5	211.5	204.2	205.0	266.7	327.6	177.9

Over the years, we have launched various guest loyalty programmes and hotel promotional activities which increased our guests' loyalty to Panda Hotel. Our Panda Red Carpet reward programme, which was launched in 2004, targets our corporate guests and offers them various privileges and benefits such as advanced booking guarantee and reward points which can be redeemed for gifts.

Awards and accolades

We have received an array of awards and accolades in recognition of Panda Hotel's social commitment, environmental efforts and service excellence:

Social Awards:

- 2009 — Awarded the "*5 Consecutive Years Caring Company 2004-09*" from the Hong Kong Council of Social Service in recognition of our sustainable commitment to corporate citizenship
- 2010 to 2013 — Awarded the "*5 Years Plus Caring Company*" from the Hong Kong Council of Social Service in recognition of our sustainable commitment to corporate citizenship
- 2010 — The first hotel in Hong Kong to win the "*Hong Kong Character Company Award*" by Hong Kong Character City, Shue Yan University and HappyMen Lifestyle Magazine

Green Awards:

- 2009 to 2013 — Panda Hotel became a member of the "*Carbon Audit ● Green Partners*", organised by the Environment Protection Department, which supports the reduction of greenhouse gas emission
- 2009 — The first hotel in Hong Kong to be awarded the "*Certificate of Good Energy Performance*" from the Electrical & Mechanical Services Department

Service Awards:

- 2004 to 2013 — Panda Café receives "*Quality Tourism Services (QTS)*" accreditation from the HKTB
- 2004 to 2013 — Balcony, a modern European restaurant at Panda Hotel, receives "*Quality Tourism Services (QTS)*" accreditation from the HKTB
- 2007 to 2013 — YinYue, a Chinese restaurant at Panda Hotel, receives "*Quality Tourism Services (QTS)*" accreditation from the HKTB

Service Management Team Awards:

- 2010 — Mr. Ng Sze-Yau, the executive chef of Chinese cuisine at Panda Hotel, is named one of the "*Top 10 Chefs by business travellers in Guangzhou, Hong Kong and Macau"* by the Hotel General Manager Association

- 2011 — Ms. Judy Ngar Yee Tsang, General Manager of Panda Hotel, became a member of Commanderie des Cordons Bleus de France in recognition of hotel dining quality

- 2011 — Mr. Ng Sze-Yau became a member of Commanderie des Cordons Bleus de France in recognition of hotel dining quality

Property valuation

As at 31 March 2013, Panda Hotel was valued at approximately HK$3,390.0 million. For further information, see "*Appendix IV — Property Valuation*".

Restaurant, catering operations and others

Our restaurant and catering operations at KITEC are operated by IT Catering & Services Ltd., a wholly-owned subsidiary of the Group, through our convention and exhibition venue and our two restaurants located at E-Max: Xi Shan, a Chinese restaurant which offers dim sum in conjunction with contemporary Chinese Cantonese cuisine, and MENU Restaurant, a western style cafeteria offering a diversity of buffets and a la carte dining. Our banquet venues at KITEC are one of the only three venues in Hong Kong which can accommodate up to 160 tables. We have a variety of venues at KITEC to cater for banquets of different sizes, ranging from ten to 160 tables. We also operate restaurant and catering operations at Panda Hotel. Our restaurant and catering operations take up a GRA of approximately 92,955 sq. ft.

For FY2010, FY2011, FY2012 and 1HFY2013, revenue from our restaurant and catering operations and others (excluding revenue from restaurant and catering operations at Panda Hotel) amounted to approximately HK$121.9 million, HK$121.7 million, HK$133.6 million and HK$52.3 million, respectively. Our revenue remained strong from FY2010 to FY2011, and the increase from FY2011 to FY2012 was mainly attributable to continuous growth in the banqueting business as a result of our flexible pricing strategy, special tailor-made corporate and wedding banquet packages, consistent food and service standards and a diverse choices of venues for different categories of customers.

We strive to maintain quality and consistency in our restaurant and catering operations through the ongoing training and supervision of our personnel and the establishment of standards relating to food preparation, maintenance of facilities and conduct of personnel. We require our personnel to strictly adhere to our standard operating procedures (such as food storage, cleaning and work hygiene, kitchen equipment handling and food quality control) to ensure the flavour, presentation, quality and hygiene standards of our dishes. We also employ hygiene managers in our restaurants and catering outlets to monitor our compliance with the requirements of the Food and Hygiene Department of the Hong Kong Government. During the Track Record Period, the Group's restaurant and catering operations did not experience any material food contamination incidents. To ensure that our hygiene standards are consistently met, we have arranged for our food to be sample tested by an external laboratory on a monthly basis.

PROPERTY DEVELOPMENT

Investment properties held for sale

Broadwood Twelve

Hopewell has been the driving force behind a series of luxury property developments on Broadwood Road in Happy Valley, Hong Kong, which was a little-known narrow trail during the 1970s. Recognising its potential, Hopewell contributed and participated in the development of Broadwood Road, including the widening of Broadwood Road and developing a number of renowned luxury hillside residential projects alongside it.

Broadwood Twelve, the Group's latest property development on Broadwood Road, is a 45-storey luxury residential tower, which faces the Happy Valley racecourse and Victoria Harbour. It has a total GFA of approximately 113,900 sq. ft. and consists of 76 high-end residential units (including two penthouses) with sizes ranging from 1,263 sq. ft. to 2,508 sq. ft. of saleable floor area. The tower also includes 65 car parking spaces. Amenities include an outdoor swimming pool, a jacuzzi, a children's pool, a gymnasium, a children's play room, a function room, sauna and steam rooms and a sky garden.

Broadwood Twelve was completed in June 2010 with a total development cost of approximately HK$691.7 million. Broadwood Twelve was originally intended to be held for rental, targeting the premium residential market. However, having considered the property market conditions, particularly the increase in property prices, and the surge in demand, for luxurious residential units, the Group decided to sell Broadwood Twelve on 24 May 2010. Sales of Broadwood Twelve commenced in June 2010. From June 2010 to 31 March 2013 (inclusive), sales contracts in respect of 58 residential units and 54 car parking spaces have been signed with total sale proceeds amounting to approximately HK$2,616.4 million. The average selling price of the sold units up to 31 March 2013 was approximately HK$33,695 per sq. ft. of saleable floor area.

Broadwood Twelve's high-end residential units have also attracted leasing offers from large and well-known corporations, as well as individual professionals. As at 31 March 2013, seven units out of the remaining 18 unsold residential units are being leased at an average monthly rental rate of about HK$70 per sq. ft. of saleable floor area. These seven leased units are also available for sale.

As at 31 March 2013, the remaining unsold 18 residential units and 11 car parking spaces of Broadwood Twelve were collectively valued at approximately HK$808.8 million. For further information, see "*Appendix IV — Property Valuation*".

Properties under development or held for future development

The table below shows the GFA and other information of our properties under development or held for future development as at 31 March 2013. Valuations in the table below in respect of each property are disclosed on an attributable basis (or by reference to our economic interest).

Properties under development	Total planned GFA/ Approximate GFA (in sq. ft.)	Number of hotel rooms (planned)	Number of car parking spaces (planned)	Attributable to the Group (%)	Construction commencement date for properties under development	Expected completion	Estimated total development cost (HK$ million)	Total investment costs incurred up to 31 March 2013 (HK$ million)	Attributable independent valuation as at 31 March 2013 (HK$ million)
Hopewell Centre II				**100%**	**End of 2012[1]**	**2018**	**9,000.0**	**4,235.1**	**8,945.0**
Hotel	758,735	1,024	N/A						
Retail	298,648	N/A	N/A						
Office	36,960	N/A	N/A						
Car park	N/A	N/A	168						
200 Queen's Road East Project[2]				**50%[3]**	**May 2010**	**2015**	**9,000.0**	**7,350.1[4]**	**4,417.5**
Residential	731,000	N/A	N/A						
Retail	86,000	N/A	N/A						
Car park	N/A	N/A	215						
Properties held for future development									
Exposed Amalgamation Properties									
Entire property situated at 155-159 Queen's Road East, Wan Chai	9,725	N/A	N/A	**100%**	**N/A**	**N/A**	**N/A**	**215.8**	**217.0**
Part of property situated at 161-167 Queen's Road East, Wan Chai	17,804	N/A	N/A	**100%**	**N/A**	**N/A**	**N/A**	**179.9**	**325.0**
Unexposed Amalgamation Property	16,380	N/A	N/A	**100%**	**N/A**	**N/A**	**N/A**	**N/A**	**224.5**

Notes:

(1) Site preparation work of Hopewell Centre II commenced at the end of 2012.

(2) Total GFA includes 18,000 sq. ft. to be handed over to the URA upon completion.

(3) The 200 Queen's Road East Project is a 50:50 joint venture between the Group and Sino Land.

(4) Excluding capitalised finance costs and showflat costs.

Hopewell Centre II

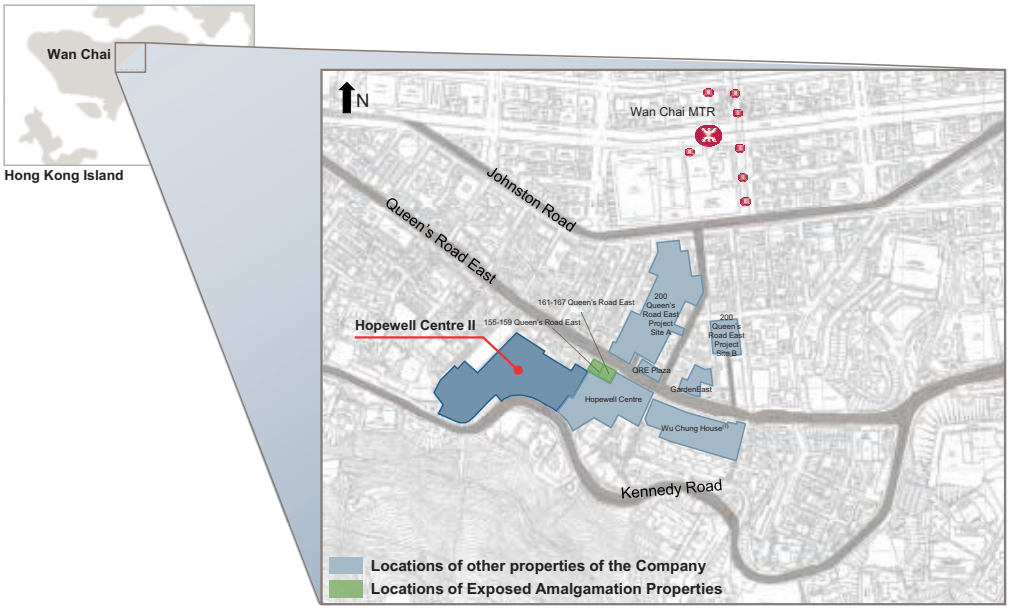
Hopewell Centre II is a development site of approximately 105,918 sq. ft. located in Wan Chai, Hong Kong, which is conveniently located to our existing investment properties and transportation network. On 25 July 2012, the Group accepted a land exchange offer for the development site from the Hong Kong Government to develop Hopewell Centre II. The surrendered land involved in the land exchange is located at, or in the nearby areas of, Ship Street, Kennedy Road and Hau Fung Lane in Wan Chai. The re-granted land is also located in the same area and the Group paid approximately HK$3,726 million as land premium for the land exchange in October 2012.

Hopewell Centre II is expected to be a 55-storey mixed-use development, which will be linked with our existing properties, Hopewell Centre and QRE Plaza, and is expected to comprise a large-scale conference hotel with over 1,000 guest rooms, a retail podium, office space and 168 car parking spaces. Upon completion, it is anticipated that the total GFA of Hopewell Centre II will be approximately 1,094,343 sq. ft. Hopewell Centre II is specifically designed to be a dedicated conference hotel and will be one of the largest hotels in Hong Kong (in terms of number of rooms) with comprehensive conference facilities given the increasing number of visitors to Hong Kong. We are considering various options for operating the hotel within Hopewell Centre II, including engaging a leading hotel operator. We believe that the completion of the hotel will enhance our position as one of the major players in the Hong Kong hotel sector and place us as one of the major private convention and exhibition operators in Hong Kong. The hotel will also strengthen Hong Kong's status as a convention and exhibition destination, while making Wan Chai an even more vibrant commercial centre.

The development of Hopewell Centre II forms part of the Group's pedestrian walkway proposal for Wan Chai, which will provide a convenient pedestrian connection between the Kennedy Road residential area in the Mid-Levels, Wan Chai MTR station and Wan Chai North, via Hopewell Centre, Hopewell Centre II and the 200 Queen's Road East Project. This will assist with the integration of parts of the Wan Chai district and will provide access to our properties under "The East" brand. It will also synergise with the Group's current property portfolio in Wan Chai, enhance its recurrent income base and align with our aim to be a leader in the redevelopment of Wan Chai. A map of the proposed pedestrian walkway is shown in "*Business — Investment Property Portfolio — Investment Property under Development or Held for Future Development — 200 Queen's Road East Project*" below.

Site preparation work of Hopewell Centre II commenced at the end of 2012 and the construction work is expected to be completed in 2018.

A map showing the location of Hopewell Centre II is set out below.



Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

The following table shows the expected mix of space for Hopewell Centre II:

	Expected GFA (sq. ft.)
Hotel	758,735
Retail	298,648
Office	36,960
Car park (168 spaces)	N/A
TOTAL for hotel, retail and office	**1,094,343**

The estimated total investment cost for Hopewell Centre II is expected to be approximately HK$9,000.0 million, which also includes an estimated investment cost for a road improvement scheme, a green park open to the public, and an extensive tree-planting plan. The road improvement scheme will help to solve the area's traffic problems and enhance the safety of pedestrians, while the green park will provide a venue for public recreation and enjoyment. As at 31 March 2013, the total investment costs incurred by a subsidiary of the Group for Hopewell Centre II was approximately HK$4,235.1 million. The remaining development cost will be financed by net proceeds from the Global Offering, our internal resources and/or external bank borrowings.

As at 31 March 2013, Hopewell Centre II was valued at approximately HK$8,945.0 million. For further information, see "*Appendix IV — Property Valuation*". The capital value of the property as if completed on 31 March 2013 was approximately HK$17,831.0 million.

200 Queen's Road East Project (The Avenue, Avenue Walk)

The 200 Queen's Road East Project is a URA redevelopment project comprising residential, retail and public-use elements in Wan Chai, Hong Kong. The project aims to highlight the area's distinctiveness by incorporating redevelopment, heritage conservation, revitalisation and green elements, which are in line with the Company's sustainability philosophy.

On 15 June 2009, Grand Site, as the project company and tenderer, submitted the tender offer for the 200 Queen's Road East Project (the "**Tender Offer**") to the URA on behalf of the consortium formed jointly by Hopewell and Sino Land. We have partnered up with Sino Land in the 200 Queen's Road East Project given its reputation for developing and managing quality residential and commercial developments which is complementary to our strong asset management and experience in the Wan Chai area. Grand Site is a joint venture project company, which is held in equal shares by Linford Investments Limited, an indirect wholly-owned subsidiary of the Company, and Mega Sino Limited, an indirect wholly-owned subsidiary of Sino Land. Following the acceptance of the Tender Offer on 23 June 2009 by the URA, the Company and Sino Land jointly hold and develop the 200 Queen's Road East Project through their respective 50:50 shareholding in Grand Site.

On 14 July 2009, Grand Site and the URA entered into the Development Agreement for the development of the 200 Queen's Road East Project. On the same date, a guarantee was entered into by each of Hopewell and Sino Land in favour of the URA under which each of them agreed to guarantee on a several basis the obligations of Grand Site under the Development Agreement; and a funding agreement was also entered into at the same time by Grand Site, Hopewell, Sino Land and the URA, under which each of Hopewell and Sino Land agreed to provide the necessary funds to the URA or such third parties as the URA shall specify, in the event that the Development Agreement is terminated prior to the completion of the development of the 200 Queen's Road East Project or in the event of, among others, the liquidation, winding-up or dissolution of Grand Site or failure by Grand Site to perform its material obligations, provided that the respective liability of each of the Company and Sino Land under this Funding Agreement shall not in any event exceed 50%.

On 30 April 2010, Linford, Mega Sino, Hopewell, Sino Land and Grand Site entered into a shareholders' agreement (the "**Grand Site Shareholders' Agreement**") to regulate the management and activities of Grand Site.

Business of Grand Site

The Grand Site Shareholders' Agreement provides that unless otherwise unanimously agreed by the shareholders of Grand Site, the business of Grand Site is solely the entering into, performance and enforcement of the Development Agreement and documents ancillary thereto, and the possession of, investment in and development of the 200 Queen's Road East Project.

The approval of all the shareholders of Grand Site is required to authorise Grand Site to do certain things including, but not limited to, the allotment of further shares (except on a pro rata basis to existing shareholders), the variations of any rights attached to the shares in Grand Site, the distribution of any profits to shareholders as dividend before repayment of the shareholders' loans, and any merger, amalgamation, restructuring or winding-up of Grand Site.

Means of funding

The Grand Site Shareholders' Agreement provides that the funding requirements of Grand Site are to be met by one or more of the following ways as unanimously resolved by the directors of Grand Site: (a) by means of advances from banks and/or financial institutions, with security, guarantee and other support to be provided by the shareholders on a pro rata several basis or (b) by advances from or procured by each of the shareholders on a pro rata basis by means of shareholders' loans.

Board of directors of Grand Site

According to the Grand Site Shareholders' Agreement, the board of directors of Grand Site shall be responsible for the management of the business of Grand Site. The board of directors of Grand Site consists of six directors. Linford and Mega Sino are each entitled to appoint three directors to the board of directors of Grand Site.

The quorum for board meetings of Grand Site shall be at least two directors (or their respective alternates) of whom at least one shall be nominated by each of Linford and Mega Sino. No business shall be transacted at any board meeting of Grand Site unless a quorum is present.

At any meeting of the board of directors of Grand Site, each director shall have one vote, and all matters put to the board and all resolutions passed thereat shall be decided by a simple majority of votes.

Executive committee of Grand Site

A committee (the "**Executive Committee**") responsible for overseeing and monitoring the 200 Queen's Road East Project, including the day-to-day administration and management of the project has been formed. The Executive Committee shall report to the board of directors of Grand Site and comprises four members. Linford and Mega Sino are each entitled to appoint two members to the Executive Committee.

The quorum for meetings of the Executive Committee shall be at least two members (or their respective alternates) of whom at least one shall be nominated by each of Linford and Mega Sino. No business shall be transacted at any meeting of the Executive Committee unless a quorum is present.

At any meeting of the Executive Committee, each member shall have one vote, and all matters put to the Executive Committee and all resolutions passed thereat shall be decided by a simple majority of votes. If there is equality of votes in the Executive Committee, the matter concerned shall be referred to the board of directors of Grand Site to decide.

Transfer of shares and shareholders' loans

The Grand Site Shareholders' Agreement provides that the shareholders of Grand Site shall not sell, dispose or create an encumbrance over its Grand Site shares or shareholders' loans owing to or procured by it unless the prior written consent of the other shareholder has been obtained or it was by way of security in respect of the borrowings of the Company from banks and/or financial institutions as unanimously resolved by the board of Grand Site. Furthermore, each of Hopewell and Sino Land (as guarantors) are required to procure that the entire share capital of Linford and Mega Sino respectively are at all times beneficially owned by it free from encumbrances except with the prior written consent of the other guarantor.

Guarantee

Under the Grand Site Shareholders' Agreement, each of Hopewell and Sino Land guarantees the due observance and performance by Linford and Mega Sino respectively of all its obligations under the Grand Site Shareholders Agreement.

Distribution of proceeds and disposal of property

The Grand Site Shareholders' Agreement provides that Grand Site shall, as soon as practicable and to the extent permissible under applicable laws and the terms of any financing provided by banks and/or financial institutions, distribute to the shareholders of Grand Site in such amount as resolved by the board of Grand Site the proceeds from any sale or leasing of the 200 Queen's Road East Project in proportion to the shareholders' interest in Grand Site.

Furthermore, if any parts or units of the 200 Queen's Road East Project are vested in Grand Site by the URA pursuant to the provisions of the Development Agreement and such parts or units are not sold before a date agreed by all the shareholders of Grand Site, then provided that all the borrowings of Grand Site from banks and financial institutions have been fully repaid, any such unsold parts or units shall (unless the shareholders agree otherwise) be:

(a) allocated to the lenders of shareholders' loans (in satisfaction of any outstanding shareholders' loans unless the shareholders agree that the shareholders' loans shall be repaid or discharged by other manner), and thereafter

(b) distributed in specie to the shareholders of Grand Site,

on such fair and reasonable basis and at such time as all the shareholders may unanimously decide.

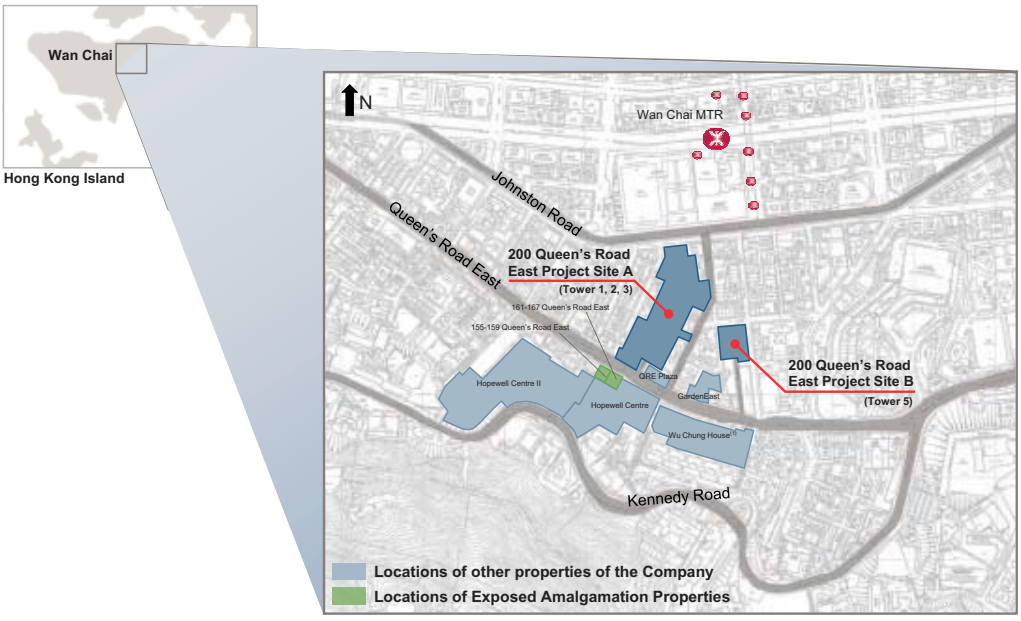
The estimated total development cost for the 200 Queen's Road East Project is expected to be approximately HK$9,000.0 million (or approximately HK$4,500.0 million on an attributable basis). As at 31 March 2013, approximately HK$7,350.1 million in development costs (excluding capitalised finance costs and showflat costs) have been incurred in respect of the project.

On 8 July 2011, Grand Site executed a facility agreement and security documents in relation to loan facilities of up to an aggregate principal amount of HK$5,000 million. As at 31 March 2013, we have already advanced approximately HK$2,225.7 million to Grand Site to finance the development cost of the 200 Queen's Road East Project. The remaining development cost will be funded by the bank borrowings drawn under the existing loan facilities of Grand Site. Based on the foregoing, we do not expect to advance additional funds to Grand Site to settle any remaining development cost.

Upon completion of the Global Offering, Linford will cease to be an indirect wholly-owned subsidiary of Hopewell (the "**Shareholding Change**"). Under the Grand Site Shareholders' Agreement, the guarantee, the facility agreement and security documents mentioned above, the Shareholding Change requires the prior consent of Sino Land, the URA and the lenders. Hopewell has already obtained the necessary consents to the Shareholding Change from URA, Sino Land and the lenders subject to, among others, the Listing.

The 200 Queen's Road East Project comprises two sites situated at Lee Tung Street (Site A) and McGregor Street (Site B). The whole project will consist of a mix of residential and retail components, comprising four residential towers of approximately 1,300 units, a retail portion and public open space of approximately 37,000 sq. ft. The residential portion is known as "The Avenue". Site A comprises three residential towers, a retail portion and public open space whilst Site B comprises one residential tower with community facilities.

A map showing the location of the 200 Queen's Road East Project is set out below.



Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

Note:

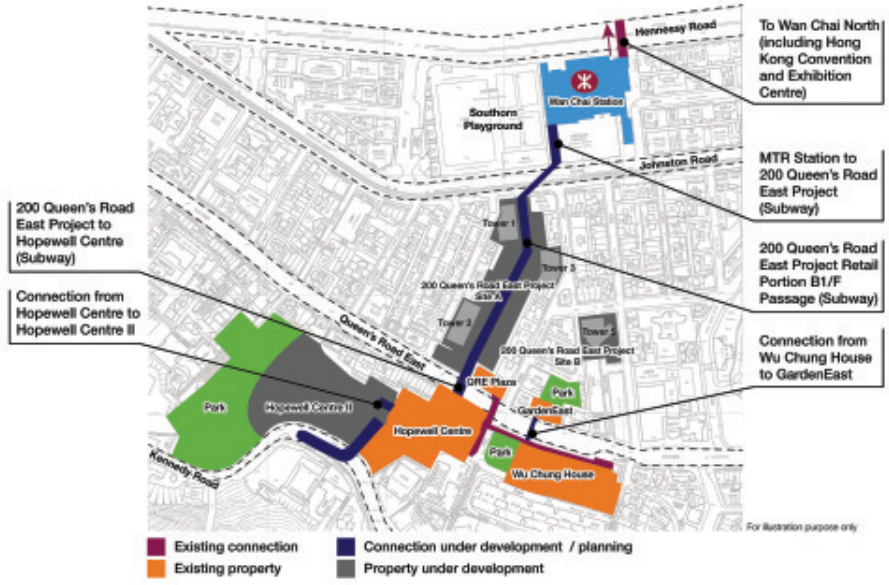
Site A of 200 Queen's Road East Project (as at 11 May 2013)

Note:
Site B of 200 Queen's Road East Project (as at 11 May 2013)

The retail portion of the 200 Queen's Road East Project, which is known as "Avenue Walk", will create a new high-end retail neighbourhood, which comprises a mixture of shops and restaurants exhibiting the "east-meets-west" culture of Hong Kong. The retail portion aims to create a street-shopping experience along a tree boulevard for consumers with its fusion of western and oriental architecture. The project also involves the conservation of three pre-war shophouses with Chinese and Western architectural features located at 186-190 Queen's Road East, Wan Chai, Hong Kong. These shophouses have been identified as Grade III Historical Buildings by the Antiquities and Monuments Office in Hong Kong.

A subway link, forming the core of the Wan Chai pedestrian walkway, will also be constructed which provides a seamless connection to one of the two sites of the 200 Queen's Road East Project to Wan Chai MTR station and the provision of certain government, institution and community facilities and public open space. The subway link will link our future projects with our existing investment properties as well as linking up Wan Chai South and Wan Chai North. We believe this new pedestrian network in Wan Chai will generate increased traffic to the area. A map of the subway link is shown below:

Proposed Wan Chai Pedestrian Walkway



The 200 Queen's Road East Project covers a total site area of approximately 88,500 sq. ft. and a GFA of approximately 835,000 sq. ft. The following table shows the expected mix of space for the project:

	Expected GFA (sq. ft.)
Residential	731,000
Retail	86,000
Car park (215 spaces)	N/A
TOTAL for residential and retail (including 18,000 sq. ft. to be handed over to the URA)	**835,000**

The retail component (Site A) of the 200 Queen's Road East Project is to be held for leasing or licensing until it is sold at the discretion of the URA subject to certain holding periods. The net rental income and sales proceeds derived from the retail component will be shared between the URA and Grand Site at a ratio of 40:60, respectively. The residential component (Sites A and B) of the project is to be developed for sale. The portion of the sales proceeds of up to HK$6,200 million will belong to Grand Site whereas the portion of the sales proceeds which exceeds HK$6,200 million will be shared between the URA and Grand Site in equal shares. The development of the 200 Queen's Road East Project will provide us with a new income source from 2013 onwards with proceeds generated from the sale of the residential component and recurring rental income from the retail component.

Construction of the 200 Queen's Road East Project commenced in May 2010 and superstructure work on the sites is currently in progress. Upon completion, the retail component of the project is expected to have a GFA of approximately 86,000 sq. ft. Pre-sales of the residential units are expected

to commence in or around the third quarter of 2013. Both residential and retail components of the project are expected to be completed in 2015.

As at 31 March 2013, the sites for the 200 Queen's Road East Project were valued at approximately HK$8,835.0 million (or approximately HK$4,417.5 million on an attributable basis). For further information, see "*Appendix IV — Property Valuation*". The capital value of the property as if completed on 31 March 2013 attributable to Grand Site was approximately HK$12,644.0 million (or approximately HK$6,322.0 million attributable to the Group).

In November 2012, the 200 Queen's Road East Project was awarded a provisional BEAM "Platinum Standard" certificate by the Hong Kong BEAM Society for meeting the standards established under the Building Environmental Assessment Method (BEAM) for New Buildings. Such accolade demonstrates our commitment and efforts to environmental considerations.

Amalgamation Properties

We have acquired individual units in several sites in Hong Kong, which are being reserved for future development and are referred to in this prospectus as Amalgamation Properties. The assembly of Amalgamation Properties into sites is part of our strategy for the acquisition of land reserves in strategic locations for future development. We believe that the assembly and subsequent development of the Amalgamation Properties could generate attractive investment returns.

Details of individual units comprising the Unexposed Amalgamation Properties are highly confidential and commercially sensitive. Any disclosure of the details of the Unexposed Amalgamation Properties, in particular their location, would likely make it impossible for us to complete the site amalgamations on commercially viable terms, if at all, and would thereby render our acquisitions of the Unexposed Amalgamation Properties futile. Amalgamation Properties are generally older and of lower quality than other assets in our investment property portfolio, generate a low level of rental income, if any, and, without the prospect of successful amalgamation, would not fit our investment criteria. Therefore, if details of the Unexposed Amalgamation Properties are disclosed, we may be required to dispose of such Unexposed Amalgamation Properties, potentially realising a loss. The loss of these potentially attractive investment opportunities and any potential losses that may arise as a result of disclosure will cause serious economic disadvantage to us. Accordingly, the Directors have confirmed that any disclosure of the details of the Unexposed Amalgamation Properties will be to the serious detriment of, and prejudicial to, the interests of the Company, Hopewell and the current and future Shareholders and Hopewell Shareholders as a whole.

Given the importance of keeping the details of the Unexposed Amalgamation Properties confidential, we have put in place measures to ensure that the identity of individual properties comprising the Unexposed Amalgamation Properties is kept highly confidential even within the Company.

There is a small group of people within the Company (currently eight) involved in the acquisition process of the Amalgamation Properties, being:

(i) executive Directors (currently two);

(ii) a team of members (the "**Acquisition Team**") (currently four) who are responsible for the acquisition of individual properties comprising the Amalgamation Properties (the "**Acquisitions**"); and

(iii) accountants within the accounts department of the Company (currently two) who are responsible for settling costs in relation to the Acquisitions.

At least one member of the above small group is a professionally qualified surveyor who is subject to the discipline of a professional body and is also responsible for carrying out the internal valuation of the Unexposed Amalgamation Properties.

We have sought to ensure that other than the executive Directors referred to above, within the Company, only the Acquisition Team which is responsible for the Acquisitions and the accountants within the accounts department of the Company who are responsible for settling costs in relation to the Acquisitions are aware of the identities of individual properties comprising the Unexposed Amalgamation Properties. The information is further segregated among the Acquisition Team to minimise the risk of disclosure and leakage. Attendance at meetings to discuss the Acquisitions is limited to the executive Directors referred to above and the Acquisition Team. Lastly, we have not given, and will not give, any information about the Unexposed Amalgamation Properties to any professional investors or analysts other than the information contained in this prospectus.

Unexposed Amalgamation Properties comprise only the properties acquired and held in confidence by us for the purpose of site amalgamation which have remained confidential in the market. We have taken steps (and will continue to take steps from time to time) to identify the individual properties comprising the Unexposed Amalgamation Properties portfolio which are an "open secret" in the market and remove these properties from the Unexposed Amalgamation Properties portfolio. It is to be noted that there will be frequent speculations that we are acquiring properties, and such speculation may at times reference a building where the Group is assembling units, a broad geographic area where the Group holds undeveloped lots, a building in which the Group does not own any units or which is not in fact one that has been targeted by the Group. However, mere speculation, even if it correctly references a target building, needs to be distinguished from situations when the public has sufficient information for the property to be considered rightly as being an "open secret", for example when the public has knowledge of the confirmed address of a property and the extent of our ownership interest in the relevant property. Where (i) Unexposed Amalgamation Properties have been identified as "open secrets" on or before the Latest Practicable Date; or (ii) where any site amalgamation has been completed on or before the Latest Practicable Date, such Unexposed Amalgamation Properties or amalgamated sites have ceased to be part of the Unexposed Amalgamation Properties portfolio and where required under the Listing Rules and the Companies Ordinance, have been disclosed in this prospectus and covered by the property valuation report as set out in "*Appendix IV — Property Valuation*".

The Joint Sponsors have performed the following due diligence on the Amalgamation Properties portfolio:

(a) the list of properties in the Amalgamation Properties portfolio were disclosed to two representatives from each of the Joint Sponsors, who then conducted online searches through a news database for relevant news to ascertain whether the ownership of the Unexposed Amalgamation Properties can be found in the public domain;

(b) the Joint Sponsors have obtained written confirmation from us on the strict protocols which we have put in place to keep the identities of the Unexposed Amalgamation Properties confidential in relation to:

  (i) our definition of Unexposed Amalgamation Properties;

  (ii) the number of people who are involved in the acquisition of the properties in the Amalgamation Properties portfolio;

  (iii) our procedure to ensure the confidentiality of the Unexposed Amalgamation Properties; and

  (iv) the information required to be leaked out about the Unexposed Amalgamation Properties to be considered as an "open secret" and therefore excluded from the Amalgamation Properties portfolio and to be included in the property valuation reports,

  (collectively, the "**Due Diligence Process**").

Based solely on their findings from the Due Diligence Process undertaken, to the best knowledge of the Joint Sponsors, the Joint Sponsors have not been able to identify any ownership information of the individual properties comprising the Unexposed Amalgamation Properties in the public domain. The Joint Sponsors are of the view that there is no omission of material information regarding the Amalgamation Properties in this prospectus and that the current disclosure of the Amalgamation Properties in this Prospectus should be sufficient for investors to make an informed assessment of the Company's business and prospects as a whole.

Unexposed Amalgamation Properties

As at the Latest Practicable Date, the Unexposed Amalgamation Properties comprised of several units within a total of eleven buildings located on Hong Kong Island, Hong Kong which were for residential, office and/or retail use. All these units are 100% owned by us and held through our wholly-owned subsidiaries. The Unexposed Amalgamation Properties have not been valued by any independent valuer for the purpose of the audited consolidated accounts of the Company and those of Hopewell. Instead, the acquisition costs of the Unexposed Amalgamation Properties have been reflected in the audited combined statements of financial position of the Group, as set out in "*Appendix I — Accountants' Report*", and were valued internally by professionally qualified surveyors who are members of the Hong Kong Institute of Surveyors (MHKIS) and/or members of the Royal Institution of Chartered Surveyors (MRICS).

As at 31 March 2013, the Unexposed Amalgamation Properties had a total GFA of approximately 16,380 sq. ft. and our internal valuation of the Unexposed Amalgamation Properties were approximately HK$224.5 million, which represented less than approximately 0.5% of the total value of the properties attributable to the Group as at 31 March 2013 as disclosed in "*Appendix IV — Property Valuation*". Such valuation was based on the market values of the Unexposed Amalgamation Properties which were assessed by using direct comparison method assuming the sale of the Unexposed Amalgamation Properties in their existing state and use by making reference to the relevant comparable sales transactions as available in the market. The market values of the Unexposed Amalgamation Properties mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. In light of the foregoing, the Directors are of the view that the individual properties comprising the Unexposed Amalgamation Properties, individually and in aggregate, form an insignificant part of the Group's total assets. The Joint Sponsors concur with such views of the Directors.

According to the Group's audited combined statements of financial position set out in "*Appendix I — Accountants' Report*", the Group's total assets as at 31 December 2012 was approximately HK$36,569.2 million. As at 31 December 2012, the carrying amount (within the meaning of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) (the "**Exemption Notice**") and Chapter 5 of the Listing Rules) of the Unexposed Amalgamation Properties (excluding two units which were acquired subsequent to 31 December 2012) was approximately HK$129.2 million. The acquisition cost of the two units comprised in the Unexposed Amalgamation Properties which were acquired subsequent to 31 December 2012 is approximately HK$15.1 million. As such, the aggregate carrying amount of the Unexposed Amalgamation Properties represents approximately 0.39% of the Group's total assets as at 31 December 2012. Our Directors confirm that each individual Unexposed Amalgamation Property has a carrying amount of below 1% of the Group's total assets as at 31 December 2012; and the total carrying amount of the Unexposed Amalgamation Properties does not exceed 10% of the Group's total assets as at 31 December 2012.

In light of the above, pursuant to section 6(2) of the Exemption Notice, save and except the disclosure as set out in "*Appendix IV — Property Valuation*", this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to

paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report to be prepared in respect of all our interests in land or buildings. Pursuant to Chapter 5 of the Listing Rules, this prospectus is not required to include valuations of, and information on, the Unexposed Amalgamation Properties.

Exposed Amalgamation Properties

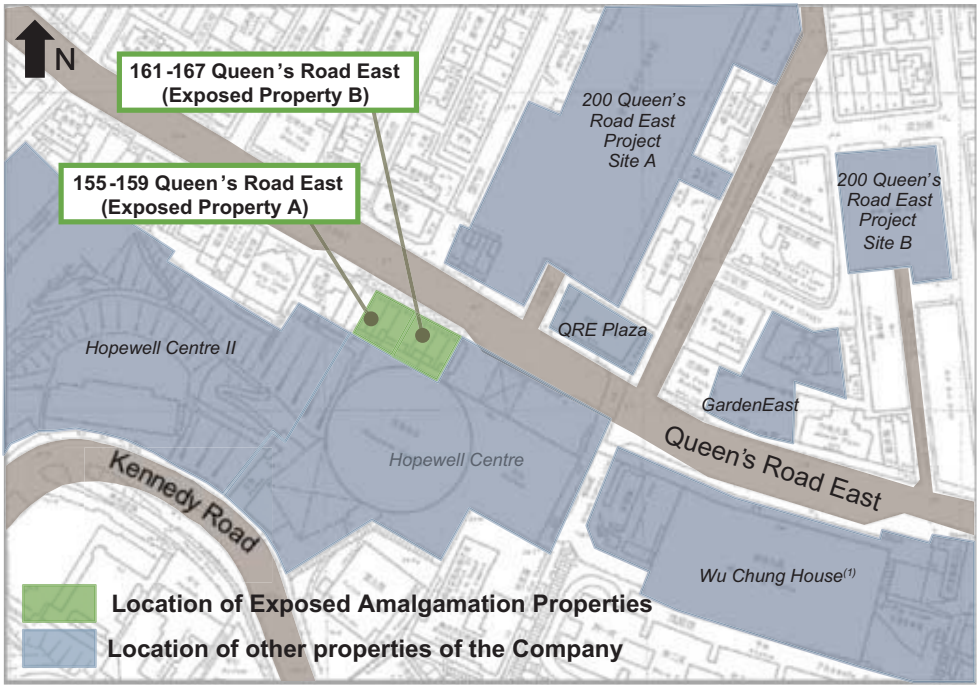
Within the Amalgamation Properties portfolio, there are two groups of properties (with street-level retail space) (collectively, the "**Exposed Amalgamation Properties**"), which we had acquired either 100% or more than 90% of the undivided shares of the lots of land on which the Exposed Amalgamation Properties are situated, respectively.

The Exposed Amalgamation Properties, which together with the Unexposed Amalgamation Properties constitute 100% of the Amalgamation Properties portfolio as at 31 March 2013, consist of:

(a) the entire property situated at 155-159 Queen's Road East, Wan Chai, Hong Kong (the "**Exposed Property A**"); and

(b) part of the property situated at 161-167 Queen's Road East, Wan Chai, Hong Kong (the "**Exposed Property B**").

A map of the Exposed Amalgamation Properties is shown below:



Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

As at 31 March 2013, Exposed Property A has a total site area of approximately 2,148 sq. ft. and a total GFA of approximately 9,725 sq. ft. We own the legal and beneficial interest of the entire undivided shares of the three lots of land on which Exposed Property A is situated. As at 31 March 2013, Exposed Property A was valued at approximately HK$217.0 million. For further information, see "*Appendix IV — Property Valuation*".

As at 31 March 2013, Exposed Property B has a total site area of approximately 2,847 sq. ft. The units of Exposed Property B that had been acquired by us, as at 31 March 2013, have a total GFA of approximately 17,804 sq. ft. and represent on average approximately 93.3% of the undivided shares of the three lots of land on which Exposed Property B is situated. Our level of interest in Exposed Property B allows us to apply to the Lands Tribunal for a compulsory order for the sale of the whole building for the purpose of redevelopment pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong). As at the Latest Practicable Date, we were in the process of preparing the relevant application to the Lands Tribunal. As at 31 March 2013, Exposed Property B was valued at approximately HK$325.0 million. For further information, see "*Appendix IV — Property Valuation*".

The successful assembly of the Exposed Amalgamation Properties is reflective of our strategy to acquire land reserves in strategic locations which we believe will enhance the cluster effect of our investment properties in Wan Chai. Given their proximity to Hopewell Centre and Hopewell Centre II, we expect the Exposed Amalgamation Properties to bring synergy to our existing and future developments in the area. At the present moment, we are still formulating the redevelopment plan for the Exposed Amalgamation Properties and do not have any concrete plans on the future usage of the Exposed Amalgamation Properties.

BRANDING

We believe that the "Hopewell" brand represents one of our most important assets and through our 40 years' heritage and our branding campaigns, our brand has come to symbolise quality, innovation and excellence. For example, Hopewell Centre, an iconic landmark in Hong Kong, has become synonymous with the Wan Chai district and is well known for its high utilisation rates which is representative of our past and current property projects in Hong Kong. In December 2012, our "Hopewell" brand was awarded "Hong Kong's 100 Most Influential Brands of the Year 2012" by World Brand Laboratory.

Through our ongoing brand management, we have maintained a solid presence in Hong Kong and there is a high level of brand awareness of our portfolio of prominent and high quality properties. We have created and launched "The East" as a brand for a dining and entertainment community in Wan Chai in December 2007, which we expect to drive the redevelopment of Wan Chai and position our properties well with the evolving demographics of the area. Our brand is further strengthened by our well-established relationships with a diverse range of reputable tenants, which makes us their partner of choice.

COMMERCIAL PROPERTY

Our commercial property division focuses on driving the performance of our portfolio of commercial properties for investment purposes through meticulous planning, implementation and monitoring to deliver enhanced investment returns. Our asset management team, working closely with the leasing team and property management team, identifies lease restructuring, refurbishment and redevelopment opportunities and formulates marketing and service strategies that drive brand advocacy.

In determining when asset enhancement works are carried out on our investment properties, our asset management team considers a number of factors such as whether the asset enhancement works: (i) are in line with our Group's strategic development plan; (ii) can unlock the potential value of our investment properties and increase their competitiveness; (iii) can upgrade our investment properties' image and market position; or (iv) are consistent with our corporate social responsibility such as our commitment to promote environmental protection and lower carbon emission and energy usage.

Leasing is conducted either directly or through the appointment of agents. We also use a proprietary LIS, which was developed internally and deployed in 2004 to facilitate the monitoring of occupancy rates, rental rates, tenancy duration and other key operating data. Our LIS is also used for

the forecasting of future rental and market trends and is upgraded regularly to cater for evolving business needs.

Our property and facility management team services our properties and their tenants and users. We maintain and upkeep our property assets in a secure, cost-effective and environmentally sound manner aimed at the long-term sustainable preservation of the assets. Our works include the preparation of operating budgets, cost control and provision of building maintenance and security services. We employ independent contractors to provide cleaning and larger-scale building maintenance services. Integration of our leasing and property management functions enable emphasis to be placed on long-term value creation and relationships.

We have received the ISO 9001:2008 (quality management system) and ISO 14001:2004 (environmental management system) quality assurance certifications in April 2012 from the Hong Kong Quality Assurance Agency. The quality assurance certifications are in relation to the provision of property and facility management services for Hopewell Centre, QRE Plaza, KITEC, Panda Place and Broadwood Twelve. The validation periods for the ISO 9001:2008 and ISO 14001:2004 quality assurance certifications are both from 2 April 2012 to 1 April 2015.

Our principal customers are tenants of our investment properties in Hong Kong. Lease terms for our investment properties are generally for more than three years for retail tenants and range from two to three years for office tenants. Rental rates under our retail leases generally increase at a fixed pre-agreed amount. In addition, our leases with sizeable tenants will be subject to rent renew arrangement as they will sign leases for three years with an option to renew for another three years at a pre-determined rent rate or at the prevailing market rent.

For FY2010, FY2011, FY2012 and 1HFY2013, the percentage of turnover attributable to our five largest customers was approximately 8.9%, 8.2%, 7.4% and 8.9%, respectively, and the total purchases attributable to our five largest suppliers was approximately 23.6%, 27.5%, 25.1% and 24.7% of our total costs of sales and services for the same corresponding period, respectively. For FY2010, FY2011, FY2012 and 1HFY2013, the percentage of turnover attributable to our largest customer was approximately 2.5%, 1.9%, 1.8% and 2.3%, respectively, and the total purchases attributable to our largest supplier was approximately 8.7%, 8.5%, 8.6% and 9.8% of our total costs of sales and services for the same corresponding period, respectively.

During the Track Record Period, our major suppliers consisted mainly of:

- electricity suppliers;
- elevator installation and maintenance services providers; and
- electrical and mechanical engineering services providers.

Our five largest suppliers are independent third parties.

The credit and payment terms granted by our electricity suppliers and other service providers are between 14 to 30 days and 30 to 60 days, respectively.

RESIDENTIAL PROPERTY

Our residential property division is responsible for residential property sales, leasing and management of the residential investment property portfolio, which at present consists of serviced apartments in GardenEast and unsold units in Broadwood Twelve. Sales and leasing is conducted directly by us or through agents. Lease terms for GardenEast and Broadwood Twelve generally range from one month to one year and two years, respectively.

The residential property division is actively involved in development design and planning to ensure the marketability of our residential developments as well as monitoring defect rectification

progress to maintain high quality and timely after-sales service. It also closely monitors the residential market conditions and market trends for regular review on selling prices and rental rates. To assure our tenants of high quality services and for long-term value creation, the residential property division takes care of the day-to-day operations of the serviced apartments. This arrangement enables us to provide our tenants with quality leasing, guest services, housekeeping and maintenance services. We market our residential properties mainly through agents and the internet.

CONVENTION, EXHIBITION AND ENTERTAINMENT

Our convention, exhibition and entertainment division is responsible for managing the convention and exhibition venues and facilities which at present are located in KITEC, and hosting entertainment events. To maximise both revenue and occupancy of our venues, our convention and exhibition team maintains a simple reservation system but yet tight diary control by selecting appropriate events which are popular with, and in demand by, the local community.

We work directly with our customers and tailor our services according to the type of event and venue. These services include events management and organisation, provision and operation of audio and visual equipment and the provision of food and beverage services for large scale banquet events.

HOSPITALITY

The hospitality division is managed by the hospitality management committee comprising our Managing Director, Deputy Managing Director and other senior management staff of the Company. We own and self operate Panda Hotel. Operational management decisions are made by the general manager of Panda Hotel and supported by a general management team.

We also provide management services to B P International House, which is located in Tsim Sha Tsui, Kowloon and owned by the Scout Association of Hong Kong. We assisted the owner of B P International House to change the use of the land on which the hostel is situated and helped with the design and construction of B P International House. Since 1993, we have been providing management services to B P International House, which requires us to supervise and direct the day-to-day management and operation of B P International House as a budget hostel competitive with similar hostels in Hong Kong. We are responsible for maintaining the hostel's standards of quality, conducting recruitment and training of staff and supervising the sales and marketing programmes of the hostel. In addition, we also act as the manager of the common areas, facilities and car parks of B P International House to ensure the compliance with the building's deed of mutual covenant. Our current management arrangements are for a period of five years from 1 November 2008 and are renewable for a further term of five years, subject to satisfactory performance.

For our management services to B P International House, we charge the owner a management fee, which is based on (i) a percentage of the gross revenue and gross operating profit, (ii) a percentage of the overall building management expenses, and (iii) a flat annual fee for managing the car parks and letting of shops and commercial space. For FY2010, FY2011, FY2012 and 1HFY2013, our management fee for B P International House was approximately HK$6.1 million, HK$8.3 million, HK$10.4 million and HK$5.9 million, respectively.

PLANNING AND DEVELOPMENT

The development process for each proposed new development is managed by a development team of the projects and engineering division. The development team seeks support where necessary from departments including, but not limited to, construction, property and facility management, accounts and company secretarial departments. Issues such as the feasibility, potential profitability, design, material costs, project management, market demand and property management for each proposed new development are appraised by the team for the development.

The development team for each new development reports to the Directors on the performance of each project and facilitate the Directors to formulate strategic plan for the development of each project. We believe that, by employing an integrated design, construction and hand over process through a multi-disciplined team for each project, we are able to create value through a combination of effective cost control and efficient time and quality management. The development team may appoint and coordinate the use of external consultants (for example architects, engineers, interior designers, land consultants and surveyors) as and where necessary.

SITE ACQUISITION, LAND ISSUES AND VALUATIONS

The development team is responsible for pre-purchase measures such as conducting site inspections, drawing up financial models, assessing market demand and carrying out qualitative analyses to determine the development feasibility and potential profitability. Where appropriate, assistance will be sought from our construction department on issues relating to technical, engineering, design and material costs. We may also appoint external consultants (for example, architects, engineers, land consultants and surveyors) to handle land, planning and valuation issues as and where necessary.

The development team is responsible for site acquisitions and reports to the Directors, who oversees the bidding at auctions, the submission of tender documentation or the negotiation of private sales as appropriate. It is also responsible for land and planning issues and undertakes applications for lease modifications, land exchanges and liaison with the Planning and Lands Teams of the Hong Kong Government and the Town Planning Board. Project valuations are carried out by our professional qualified surveyors, who also handle all valuations for the purpose of accounts, feasibility studies, acquisitions, disposals, land premiums, rating and insurance. Other responsibilities include semi-annual valuations of our investment property portfolio in parallel with the independent valuations carried out by a third party professional valuer.

PROJECT MANAGEMENT

Responsibility for management of the design, construction and hand-over of a project rests with our construction management team. Our construction management team comprises professional qualified architects, engineers, surveyors and other professionals with a view to ensuring that the objectives in the construction aspects of a project development and asset enhancement are achieved. The role of the construction management team is to ensure that all necessary applications are made under the Buildings Ordinance, award contracts to construction contractors, appoint independent consultants and monitor and supervise construction progress, especially in respect of construction quality and adherence to budget and schedule.

We use high quality materials and pay strong attention to detail and efficiency when designing and building our developments. We work with high quality designers with a view to achieving quality, efficient and elegant designs while being sensitive to our environmental and social responsibilities.

The construction management team has responsibility for preparing, inviting and awarding tenders for demolition, site formation, construction and fixtures and fittings. We typically contract out our construction work to independent construction contractors through a tender process, which ensures that our costs are competitively bid for by our construction contractors. The construction management team is responsible for selecting our construction contractors, taking into account such factors as the contractors' reputation for reliability, quality and safety, price quotations and the references provided in the selection process. The quality and timeliness of the construction is warranted by contract. The construction management team monitors cost control and construction progress closely during construction with strong on-site supervision and stringent quality control procedures. We also engage external professional quantity surveyors to help monitor and control the costs and quality of our construction projects. The external professional quantity surveyors work with

our in-house quantity surveyors to ensure that our construction contractors are meeting the budgets and quality standards that are expected of them for our construction projects.

We have direct contracts with suppliers, such as suppliers of artwork, landscaping, utility services and signage.

EXPANSION OF PROPERTY PORTFOLIO, PIPELINE AND LAND BANK REPLENISHMENT

We have continued to create long term shareholder value by conceiving, designing, developing, owning and managing properties in prime locations and in areas with high redevelopment and significant growth potential in Hong Kong. For example, we have proactively expanded our property portfolio by acquiring the retail shops at Wu Chung House in 2009 and successfully tendering for the 200 Queen's Road East Project, which complements our "The East" dining and entertainment community in Wan Chai. Furthermore, we have participated in the public tendering for various government land lots in 2011 (two land lots located at Cheung Sha Site 406 and 407 and one land lot at Kowloon Bay) and in 2012 (one land lot at Kowloon Bay) which, even though all unsuccessful, indicated our commitment to increase our land bank in areas which we believe will strategically complement our existing property portfolio.

We focus on enhancing our core property portfolio and have divested non-core assets, such as the disposal of the shopping arcade and car park of Allway Garden in Tsuen Wan and certain units and garage at Hing Wai Centre in Aberdeen, which both took place in 2006.

MARKETING

Marketing of our office, retail and residential properties are conducted primarily through agents and the internet. We have a dedicated marketing team for each of our properties which is responsible for organising promotional campaigns and events. Our retail tenants are also required under their leases to submit marketing proposals to us for review and organise regular promotional events at our retail properties.

INFORMATION TECHNOLOGY

Our information technology team is responsible for developing and maintaining information technology systems to support property trading, leasing and facility management. It also provides information technology and technical support and consults on technical service requirements for new property developments and building service enhancements.

We also work with other third party information technology solution providers for the deployment and maintenance of other specialised systems relating to hotel management and food and beverage management. Additionally, we rely on the efficient and uninterrupted operation of our own information systems utilised at our hotel.

COMPETITION

The retail, office and residential property industry and the hospitality industry in Hong Kong are highly competitive.

Retail

According to the Savills Report, except for Hysan Place in Causeway Bay and V City in Tuen Mun, which were both completed in 2012, all other new shopping centres that are expected to be completed by 2013 and 2014 are relatively smaller, with GFAs of less than 110,000 sq. ft. The performance of the shopping malls in Central, Admiralty and Causeway Bay suggest that the north side of Hong Kong Island is a major retail area. However, there are no large shopping malls in Wan

Chai, which can be regarded as either territorial malls or regional malls. We believe the opening of the retail portion of 200 Queen's Road East and Hopewell Centre II will help the potential growth in retail activity in Wan Chai.

Office

The traditional office locations of Central and Tsim Sha Tsui face development constraints, limiting the ability of these districts to expand in the short to medium term. Wan Chai/Causeway Bay should continue to enjoy low vacancy rates and a lack of available space, and its rental gap with Central should continue to attract tenant movements out from the CBD. Future Grade A office supply is expected to concentrate in decentralised areas over the next five years, with a large proportion to be completed in Kowloon East.

Residential

The Savills Report notes that, between 2013 and 2015, the New Territories will supply most of the new residential units in Hong Kong, followed by Kowloon and Hong Kong Island. On Hong Kong Island, only our 200 Queen's Road East Project will supply more than 1,000 residential units with direct links to the MTR station when it is completed in 2015. Other residential development projects to be completed between 2014 and 2015 on Hong Kong Island are expected to yield less than 1,000 residential units for each project.

Hospitality

The outlook for the hospitality industry remains positive and visitor arrivals in Hong Kong are expected to increase in the next three years as a result of existing attractions in Hong Kong such as Disneyland and Ocean Park, as well as the cruise terminal at the Kai Tak Development Area which is due to commence operations in June 2013. While the Guangzhou-Shenzhen-Hong Kong Express Rail Link will shorten travel time from key cities in mainland China to Hong Kong significantly and will inevitably draw more long-haul mainland Chinese visitors to Hong Kong who are likely to stay overnight in Hong Kong, the shorter travel time for short haul mainland Chinese visitors (mainly from Guangdong province) may also mean that more of them can afford same-day travel and thus reduce the demand for hotel rooms among the group of short-haul mainland Chinese visitors. According to the HKTB, there will be an additional 10,163 hotel rooms on the market between 2013 and 2018 with the majority concentrated in 2013, 2014 and 2017. Notably, the 1,024 rooms to be completed in 2018 all come from Hopewell Centre II, which will be the largest hotel developed in terms of hotel room provisions between now and 2018, followed by a 840-room hotel project on Oil Street in North Point. The majority of future hotels are relatively small in scale.

Across all sectors, we compete with other property developers in bidding for development sites at government auctions, in public and private tenders as well as in private sales of prospective development properties. We also compete with other property developers, owners and operators of office, retail and residential properties and hotels in attracting and retaining quality tenants or customers.

Despite the competitive environment, we have been able to maintain high average occupancy rates and a steady increase in rental rates for our investment properties. The Directors believe that this is partly due to our brand, the strategic locations of our properties and the quality of our investment properties which we maintain by renovating and upgrading the facilities on a regular basis. For more information on the competitive landscape of the various sectors of the Group, please refer to "*Appendix V — Market Research Report*".

INTELLECTUAL PROPERTY

We have a trademark licence agreement with Hopewell, which grant us a non-exclusive, fully-paid, royalty-free and perpetual licence to use certain trademarks registered by, or under the

name of, Hopewell at a nominal fee of HK$1.00. We and Hopewell have agreed that the trademark licence agreement will not be terminated for as long as we remain a subsidiary of Hopewell. The licensed trademarks are brands under which we market our properties and services. We consider these brands to be important to our business since they have the effect of developing brand identification and awareness. We believe that the name recognition, reputation and image that we have developed is attractive to our tenants, customers and business partners. It is our intention to maintain the brands and our trademark licence agreement with Hopewell. Further details of the trademark licence agreement are set out in *"Connected Transactions — Exempt Continuing Connected Transactions — Trademark agreement between Hopewell and the Company"*.

INSURANCE

All of our properties, completed and under development, are in general insured to standards in line with industry practice in Hong Kong. In addition to statutory required insurances, the Company purchases other insurances, where considered necessary, to cover the major risks identified by the Company. The principal insurances in place for completed properties are commercial and industrial all risks insurance (which cover building reinstatement costs), business interruption insurance (which cover the loss of gross profit due to reduction of rental income and gross revenue) and commercial liability insurance. The principal insurances in place for our properties under development are contractors all risks insurance. The Company purchases insurance for its completed Hong Kong properties from a number of insurers through an insurance broker. Proposals of our insurance broker, the insured scope and sum are annually reviewed by an insurance task force consisting of the senior management of the Group. All our insurance are competitively bid for and our insurance broker helps identify our needs, creates specifications and evaluates bids to determine which insurance packages provide the best coverage and price.

ENVIRONMENTAL MATTERS

We are committed to sustainable development and continuously reinforce our commitment to the environment by reducing carbon emissions, achieving cleaner air by promoting the use of electric vehicles, and incorporating high environmental standards in our development projects and hotel operation. We continue to develop greener buildings and were one of the first in our industry to carry out carbon audits. Hopewell Centre, our flagship property, was one of the first Hong Kong buildings constructed in the 1980s recognised for its energy efficiency. We also proactively monitor, and carry out enhancement initiatives on, our existing properties to promote green design features. For example, in May 2005 and May 2011, we had converted the air-conditioning system at Hopewell Centre from an air-cooled system to a water-cooled system, which decreased our total monthly electricity consumption each year during the Track Record Period even though our average occupancy rate at Hopewell increased each year during the same period. A similar air-conditioning system conversion also took place at KITEC, which decreased our total monthly electricity consumption. We provide charging facilities and offer free parking to visitors who use electric vehicles at Hopewell Centre, KITEC and Panda Hotel. These actions demonstrate our determination to be a leader on environmental initiatives and a role model in adopted best practices for sustainable development.

Whilst we are subject to extensive and increasingly stringent environmental protection laws and regulations (including those related to waste, disposal, water pollution control, air pollution control and noise control) which impose fines for their violation, we believe that all our properties are and have been in substantial compliance with those laws and regulations. We regularly monitor the environmental risks to which we may be subject.

The costs of our environmental compliance are split into two categories: (i) costs for our compliance with environmental licences and registrations as required under law and (ii) costs which we voluntarily incurred to comply with higher levels of environmental protection best practices, such as the requirements of the Hong Kong BEAM Society and ISO14001 certification. During the Track

Record Period, we incurred a one-off cost of approximately HK$8.8 million in FY2011 for the water-cooled chiller plant system conversion that took place at Panda Place and a one-off-cost of approximately HK$5.4 million in FY2012 for the replacement of four sets of old radiators with two sets of S plume abatement cooling towers in Hopewell Centre. Other than the cost incurred in respect of the water-cooled chiller plant system conversion and the radiator replacement, the total costs of our environmental compliance amounted to approximately HK$0.2 million, HK$0.1 million and HK$0.2 million for each of FY2010, FY2011 and FY2012, respectively. A large part of our environmental compliance costs for the Track Record Period relate to voluntary measures. We expect our environmental compliance costs going forward to be similar and will be approximately HK$0.2 million for each of FY2013 and FY2014, respectively.

We proactively engaged in sustainability initiatives such as the following:

- Title sponsorship of "Hopewell — Yan Oi Tong Green Adventure — Mount Everest" programme in August 2012 which was part of our efforts to address climate change issues and promote youth development.

- We signed the "Energy-Saving Charter" launched by the Hong Kong Environment Bureau and the Council for Sustainable Development in June 2012, which shows our commitment to maintaining an average indoor temperature between 24 and 26 degrees Celsius at E-Max.

- We joined the WWF Hong Kong's "Low-carbon Office Operational Programme" ("**LOOP**") in September 2011 and gained a LOOP silver certification, which commits us to measuring and analysing the carbon performance of our headquarters office, as well as formulating an emissions reduction strategy and reporting on the improvements achieved.

- For our hospitality division, we provide an alternative shark-free menu, and we introduced an ocean friendly menu in 2012. We also operate a food waste collection and recycling scheme.

- In line with our commitment to reduce vehicle emissions and promote clear air, we participated in the "Take a 'Brake' Low Carbon Action" Campaign — Corporate Green Driving Award Scheme 2011" that was jointly organised and implemented by Friends of the Earth, Green Power and WWF Hong Kong. Our efforts were recognised with a gold award for "Fuel Efficiency Improvement", having successfully reduced the fuel consumption of our corporate vehicle fleet by an average of more than 13.3%. We also won the silver award for "Fuel Consumption Saver" for reducing the total fuel consumption of our vehicle fleet by 3.2%.

In November 2012, the 200 Queen's Road East Project was awarded a provisional BEAM "Platinum Standard" certificate by the Hong Kong BEAM Society for meeting the standards established under the Building Environmental Assessment Method (BEAM) for New Buildings. Environmental features have been incorporated into the design and construction of 200 Queen's Road East Project to ensure a high standard of energy efficiency, waste management and material use.

CORPORATE SOCIAL RESPONSIBILITY

Since our founding 40 years ago, we have been a responsible community member of Hong Kong and believe that our corporate social responsibility efforts reflect our corporate values. We make active efforts to be socially responsible and believe in giving back to local communities and supporting charitable causes such as environmental sustainability, community engagement and youth development, which allows us to maintain and foster relationships with the local residents, government institutions and non-governmental organisations.

When planning buildings, we always promote the development of the surrounding communities that we impact. This begins early on in the design stage and we have put an emphasis on developing community-friendly buildings and walkways at our headquarters in Wan Chai, and will continue to use

this as a model for our future projects. We believe that taking into account stakeholders' views is an essential part of our business when designing and implementing property developments. We also look beyond regulatory compliance and continuously take strategic steps to improve our practices across our business such as enhancing energy efficiency during our buildings' life cycle and anticipating the needs of communities.

Furthermore, we are an active advocate of equality and integration through our dedication to a barrier-free environment at our properties for people with disabilities. Hopewell Centre was awarded with the "Hong Kong Barrier Free Shopping Malls" silver award in May 2012 in recognition of its consideration for the needs of people with disabilities, and its efforts in improving facilities for people with disabilities. The "Hong Kong Barrier Free Shopping Malls" recognition scheme is organised by a number of disability organisations and sponsored by Hong Kong Rehabilitation Power and the Equal Opportunities Commission.

Among others, we have received the following recent corporate social responsibility awards:

- November 2011 — "Family-Friendly Employer Award" in the "Family-Friendly Employers Award Scheme 2011" organised by the Family Council.
- April 2012 — "ERB Manpower Developer Award Scheme — Manpower Developers 1st Award" awarded by the Employees Retraining Board.
- May 2012 — "5 Years Caring Company Logo" granted by the Hong Kong Council of Social Service.
- December 2012 — "Certificate of Appreciation" awarded by the Agency for Volunteer Service.

CORPORATE GOVERNANCE

We are committed to the principles of corporate governance and corporate responsibility consistent with prudent management. This is exemplified through our multiple awards which we received for corporate governance, investor relations and social responsibility (including the "Best Investor Relations" and "Best Corporate Social Responsibilities" awards at the Asian Excellence Recognition Awards in 2011 and 2012), which were organised and awarded by Corporate Governance Asia). Our managing Director, Mr. Thomas Jefferson WU, was awarded the "Director of the Year Award" by the Hong Kong Institute of Directors in 2010 and named "Asia's Best CEO (Investor Relations) in Hong Kong" in 2012 and is a two-time award winner at the Asian Corporate Director Recognition Awards in 2011 and 2012, both of which were organised and awarded by Corporate Governance Asia.

It is the belief of our Board that our commitment to a high standard of corporate governance will, in the long term, serve to enhance Shareholders' value. The Board has set up procedures on corporate governance that will comply with the requirements of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

HEALTH AND SAFETY

We are subject to the health and safety requirements of Hong Kong including, but not limited to, the Occupational Health and Safety Ordinance and the Factories and Industrial Undertakings Ordinance. We have internal policies and systems in place designed with a view to ensuring compliance with such requirements. We believe that we are, and have been, in substantial compliance with such requirements from the beginning of the Track Record Period up to the Latest Practicable Date. Our liability to our employees is covered by insurance, which we are required by law to take out. We do not have an insurable interest in relation to the employees of our contractors. Our contractors are required by law to take out insurance which covers their liabilities to their employees.

LEGAL COMPLIANCE AND OTHER MATTERS

We were in compliance in all material respects with the relevant laws and regulations of Hong Kong during the Track Record Period and have been up to the Latest Practicable Date.

The construction of Hopewell Centre was completed and the relevant occupation permit was issued on 29 March 1983. A narrow strip of land of approximately 250 sq. ft. (the "**Concerned Land**"), which previously belonged to the Group and on which a small part of Hopewell Centre was erected and currently stands, was surrendered to the Hong Kong Government during a land exchange exercise after the construction of Hopewell Centre was completed. However, the Hong Kong Government by mistake did not include the Concerned Land in the new lot of land re-granted to the Group under the Conditions of Exchange No. UB11834 dated 23 May 1985 (the "**New Lot**") during such land exchange exercise.

Under the terms of the land grant in respect of the New Lot, the DOL may in his absolute discretion either require the Group to: (i) demolish the part of the building standing on the Concerned Land, to reinstate such land to his satisfaction and deliver vacant possession of the same to the Hong Kong Government; or (ii) pay to the Hong Kong Government such sum as the DOL in his absolute discretion shall determine as the premium in respect of the Concerned Land (the "**Premium**"). If the Group fails to demolish the part of the building built upon the Concerned Land when required by DOL as per (i) above, the DOL may demolish such part of the building and the Group shall be liable to pay on demand to the Hong Kong Government the cost of such demolition as certified by the DOL. Upon the payment of the Premium, the area of the Concerned Land built upon shall be deemed in all respects to be part of the New Lot.

The Lands Department of the Hong Kong Government and the Group have been discussing since February 2012 with the view to include the Concerned Land into the New Lot. We have sought the legal opinion of a senior counsel and he holds the view that if the Lands Department of the Hong Kong Government was to refuse to include the Concerned Land into the New Lot, the Group has a strong case to have the mistake rectified and to assert a proprietary estoppel against the Hong Kong Government. We are of the view that the matter does not prevent us from having a marketable title to Hopewell Centre. For more information, please refer to "*Risk Factors — We may, from time to time, be involved in disputes and legal and other proceedings arising out of our operations and, as a result, may face significant liabilities*".

Following the Buildings Department's investigation of an incident involving alleged unauthorised building works at KITEC, two wholly-owned subsidiaries of the Company received summonses in May 2013, which were issued under the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) for permitting the construction and removal of such building works to be commenced or carried out without having first obtained the approval of the Building Authority (the "**Summonses**"). After taking into account, among others, the information available and the professional advice sought, we believe that as the alleged unauthorised building works at KITEC have been removed and demolished, the Summonses would not prevent us from having a good and marketable title to KITEC, and the Group's operations will not be adversely affected thereby in any material respect.

LEGAL PROCEEDINGS

As a property developer and owner, we are involved in legal proceedings from time to time, which arise in our ordinary course of business, such as disputes with the tenants of our properties. As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group that would have a material adverse effect on its business, results of operations or financial condition.

The following discussion and analysis should be read in conjunction with our combined audited financial statements as at and for the financial years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, included in "Appendix I – Accountants' Report", together with the accompanying notes included elsewhere in this prospectus. The combined financial statements included in the Accountants' Report have been prepared in accordance with HKFRSs. The unaudited financial information has also been prepared in accordance with HKFRSs.

This discussion contains forward-looking statements that reflect the current views of management and involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are one of the leading developers, owners and operators of high quality properties in Hong Kong. We have a highly recognised brand, symbolising quality, innovation and excellence, and a well-established track record of over 40 years of creating shareholder value through developing projects in prime locations and in areas with high redevelopment and significant growth potential. We have three main business segments:

- property investment, comprising property letting, agency and management;
- hotel, restaurant and catering operation, comprising hotel ownership and management, restaurant operations and food catering; and
- property development, comprising the development and/or sale of properties, property under development and project management.

We believe that our development projects are strategically located and provide us with a well-planned pipeline of revenue-generating sources for the foreseeable future, which will contribute significantly to our continued business expansion. We will continue to identify and evaluate other opportunities to further strengthen our property portfolio in order to achieve long-term growth and profitability. For FY2010, FY2011 and FY2012, we recognised total turnover of HK$947.2 million, HK$1,056.2 million and HK$1,202.5 million, respectively. Correspondingly, for 1HFY2012 and 1HFY2013, we recognised total turnover of HK$591.3 million and HK$628.7 million, respectively. Our profit for the year was HK$4,062.7 million, HK$4,811.8 million and HK$2,744.5 million for FY2010, FY2011 and FY2012, respectively. During the same period, our profit for the year excluding fair value gains after tax was HK$257.1 million, HK$329.0 million and HK$396.1 million, respectively. For 1HFY2012 and 1HFY2013, our profit for the period was HK$1,395.0 million and HK$10,237.2 million, respectively, while our profit for the period excluding fair value gains after tax was HK$201.9 million and HK$232.0 million, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

General economic conditions, market cyclicality and government policies

The results of operations of our properties have been, and will continue to be, significantly impacted by global financial and economic conditions and by Hong Kong's economy in particular. Specifically, rental income from our investment properties and income from our hotel, restaurant and catering operation are affected by consumer spending power and confidence as well as general economic conditions. Furthermore, the demand for office and retail properties, along with the resulting income derived from those properties, is directly affected by macro-economic conditions, the growth of the Hong Kong and PRC economies and global economic uncertainties.

Moreover, the Hong Kong property market has historically been cyclical. Periods of economic growth are typically accompanied by higher rental rates upon tenancy renewal, rent review or entry into new leases as compared to the prior rental rates for a particular property. The opposite occurs during periods of sustained economic contraction or significant market disruptions. As lease terms and the periods between rental reviews typically are at least three years, rental rates on individual premises are locked in for several years at a level which may diverge from the prevailing market rate for similar premises during the period until the lease expires or until the next rental review.

Government policies may also affect our results of operations and financial condition. The Hong Kong Government has recently implemented policies and measures to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies and regulations include, but are not limited to, a number of taxes and duties, such as (i) the recently modified *ad valorem* stamp duty, which applies to the purchase of both residential and commercial property, save for residential property acquired by a permanent resident of Hong Kong who does not own any other residential property at the time of acquisition, (ii) the special stamp duty, which is imposed on disposal of properties in Hong Kong made within 36 months after acquisition, and (iii) a buyer's stamp duty on residential properties purchased by any person (including a company incorporated) except a permanent resident of Hong Kong. In addition to these policies, the Hong Kong Government may enact such laws and regulations as increased mortgage down payments, supply of land controls, building regulations, zoning ordinances, environmental related regulations or other fiscal policies. Furthermore, the Hong Kong Government may, in the future, implement additional policies with respect to both commercial and residential property. The occurrence of any of these could adversely impact the Hong Kong property market or limit the supply of available land. In addition, these may adversely impact the future sale of our residential or commercial properties, particularly, those located at the 200 Queen's Road East Project. In addition, the government in Hong Kong or China may change laws and regulations which limit the number of daily mainland Chinese travellers allowed to travel to Hong Kong. Doing so may materially and adversely affect the occupancy rates or daily room rates of our hotel, which could in turn affect our results of operations and financial condition.

Rental rates, daily room rates and occupancy trends

Rental rates and occupancy rates are the key drivers of our rental income. Rental rates are affected by the supply of comparable properties and the overall demand in the market, property sizes, the trade sectors in which tenants operate as well as other macroeconomic conditions. Occupancy rates largely depend on the supply of and demand for comparable properties, the rental rates of competing properties and the ability to minimise the intervals between lease expiries or terminations and the acquisition of new tenants or the signing of new leases. Furthermore, occupancy rates of a property tend to be lower during the initial ramp-up and renovation periods.

The daily room rates of our hotel are influenced by daily room rates charged by our competitors, the supply of rooms in the market, the attractiveness of our hotel's location, the breadth and quality of services provided, hotel industry trends, seasonality and general economic conditions. A shortage of rooms in the market will often have the effect of increasing achievable daily room rates as hotels increase their rates in response to demand, whereas an oversupply of rooms will often have the opposite effect. The occupancy rates of the hotel will be in part determined by the level of our daily room rates and our ability to minimise the period of time during which rooms are unoccupied between customers.

The following table sets out information on the average effective rent per gross sq. ft. and approximate GRA of our completed investment properties (excluding convention and exhibition portion and car park) for the periods indicated:

	FY			1HFY		Change in average rental rate for the period[1]	Approximate GRA as at 31 March 2013
	2010	2011	2012	2012	2013		
	HK$ per sq. ft. per month					*%*	*sq. ft.*
Office							
Hopewell Centre	25.4	26.1	27.9	27.7	30.0	8.3	637,343
KITEC	9.1	9.2	9.5	9.3	10.4	11.8	668,536
Retail							
Hopewell Centre	32.0	32.9	33.9	33.8	38.1	12.7	172,266
KITEC-E-Max	5.0	5.8	6.6	6.2	7.2	16.1	842,544
Panda Place	13.3	13.7	15.7	14.5	12.7[2]	(12.4)	230,026
QRE Plaza	22.1	23.2	26.3	24.4	34.0	39.3	79,541
Wu Chung House[3]	46.8	45.2	64.9[4]	57.1	69.6	21.9	17,738
GardenEast	41.0	53.5	49.0	52.5	57.1	8.8	6,452
Residential							
GardenEast	41.9	47.0	52.7	52.2	54.0	3.4	104,400

Notes:

(1) Reflecting the percentage of change in average rental rate between 1HFY2012 and 1HFY2013.

(2) The decreased average effective rent per gross sq. ft. in 1HFY2013 was primarily due to the temporary closure of certain portions of our retail space for renovations for several months. Our average monthly effective rent for December 2012 was HK$15.7.

(3) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

(4) The increased average effective rent per gross sq. ft. in FY2012 was primarily due to (i) our tenant refinement efforts and (ii) the increased rental rates agreed to by the new tenants.

The following table sets out information on the average daily room rates at our hotel for the periods indicated:

	FY			1HFY		Change in average daily room rates for the period[1]
	2010	2011	2012	2012	2013	
	HK$ per day					*%*
Hotel						
Panda Hotel	426.0	565.0	700.0	699.0	752.0	7.6

Note:

(1) Reflecting the percentage of change in average daily room rates between 1HFY2012 and 1HFY2013.

The following table sets out information on the average occupancy rates of our completed investment properties (excluding convention and exhibition portion and car park) for the periods indicated:

	FY			1HFY		Change in average occupancy rate for the period[1]
	2010	2011	2012	2012	2013	
				%		
Office						
Hopewell Centre	86.8	90.8	93.6	93.8	95.9	2.1
KITEC	81.1	83.5	94.5	93.0	96.6	3.6
Retail						
Hopewell Centre	87.1	93.0	97.0	95.3	100.0	4.7
KITEC-E-Max	93.0	92.5	94.1	94.6	93.4[2]	(1.2)
Panda Place	91.4	93.3	77.1[3]	91.9	95.0	3.1
QRE Plaza	87.9	90.3	86.0	83.1	86.0	2.9
Wu Chung House[4]	100.0	96.7	100.0	100.0	100.0	—
GardenEast	53.0[5]	100.0	93.9	100.0	100.0	—
Residential						
GardenEast	88.3	96.1	93.3	93.3	93.4	0.1

Notes:

(1) Reflecting the change in average occupancy rate between 1HFY2012 and 1HFY2013.

(2) The reduced occupancy rate in 1HFY2013 was primarily due to our retention of available rental spaces for our own use purposes and to facilitate future development and renovation.

(3) The reduced occupancy rate in FY2012 was primarily the result of construction and renovation that was occurring during the relevant periods. As a result, parts of Panda Place were not available for leasing.

(4) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

(5) GardenEast (apartments) commenced operations in 2009. Accordingly, the retail portion of the property was in its initial ramp-up period in FY2010, resulting in lower occupancy rates in such periods.

The following table sets out information on the average occupancy rates at our hotel for the periods indicated:

	FY			1HFY		Change in average occupancy rate for the period[1]
	2010	2011	2012	2012	2013	
				%		
Hotel						
Panda Hotel	84.3	89.5	89.9	94.2	93.6	(0.6)

Note:

(1) Reflecting the percentage of change in average occupancy rate between 1HFY2012 and 1HFY2013.

Scheduled lease expiries and rent reviews

Lease terms for our investment properties are generally more than three years for retail tenants and two to three years for office tenants. In addition, certain of our leases provide that the rents payable are reviewed and adjusted every three years or at other intervals in accordance with prevailing market levels. Lease terms for our residential leases generally range from one month to two years.

The following table sets out information relating to the scheduled expiry of our office and retail leases at our completed investment properties as at 31 December 2012:

As at 31 December 2012	Year of scheduled expiry of lease term	GRA as at 31 December 2012	Percentage of total GRA of our completed investment properties as at 31 December 2012	Respective rental income per month	Percentage of our total base rental income for December 2012
		sq. ft.	*%*	*HK$ Million*	*%*
Tenancies expiring in	FY2013	741,261	27.8	12.8	27.6
	FY2014	774,178	29.0	14.8	32.0
	FY2015	546,818	20.5	10.6	22.9
	FY2016 and beyond	427,365	16.0	8.1	17.5
Vacant space		179,111	6.7	—	—
Total		**2,668,733**	**100.0**	**46.3**	**100.0**

Our ability to re-lease expiring space and the terms we achieve will have an impact on our results of operations.

Changes in fair value of investment properties and recognition of fair value gains or losses under our management and accounting policies

Property values are affected by, among other factors, supply of and demand for comparable properties, the rate of economic growth, interest rates, inflation, political and economic developments in Hong Kong, construction costs and the timing of our development of properties. Under our management and accounting policies, there are two typical situations where we recognise gains or losses arising from changes in fair value of our investment properties:

(i) our investment properties are stated at their fair value as at each balance sheet date. Upon semi-annual revaluation, gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses in our combined statements of profit or loss and other comprehensive income; and

(ii) we typically record investment properties under development initially at cost in our accounts. Subsequent to the initial recognitions, investment properties under development are measured at their fair values. In circumstances where the fair value of an investment property under development is not reliably measurable but the fair value of the property is expected to be reliably measurable when construction is completed, such investment property under development is measured at cost less impairment, if any, until either its fair value becomes reliably determinable (typically upon the formulation of concrete plans regarding the development and use of the property) or when the construction is completed, whichever is the earlier. We recognise a fair value gain or loss on investment properties under development equal to the difference between the fair value and the cost.

The semi-annual revaluation of our investment properties has resulted and may continue to result in significant fluctuations in our operating profit. A fair value gain of investment properties under development (with respect to Broadwood Twelve) of HK$2,237.8 million was recorded in FY2010, followed by nil in FY2011 and FY2012. The fair value gain of investment properties under development (with respect to Broadwood Twelve) in FY2010 was mainly due to the completion of Broadwood Twelve. A fair value gain of investment properties under development (with respect to the commercial portion of Hopewell Centre II after land conversion) of HK$2,153.0 million was recorded in 1HFY2013, which represented a gain in the value of the commercial portion of Hopewell Centre II which arose from the conversion of the bare land to land with a foreseeable development plan, after

payment of the land premium during 1HFY2013. As of 31 December 2012, the estimated market value of the commercial portion of Hopewell Centre II was approximately HK$4.3 billion, compared to its carrying value of approximately HK$2.1 billion as at 31 October 2012 immediately following payment of the land premium. As a result, a land conversion gain of HK$2,153.0 million was recorded. A fair value gain of completed investment properties of HK$1,467.6 million was recorded in FY2010, followed by a gain of HK$4,316.2 million and HK$2,348.4 million in FY2011 and FY2012, respectively. The reduction in the amount of fair value gain from FY2011 to FY2012 was mainly due to the reduced rate at which property valuation grew in FY2012. A fair value gain of completed investment properties of HK$1,193.1 million and HK$7,852.2 million was recorded in 1HFY2012 and 1HFY2013, respectively. The fair value gain in 1HFY2013 reflected: (i) an increase in the fair value of Hopewell Centre of HK$3,469.8 million, which was the result of an increase in property value surrounding Hopewell Centre II after the beginning of preparation work for construction of Hopewell Centre II, an improved rental performance, improved connectivity with the surrounding areas as well as positive rental reversion resulting from the decentralisation trend; (ii) an increase in the fair value of KITEC of HK$2,788.1 million, which resulted from an improved rental performance, a land sale by the Government in the surrounding Kowloon Bay area at the price of HK$5,460 per sq. ft. in November 2012, the Government's "Energizing Kowloon East" initiatives and CBD2 plans as well as positive rental reversion resulting from the decentralisation trend; and (iii) an increase in the fair value of Panda Place of HK$798.3 million which was driven by a 65% increase in the FY2014 full year rental income[(1)] based on rental contracts on hand as compared to FY2012 rental income and the completion of an extensive renovation programme. Furthermore, the fair value gain in 1HFY2013 was also positively impacted by the general increase in the market rates of areas in which our properties are located. A fair value gain of investment properties held for sale of HK$120.0 million and HK$199.5 million was recorded in FY2010 and FY2011, respectively. These gains primarily reflected changes in the fair value of Broadwood Twelve following its reclassification as "assets classified as held for sale" on 24 May 2010. There was no fair value gain of investment properties held for sale in FY2012, 1HFY2012 or 1HFY2013.

Property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may be higher or lower if the valuer uses a different set of bases or assumptions or if the valuation is conducted by other qualified independent professional valuers using the same or a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealised capital gains on our completed investment properties in the relevant period and do not generate any cash inflow for our operations or potential dividend distribution to our equity holders. We cannot assure you that similar levels of fair value gains can be sustained in the future.

Revenue mix

We retain our investment properties (office, retail and serviced apartment properties and convention and exhibition venue) primarily for long-term investment purposes, and may in the future retain additional investment properties for recurring rental income and/or for capital appreciation. We have historically sold, and intend to continue to sell, our residential properties (other than our serviced apartments) to purchasers. We also generate income from our hotel, restaurant and catering operation. Accordingly, our results of operations may vary significantly from period to period depending on the type of properties we sell or lease out and the source of our income.

Note:

(1) The calculation is based on base rent and excludes turnover rent.

The following table sets out our segment revenue during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Property investment	627.5	675.2	751.0	368.8	403.4
Hotel, restaurant and catering operation	326.9	388.4	461.2	227.7	230.2
Property development	—	1,519.3	676.7	403.6	239.3[1]

Note:

(1) The decrease in revenue from 1HFY2012 to 1HFY2013 was primarily due to the reduced number of units available for sale and reduced selling pace towards the end of the sales cycle. This was broadly in line with our expectations.

The proportion of segment revenue derived from different segments will affect our turnover from period to period. Our results of operations and cash flows will also vary depending on the proportion of our investment properties held for lease and properties held for sale, as investment properties generate steady recurring income, while properties for sale produce relatively larger influxes of, or fluctuations in, turnover.

Construction and related costs

Construction and related costs have, and will continue to have, a significant impact on our business and results of operations. These costs primarily include construction materials and, to a lesser extent, labour costs. In recent years, construction and related costs have generally been on the rise in Hong Kong due to inflation and government policies. We expect that these costs will continue to rise. While we aim to manage our costs efficiently through our cost control measures and procurement and bidding procedures, we are subject to fee quotes from contractors and increases in construction and related costs will likely prompt our contractors to increase their fee quotes for new contracts. We will continue to incur construction and related costs in the future. Specifically, we will incur a significant amount of these costs for the development of Hopewell Centre II in the next several years.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company acquired the entire equity interest in the companies comprising the Group (except for Linford) from certain subsidiaries of Hopewell in 2013. Since then, the Company became the holding company of the companies comprising part of the Group (the "Combined Entities"). The Combined Entities and the Company were under the common control of Hopewell before and after the Reorganisation. As a result, the Combined Entities and the Company are regarded as continuing entities and the acquisition of the Combined Entities are accounted for as a reorganisation of entities under common control by applying the principles of merger accounting.

The financial information for the Track Record Period includes the results, the changes in equity, the cash flows and the financial positions of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation or establishment, or acquisition by Hopewell, whichever period is shorter.

CRITICAL ACCOUNTING POLICIES

Estimates and judgments used in preparing our combined financial information are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. We make estimates and assumptions concerning the future. The estimates and assumptions that have a significant effect on the carrying amount of assets and liabilities are discussed below.

When reviewing our combined financial information, you should consider: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies are the most significant or involve a higher degree of judgment and estimates used in the preparation of our combined financial information.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties under development are initially measured at cost. Subsequent to initial recognition, investment properties under development are measured at their fair values. In circumstances where the fair value of an investment property under development is not reliably determinable but the fair value of the property is expected to be reliably determinable when construction is completed, such investment property under development is measured at cost less impairment, if any, until either its fair value becomes reliably determinable or construction is completed, whichever is earlier. Once the fair value of an investment property under development that has previously been measured at cost is able to be measured reliably, the property is measured at fair value. Any difference between the fair value of the property at that time and its previous carrying amount is recognised in profit or loss.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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

If an investment property becomes property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, any difference between the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the changes, the property is stated at deemed cost, equivalent to the fair value at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.

Properties under development

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

Revenue recognition

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

Lease of properties

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

Property agency and management

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

Property development

Revenue from the sale of properties in the ordinary course of business is recognised when the respective properties have been completed, the relevant completion certificates are issued by the respective government authorities and the properties have been delivered to the purchasers. Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the combined statements of financial position under current liabilities.

Hotel investment and management

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

Restaurant and catering operation

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

Property, plant and equipment

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

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

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in a property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve is transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

DESCRIPTION OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Turnover, segment revenue and segment results

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

We are organised into certain business units according to the nature of the goods sold or services provided. We determine our operating segments based on these units by reference to the goods sold or services provided for the purpose of reporting to the chief operating decision maker.

The following table sets out our operating segments based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment:

Property investment	property letting, agency and management
Hotel, restaurant and catering operation	hotel ownership and management, restaurant operations and food catering
Property development	development and/or sale of properties, property under development and project management

Segment revenue comprises (i) turnover as presented in combined statements of profit or loss and other comprehensive income, (ii) gross proceeds from the sale of investment properties held for sale and (iii) our share of revenue of jointly controlled entities.

In order to reconcile total segment revenue to turnover under the relevant HKFRS accounting rules, total segment revenue must be reduced by share of revenue of jointly controlled entities and sale of completed investment properties held for sale included in the segment revenue of property development.

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

Fair value gain of investment properties under development and investment properties held for sale form part of the segment result of property development. Segment results of property development in FY2010 primarily represented the fair value gain of investment properties under development (namely Broadwood Twelve). No sales of Broadwood Twelve were recognised in FY2010. As a result, no revenue for this segment was recorded in FY2010.

The following table sets out our segment revenue and segment results during the Track Record Period:

	Segment Revenue					Segment Results				
	FY			1HFY		FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million					*HK$ Million*				
Property investment	627.5	675.2	751.0	368.8	403.4	378.9	400.3	449.2	222.0	251.7
Hotel, restaurant and catering operation	326.9	388.4	461.2	227.7	230.2	54.1	93.6	129.9	71.8	81.3
Property development	—	1,519.3	676.7	403.6	239.3	2,323.1	194.9	(7.6)	—	2,146.9
Total	**954.4**	**2,582.9**	**1,888.9**	**1,000.1**	**872.9**	**2,756.1**	**688.8**	**571.5**	**293.8**	**2,479.9**

The following table reconciles our segment results with our combined statements of profit or loss and other comprehensive income:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Total segment results	**2,756.1**	**688.8**	**571.5**	**293.8**	**2,479.9**
Unallocated corporate expenses	(65.8)	(67.4)	(70.5)	(35.1)	(35.2)
	2,690.3	621.4	501.0	258.7	2,444.7
Finance costs	(20.1)	(20.1)	(17.3)	(8.8)	(7.2)
Fair value gain of completed investment properties	1,467.6	4,316.2	2,348.4	1,193.1	7,852.2
Profit before taxation	**4,137.8**	**4,917.5**	**2,832.1**	**1,443.0**	**10,289.7**

The following tables set out our gross profit and gross margin by segment for the periods indicated:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Property investment segment gross profit[1]	413.1	445.1	509.3	249.1	284.3
Hotel, restaurant and catering operation segment gross profit	115.1	162.5	210.9	108.2	117.0
Property development segment gross profit[2]	N/A	N/A	N/A	N/A	N/A
Total	**528.2**	**607.6**	**720.2**	**357.3**	**401.3**

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			%		
Property investment segment gross margin[1]	66.6	66.6	68.7	68.5	71.3
Hotel, restaurant and catering operation segment gross margin	35.2	41.8	45.7	47.5	50.8
Property development segment gross margin[2]	N/A	N/A	N/A	N/A	N/A
Total	**55.8**	**57.5**	**59.9**	**60.4**	**63.8**

Notes:

(1) In order to calculate property investment segment gross profit and gross margin, total property investment segment revenue is reduced by share of revenue of jointly controlled entities.

(2) Calculating gross profit and gross margin by segment does not apply to the segment of property development because the total segment revenue must be reduced by sale of completed investment properties held for sale included in the segment revenue of property development in order to reconcile total segment revenue to total turnover under the relevant HKFRS accounting rules. As a result, there is no basis upon which gross profit and gross margin can be calculated because the entire segment has already been deducted and eliminated in order to arrive at total turnover.

The following table sets out our total segment revenue and total turnover during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Property investment					
Office					
Hopewell Centre	161.7	168.6	178.9	88.3	99.5
KITEC	57.0	57.1	70.3	32.3	39.1
Retail					
Hopewell Centre	53.0	59.6	66.2	32.5	38.1
KITEC-E-Max	42.5	51.4	58.7	27.5	32.2
Panda Place	32.9	35.1	33.2	18.3	9.2[1]
QRE Plaza	17.7	19.2	20.8	9.1	12.6
Wu Chung House[2]	9.9	9.4	13.8	6.1	7.4
GardenEast	1.8	3.3	3.6	2.0	2.3
Residential					
GardenEast	46.4	56.6	60.8	30.5	31.6
Others					
KITEC (convention and exhibition)	39.6	40.4	48.5	25.8	33.6
Air conditioning and management fees					
Hopewell Center	48.8	50.8	55.1	26.7	29.2
KITEC	56.8	57.3	60.7	30.0	30.7
Panda Place	10.4	11.0	9.0	5.3	3.7
Other properties	9.9	10.8	11.1	6.0	4.9
Others[3]	39.1	44.6	60.3	28.4	29.3
Total property investment segment revenue	**627.5**	**675.2**	**751.0**	**368.8**	**403.4**
Hotel, restaurant and catering operation					
Panda Hotel[4]	205.0	266.7	327.6	171.4	177.9
Restaurant and catering operation and others	121.9	121.7	133.6	56.3	52.3[5]
Total hotel, restaurant and catering operation segment revenue	**326.9**	**388.4**	**461.2**	**227.7**	**230.2**
Property development					
Broadwood Twelve	—	1,519.3	676.7	403.6	239.3[6]
Total property development segment revenue	**—**	**1,519.3**	**676.7**	**403.6**	**239.3**
Total segment revenue	**954.4**	**2,582.9**	**1,888.9**	**1,000.1**	**872.9**
Less: Share of revenue of jointly controlled entities	(7.2)	(7.4)	(9.7)	(5.2)	(4.9)
Less: Sale of completed investment properties held for sale included in the segment revenue of property development	—	(1,519.3)	(676.7)	(403.6)	(239.3)
Total turnover[7]	**947.2**	**1,056.2**	**1,202.5**	**591.3**	**628.7**

Notes:

(1) The decrease in revenue in 1HFY2013 was primarily the result of the closure of certain portions of our retail space for renovations for several months.

(2) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

(3) Includes rental income from car park and certain units of Broadwood Twelve, share of revenue of jointly controlled entities and other miscellaneous income.

(4) Includes revenue from Panda Hotel's room rentals, food and beverage services and others.

(5) The decrease in revenue in 1HFY2013 was primarily the result of the closure of a restaurant.

(6) The decrease in revenue in 1HFY2013 was primarily due to the reduced number of units available for sale and the reduced selling pace at the end of the sales cycle, which was broadly in line with our expectations.

(7) In order to reconcile total segment revenue to turnover under the relevant HKFRS accounting rules, total segment revenue is reduced by share of revenue of jointly controlled entities and sale of completed investment properties held for sale included in the segment revenue of property development. Share of revenue of jointly controlled entities comprises revenue associated with our jointly controlled entities (namely Grand Site and Hong Kong Bowling City Limited) over which we were in a position to exercise joint control with other participating parties during the relevant period. Subsequent to the Track Record Period, the entire shareholding interest in the parent company of Hong Kong Bowling City Limited was sold to the Remaining Group for a cash consideration of US$1.00 on 28 March 2013. Sale of completed investment properties held for sale included in the segment revenue of property development comprises revenue derived from the sale of units at Broadwood Twelve.

Cost of sales and services

Cost of sales and services comprises expenses related to our investment properties, which include property management services staff costs, utility expenses, building maintenance and services, government rent and other related expenses. We also incur cost of sales and services related to our hotel, restaurant and catering operation which comprises hotel and restaurant staff costs, food costs, utility expenses, hotel maintenance, government rent and other related expenses.

The following table sets out the breakdown of our cost of sales and services by segment during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Property investment	207.2	222.7	232.0	114.5	114.2
Hotel, restaurant and catering operation	211.8	225.9	250.3	119.5	113.2
Total cost of sales and services	**419.0**	**448.6**	**482.3**	**234.0**	**227.4**

The following table sets out the breakdown of our cost of sales and services by nature during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Staff costs	138.5	149.0	171.1	85.4	85.0
Depreciation	13.9	13.7	12.7	6.7	4.9
Food costs	53.8	54.6	63.6	29.9	26.6
Other rental outgoings	159.5	168.3	168.0	81.8	78.5
Other hotel & catering operating cost	53.3	63.0	66.9	30.2	32.4
Total cost of sales and services	**419.0**	**448.6**	**482.3**	**234.0**	**227.4**

Other income

Other income comprises primarily rental income from advertising spaces and outdoor spaces rented to telecommunications companies for the installation of receivers and other mobile telecommunications equipment as well as forfeiture of rental deposits.

Selling and distribution costs

Selling and distribution costs comprise primarily costs for sales staff, marketing and advertising. The following table sets out the breakdown of our selling and distribution costs during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Property investment	44.4	51.3	53.3	24.4	23.2
Hotel, restaurant and catering operation	7.2	9.1	9.8	3.8	5.0
Property development	7.6	23.7	6.4	4.9	0.4
Total selling and distribution costs	**59.2**	**84.1**	**69.5**	**33.1**	**28.6**

Administrative expenses

Administrative expenses comprise primarily costs for administrative staff, depreciation and other general expenses. The following table sets out the breakdown of our administrative expenses by segment during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Property investment	25.8	36.9	49.0	24.0	27.7
Hotel, restaurant and catering operation	32.1	37.6	49.2	22.7	22.3
Property development	24.3	16.4	17.4	10.8	12.5
Unallocated expenses[1]	65.8	67.4	70.5	35.1	35.2
Total administrative expenses	**148.0**	**158.3**	**186.1**	**92.6**	**97.7**

Note:

(1) Includes management fees charged by Hopewell and other miscellaneous expenses.

Finance costs

Finance costs represent our interest expense in addition to any loan commitment fees. Due to the capital intensive nature of the property industry, it is common for property developers to maintain a significant line of credit. During the Track Record Period, we entered into credit facilities which required a loan commitment in order to make the funds readily available to us. Such arrangements allow us to maintain flexibility in terms of our financing and place us in a position to take advantage of business opportunities when they arise.

Gain on disposal of investment properties

We sold certain residential units of Broadwood Twelve after 24 May 2010. Broadwood Twelve was jointly developed by two of our subsidiaries. The property was originally intended to be held for long-term rental purposes. Having considered the property market conditions at that time, in particular the surge in demand for, and the selling prices of, luxurious residential properties as well as the trend in rental yield, we decided to sell the units at Broadwood Twelve on 24 May 2010. As a result, we reclassified Broadwood Twelve as assets classified as held for sale. Gross sales revenue from sales of units of Broadwood Twelve in FY2011, FY2012, 1HFY2012 and 1HFY2013 could not be recognised as turnover because the units sold were accounted for as investment properties. As investment properties, units of Broadwood Twelve are stated at their fair value as at each balance sheet date. Upon semi-annual revaluation, gains or losses arising from changes in fair value of Broadwood Twelve are accounted for as gains and losses in our combined statements of profit or loss and other comprehensive income. At the time of sale, we calculated the gain on disposal by deducting from the gross sales revenue of the units sold (i) the direct cost incurred for the sales and (ii) the book value attributable to the units sold (measured at fair value). Please refer to note 12 of "*Appendix I — Accountants' Report*" for more details.

The following table sets out the calculations relating to gains on the disposal of units of Broadwood Twelve during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Gross sales revenue of units sold	—	1,519.3	676.7	403.6	239.3
Less: Book value as at the end of the preceding financial year attributable to the units sold (measured at fair value)	—	(1,417.4)	(634.9)	(380.7)	(220.0)
Less: Direct costs incurred for property sales	—	(55.5)	(23.0)	(8.0)	(10.9)
Gain on disposal of investment properties	—	46.4	18.8	14.9	8.4

Fair value gain of investment properties under development

Broadwood Twelve

On 1 July 2009, as a result of Amendments to HKAS 40 *Investment Property*, Broadwood Twelve was reclassified from properties under development with total carrying amounts of HK$452.8 million to investment properties. The development of Broadwood Twelve was completed during FY2010. Fair value gain of investment properties under development with respect to Broadwood Twelve represents gain arising from changes in the fair value of Broadwood Twelve prior to completion, which amounted to HK$2,237.8 million and was recognised in our combined statements of profit or loss and other comprehensive income during FY2010.

Commercial portion of Hopewell Centre II after land conversion

Fair value gain of investment properties under development with respect to the commercial portion of Hopewell Centre II after land conversion represented the fair value gain of the commercial portion of Hopewell Centre II which arose from the conversion of the bare land to land with a foreseeable development plan after payment of the land premium during 1HFY2013. As of 31 December 2012, the estimated market value of the commercial portion of Hopewell Centre II was approximately HK$4.3 billion, compared to its carrying value of approximately HK$2.1 billion as at 31 October 2012 immediately following payment of the land premium. As a result, a land conversion gain of HK$2,153.0 million was recorded.

Fair value gain of investment properties held for sale

Prior to its reclassification as assets classified as held for sale on 24 May 2010, Broadwood Twelve was accounted as investment property. Following its reclassification, all gains arising from changes in the fair value of Broadwood Twelve are recognised as fair value gain of investment properties held for sale.

Fair value gain of completed investment properties

Investment properties that are completed are measured at fair value. The fair value of our completed investment properties have been arrived at on the basis of a valuation carried out by DTZ, an independent firm of professional property valuers. For office space, serviced apartments, car parks and retail outlets, the valuation is arrived at by using an income capitalisation approach (capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties) or, where appropriate, using a direct comparison method by making reference to comparable sales transactions as available in the relevant market. For convention and exhibition venue, the valuation is also arrived at by using an income capitalisation approach (capitalising the estimated annual net income) and is based on the valuer's opinion as to the future trading potential and level of turnover likely to be achieved. Changes in fair value are recognised in our combined statements of profit or loss and other comprehensive income.

Share of profits (losses) of jointly controlled entities

Jointly controlled entities are those entities that are held for long-term, over which we are in a position to exercise joint control with other participating parties in accordance with contractual arrangements and where none of these participating parties has unilateral control over the economic activity of the joint venture. Our principal jointly controlled entity is Grand Site, a development and property investment company, in which we hold 50.0% of the issued or registered capital. Grand Site is the developer of, and holds the economic interest in, the 200 Queen's Road East Project. During the Track Record Period, we also held 50% of the issued or registered share capital of Hong Kong Bowling City Limited, a bowling centre operation company. Subsequent to the Track Record Period, the entire shareholding interest in the parent company of Hong Kong Bowling City Limited was sold to the Remaining Group for a cash consideration of US$1.00 on 28 March 2013.

Income tax expenses and taxation

We are subject to Hong Kong profits tax. The Hong Kong profits tax rate is currently calculated at 16.5%. Our income tax expenses for FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013 were HK$75.1 million, HK$105.7 million, HK$87.6 million, HK$48.0 million and HK$52.5 million, respectively. Our effective tax rate (including fair value gains) was 1.8%, 2.1%, 3.1%, 3.3% and 0.5% for FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, respectively. The variations in our effective tax rate from FY2010 to 1HFY2013 were primarily due to the changes in the amount of fair value gains. Our effective tax rate (excluding fair value gains of investment properties under development and completed investment properties) was 17.4%, 17.6%, 18.1%, 19.2% and 18.5% for FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, respectively. Our effective tax rate (excluding fair value gains of investment properties under development and completed investment properties) remained relatively stable from FY2010 to 1HFY2013.

Fair value gain of investment properties under development (with respect to Broadwood Twelve) (HK$2,237.8 million in FY2010) represents the gain arising from changes in the fair value of Broadwood Twelve up to completion. On 24 May 2010, we decided to sell the residential units at Broadwood Twelve instead of holding them for rental as originally intended and reclassified them as assets classified as held for sale. Notional fair value gains accrued up to this date were considered to be capital in nature and should not be subject to tax. Following the reclassification on 24 May 2010, all gains arising from changes in the fair value of Broadwood Twelve were recognised as fair value gain of investment properties held for sale (HK$120.0 million in FY2010 and HK$199.5 million in FY2011) and such gains were subject to tax.

In May 2012, the two subsidiaries responsible for developing Broadwood Twelve filed their respective tax returns in respect of FY2011 (i.e. the first financial year when the sale profit of the properties was recognised) on the basis that only the profit on disposal of the properties arising after 24 May 2010 was subject to tax and that the fair value gain of HK$2,237.8 million up to 24 May 2010 was not subject to tax. While the two subsidiaries received tax assessments from the IRD which were consistent with the tax position held by these companies, it is not possible to determine the ultimate view of the IRD at this stage. Our tax adviser advised us that it is the IRD's normal practice to issue tax assessments in accordance with the tax returns submitted by taxpayers. However, the IRD may select the tax returns for review at a later date and is empowered to raise additional assessments within six years after the end of the relevant years of assessment. Therefore, even if the two subsidiaries received tax assessments from the IRD which were consistent with the tax position held by these companies, it is not possible to determine the ultimate conclusion of the IRD at this stage. Should the IRD not agree with the non-taxable income claim on gains arising from changes in fair value at Broadwood Twelve prior to 24 May 2010, the relevant potential tax liabilities in this regard would amount to approximately HK$369.2 million. Hopewell has undertaken to the Company that, if any subsidiary of the Group is required to pay the IRD any amount of tax relating to any further assessments relating to the Group's tax liabilities incurred up to the Listing Date, Hopewell will pay to the Company an amount equal to the amount of such payment.

DISCUSSION OF RESULTS OF OPERATIONS

The table below summarises our combined results of profit or loss and other comprehensive income for the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Turnover	**947.2**	**1,056.2**	**1,202.5**	**591.3**	**628.7**
Property investment segment revenue	627.5	675.2	751.0	368.8	403.4
Hotel, restaurant and catering operation segment revenue	326.9	388.4	461.2	227.7	230.2
Property development segment revenue	—	1,519.3	676.7	403.6	239.3
Total segment revenue	954.4	2,582.9	1,888.9	1,000.1	872.9
Less sale of completed investment properties held for sale included in the segment revenue of property development	—	(1,519.3)	(676.7)	(403.6)	(239.3)
Less share of revenue of jointly controlled entities	(7.2)	(7.4)	(9.7)	(5.2)	(4.9)
Cost of sales and services	(419.0)	(448.6)	(482.3)	(234.0)	(227.4)
Gross profit	528.2	607.6	720.2	357.3	401.3
Other income	11.5	10.2	15.5	11.2	11.4
Selling and distribution costs	(59.2)	(84.1)	(69.5)	(33.1)	(28.6)
Administrative expenses	(148.0)	(158.3)	(186.1)	(92.6)	(97.7)
Gain on disposal of investment properties	—	46.4	18.8	14.9	8.4
Fair value gain of					
Investment properties under development					
Broadwood Twelve	2,237.8	—	—	—	—
Commercial portion of Hopewell Centre II after land conversion	—	—	—	—	2,153.0
Completed investment properties	1,467.6	4,316.2	2,348.4	1,193.1	7,852.2
Investment properties held for sale	120.0	199.5	—	—	—
Finance costs	(20.1)	(20.1)	(17.3)	(8.8)	(7.2)
Share of profits (losses) of jointly controlled entities	—	0.1	2.1	1.0	(3.1)
Profit before taxation	4,137.8	4,917.5	2,832.1	1,443.0	10,289.7
Income tax expense	(75.1)	(105.7)	(87.6)	(48.0)	(52.5)
Profit for the year/period	**4,062.7**	**4,811.8**	**2,744.5**	**1,395.0**	**10,237.2**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gain arising from revaluation of other properties before reclassification to investment properties	—	45.1	119.0	102.2	—
Other comprehensive income for the year	—	45.1	119.0	102.2	—
Total comprehensive income for the year	**4,062.7**	**4,856.9**	**2,863.5**	**1,497.2**	**10,237.2**

1HFY2013 compared to 1HFY2012

Turnover and segment revenue

Our turnover increased by 6.3% from HK$591.3 million in 1HFY2012 to HK$628.7 million in 1HFY2013, primarily reflecting an increase in segment revenue from property investment.

Segment revenue from property investment

Segment revenue from property investment, which included property letting, agency and management operations, increased by 9.4% from HK$368.8 million in 1HFY2012 to HK$403.4 million in 1HFY2013. This mainly reflects increased rental income from our properties, driven by higher occupancy rates at most of our investment properties. The increases were primarily attributable to our ongoing asset enhancement efforts and brand-building strategies, coupled with effective reviews of zoning and space planning, a refinement of our tenant mix and the improvement of the connectivity of the properties with surrounding areas which are undergoing redevelopment.

Segment revenue from hotel, restaurant and catering operation

Segment revenue from hotel, restaurant and catering operation increased by 1.1% from HK$227.7 million in 1HFY2012 to HK$230.2 million in 1HFY2013. Segment revenue from Panda Hotel increased by 3.8% from HK$171.4 million in 1HFY2012 to HK$177.9 million in 1HFY2013, primarily due to: (i) an increase in our average daily room rates as well as a relatively high occupancy rate which remained at 94%, (ii) a continued influx in the number of mainland Chinese tourists, (iii) a series of guestroom renovations including upgrading our deluxe and executive rooms and (iv) a greater devotion of our resources to sales and marketing promotions. Segment revenue from restaurant and catering operation and others[(1)] decreased by 7.1% from HK$56.3 million in 1HFY2012 to HK$52.3 million in 1HFY2013, primarily due to the closure of a restaurant.

Segment revenue from property development

Segment revenue from property development decreased by 40.7% from HK$403.6 million in 1HFY2012 to HK$239.3 million in 1HFY2013, primarily due to a decrease in the number of residential units sold and recognised at Broadwood Twelve. This reduced number of sales transactions was broadly in line with our expectations.

In order to reconcile total segment revenue to turnover under the relevant HKFRS accounting rules, total segment revenue is reduced by share of revenue of jointly controlled entities and sale of completed investment properties held for sale included in the segment revenue of property development. For 1HFY2012 and 1HFY2013, share of revenue of jointly controlled entities amounted to HK$5.2 million and HK$4.9 million, respectively. For 1HFY2012 and 1HFY2013, sale of completed investment properties held for sale included in the segment revenue of property development amounted to HK$403.6 million and HK$239.3 million, respectively.

Cost of sales and services

Our cost of sales and services decreased by 2.9% from HK$234.0 million in 1HFY2012 to HK$227.4 million in 1HFY2013, primarily due to a decrease in our other rental outgoings, which primarily reflects a decrease in our repair and maintenance expenses and furniture, fixture and equipment expenses; and a decrease in food costs, which was primarily the result of the closure of a restaurant. Our cost of sales and services as a percentage of turnover decreased from 39.6% in 1HFY2012 to 36.2% in 1HFY2013, primarily due to the fact that turnover increased at a higher rate than cost of sales and services.

Note:

(1) Excludes revenue from restaurant and catering operations at Panda Hotel.

Gross profit and gross margin

For the above reasons, our gross profit increased by 12.3% from HK$357.3 million in 1HFY2012 to HK$401.3 million in 1HFY2013. Our gross margin increased from 60.4% in 1HFY2012 to 63.8% in 1HFY2013, primarily due to an increase in rental rates when compared to cost of sales and services, some of which are fixed in nature and experienced less fluctuation.

Other income

Other income remained relatively stable at HK$11.2 million in 1HFY2012 and HK$11.4 million in 1HFY2013.

Selling and distribution costs

Selling and distribution costs decreased by 13.7% from HK$33.1 million in 1HFY2012 to HK$28.6 million in 1HFY2013. This mainly reflects a continued decrease in television advertising for units available for sale at Broadwood Twelve, as a majority of the units have been sold. We typically devote more resources to advertising our available for sale properties at the beginning of the sale launch period.

Administrative expenses

Administrative expenses increased by 5.5% from HK$92.6 million in 1HFY2012 to HK$97.7 million in 1HFY2013, primarily due to increased staff and staff costs.

Gain on disposal of investment properties

Gain on disposal of investment properties decreased by 43.8% from HK$14.9 million in 1HFY2012 to HK$8.4 million in 1HFY2013, primarily due to a reduced number of units sold at Broadwood Twelve.

Fair value gain of investment properties under development

Fair value gain of investment properties under development increased from nil in 1HFY2012 to HK$2,153.0 million in 1HFY2013, primarily due to a land conversion gain attributable to the commercial portion of Hopewell Centre II which occurred upon the conversion of the bare land to land with a foreseeable development plan after payment of the land premium.

Fair value gain of completed investment properties

Fair value gain of completed investment properties increased by 6.6 times from HK$1,193.1 million in 1HFY2012 to HK$7,852.2 million in 1HFY2013. The fair value gain in 1HFY2013 was primarily due to an increase in the fair value of Hopewell Centre of HK$3,469.8 million, an increase in the fair value of KITEC of HK$2,788.1 million and an increase in the fair value of Panda Place of HK$798.3 million. The increase in the fair value of Hopewell Centre was primarily due to an increase in property value surrounding Hopewell Centre II after the beginning of preparation work for construction of Hopewell Centre II and an improved rental performance. The increase in the fair value of KITEC was primarily due to an improved rental performance and a land sale by the Government in the surrounding Kowloon Bay area at the price of HK$5,460 per sq. ft. in November 2012. The increase in the fair value of Panda Place was primarily due to a 65% increase in the FY2014 full year rental income[(1)] based on rental contracts on hand as compared to FY2012 rental income. Furthermore, the fair value gain in 1HFY2013 was also positively impacted by the general increase in the market rates of areas in which our properties are located. For further information, please see "— *Significant Factors*

Note:

(1) The calculation is based on base rent and excludes turnover rent.

Affecting our Results of Operations and Financial Condition — Changes in fair value of investment properties and recognition of fair value gains or losses under our management and accounting policies".

Fair value gain of investment properties held for sale

We did not recognise any fair value gain of investment properties held for sale in 1HFY2012 and 1HFY2013, primarily due to the relatively stable nature of the luxury residential market which resulted in no gain.

Finance costs

Finance costs decreased by 18.2% from HK$8.8 million in 1HFY2012 to HK$7.2 million in 1HFY2013. Our interest on bank borrowings and loan commitment fees and others increased by 27.4% from HK$8.8 million in 1HFY2012 to HK$11.2 million in 1HFY2013. This increase was offset by the capitalisation of HK$4.0 million of interest expense in properties under development during 1HFY2013.

Share of profits (losses) of jointly controlled entities

Share of profits (losses) of jointly controlled entities decreased from a profit of HK$1.0 million in 1HFY2012 to a loss of HK$(3.1) million in 1HFY2013, primarily due to a loss at Grand Site which resulted from marketing costs incurred in connection with the pre-sale of residential units at the 200 Queen's Road East Project that cannot be capitalised.

Profit before taxation

Our profit before taxation increased by 7.1 times from HK$1,443.0 million in 1HFY2012 to HK$10,289.7 million in 1HFY2013, primarily due to an increase in fair value gain of completed investment properties, and to a lesser extent, an increase in fair value gain of investment properties under development.

Income tax expense

Our income tax expense increased by 9.4% from HK$48.0 million in 1HFY2012 to HK$52.5 million in 1HFY2013, primarily due to an increase in taxable profit.

Profit for the period

As a result of the foregoing, our profit for the period increased by 7.3 times from HK$1,395.0 million in 1HFY2012 to HK$10,237.2 million in 1HFY2013.

Our profit for the period excluding fair value gains after tax increased by 15.0% from HK$201.9 million in 1HFY2012 to HK$232.0 million in 1HFY2013.

FY2012 compared to FY2011

Turnover and segment revenue

Our turnover increased by 13.9% from HK$1,056.2 million in FY2011 to HK$1,202.5 million in FY2012, primarily reflecting an increase in segment revenue from property investment and hotel, restaurant and catering operation.

Segment revenue from property investment

Segment revenue from property investment, which included property letting, agency and management operations, increased by 11.2% from HK$675.2 million in FY2011 to HK$751.0 million in

FY2012. This mainly reflects increased rental income from most of our properties, in particular our Hopewell Centre and KITEC properties, driven by increased average occupancy rates at a majority of our investment properties and increased average rental rates at most of our investment properties. These increases primarily reflect (i) the improved quality and attractiveness of our properties as a result of our implementation of various asset enhancements (such as building upgrades and renovations) and asset management and brand building strategies, (ii) effective reviews of zoning and space planning to increase available rental space, (iii) refinement of the tenant-mix and (iv) efforts spent on marketing programmes.

Segment revenue from hotel, restaurant and catering operation

Segment revenue from hotel, restaurant and catering operation increased by 18.7% from HK$388.4 million in FY2011 to HK$461.2 million in FY2012. Segment revenue from Panda Hotel increased by 22.8% from HK$266.7 million in FY2011 to HK$327.6 million in FY2012, primarily due to an increase in the average occupancy rate and an increase in the average daily room rates at Panda Hotel. These increases resulted mainly from (i) a continued increase in the number of guests from China, (ii) an increase in the number of guests from Southeast Asia and (iii) our on-going efforts to renovate our guestrooms and upgrade the quality of our facilities and services. Segment revenue from restaurant and catering operation and others[(1)] increased by 9.8% from HK$121.7 million in FY2011 to HK$133.6 million in FY2012, primarily due to the continued growth in our catering business as a result of our flexible pricing strategy, specially tailor-made corporate and wedding banquet packages, consistent food and service standards and a diverse choice of venues for different categories of customers.

Segment revenue from property development

Segment revenue from property development decreased by 55.5% from HK$1,519.3 million in FY2011 to HK$676.7 million in FY2012, primarily due to a decrease in the number of units sold and recognised at Broadwood Twelve. During the period under review, 15 units were sold and recognised, compared to 36 units in FY2011. This was broadly in line with our expectations.

In order to reconcile total segment revenue to turnover under the relevant HKFRS accounting rules, total segment revenue is reduced by share of revenue of jointly controlled entities and sale of completed investment properties held for sale included in the segment revenue of property development. For FY2011 and FY2012, share of revenue of jointly controlled entities amounted to HK$7.4 million and HK$9.7 million, respectively. For FY2011 and FY2012, sale of completed investment properties held for sale included in the segment revenue of property development amounted to HK$1,519.3 million and HK$676.7 million, respectively.

Cost of sales and services

Our cost of sales and services increased by 7.5% from HK$448.6 million in FY2011 to HK$482.3 million in FY2012, primarily due to (i) an increase in business associated with our hotel, restaurant and catering operation, (ii) an increase in the number of staff to improve the facility and service quality of our investment properties and (iii) an increase in salaries. Our cost of sales and services as a percentage of turnover decreased from 42.5% in FY2011 to 40.1% in FY2012, primarily due to the fact that turnover increased at a higher rate than cost of sales and services.

Gross profit and gross margin

For the above reasons, our gross profit increased by 18.5% from HK$607.6 million in FY2011 to HK$720.2 million in FY2012. Our gross margin increased from 57.5% in FY2011 to 59.9% in FY2012, primarily due to the fact that our rental rates increased at a higher rate than cost of sales and services, some of which are fixed in nature and experienced less fluctuation.

Note:

(1) Excludes revenue from restaurant and catering operations at Panda Hotel.

Other income

Other income increased by 51.5% from HK$10.2 million in FY2011 and HK$15.5 million in FY2012, primarily due to a one-off design fee that we earned from the Remaining Group.

Selling and distribution costs

Selling and distribution costs decreased by 17.3% from HK$84.1 million in FY2011 to HK$69.5 million in FY2012. This mainly reflects a decrease in television advertising for units available for sale at Broadwood Twelve, as more units were sold during FY2011.

Administrative expenses

Administrative expenses increased by 17.5% from HK$158.3 million in FY2011 to HK$186.1 million in FY2012, primarily due to increases in the number of administrative staff and staff costs.

Gain on disposal of investment properties

Gain on disposal of investment properties decreased by 59.4% from HK$46.4 million in FY2011 to HK$18.8 million in FY2012, primarily due to the reduced number of units sold at Broadwood Twelve.

Fair value gain of investment properties under development

There was no fair value gain of investment properties under development during this period as a result of the construction of Broadwood Twelve being completed.

Fair value gain of completed investment properties

Fair value gain of completed investment properties decreased by 45.6% from HK$4,316.2 million in FY2011 to HK$2,348.4 million in FY2012, primarily due to the reduced rate at which property valuation grew in FY2012. Fair value gain of completed investment properties primarily reflects higher rental and occupancy rates as well as enhancements made to the properties.

Fair value gain of investment properties held for sale

Fair value gain of investment properties held for sale decreased from HK$199.5 million in FY2011 to nil in FY2012, primarily due to the fact that the luxury residential market remained relatively stable from FY2011 to FY2012, thereby resulting in no gain.

Finance costs

Finance costs decreased by 13.9% from HK$20.1 million in FY2011 to HK$17.3 million in FY2012, primarily due to reduced loan commitment fees and other related fees.

Share of profits (losses) of jointly controlled entities

Share of profits (losses) of jointly controlled entities increased by 18.3 times from HK$115,000 in FY2011 to HK$2.1 million in FY2012, primarily due to an increase in the profits of our jointly controlled entities, in particular, profits derived from Hong Kong Bowling City Limited.

Profit before taxation

Our profit before taxation decreased by 42.4% from HK$4,917.5 million in FY2011 to HK$2,832.1 million in FY2012, primarily due to a reduced fair value gain of completed investment properties.

Income tax expense

Our income tax expense decreased by 17.1% from HK$105.7 million in FY2011 to HK$87.6 million in FY2012, primarily due to a reduced taxable profit.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 43.0% from HK$4,811.8 million in FY2011 to HK$2,744.5 million in FY2012.

Our profit for the year excluding fair value gains after tax increased by 20.4% from HK$329.0 million in FY2011 to HK$396.1 million in FY2012.

FY2011 compared to FY2010

Turnover and segment revenue

Our turnover increased by 11.5% from HK$947.2 million in FY2010 to HK$1,056.2 million in FY2011, primarily reflecting an increase in segment revenue from property investment and hotel, restaurant and catering operation.

Segment revenue from property investment

Segment revenue from property investment increased by 7.6% from HK$627.5 million in FY2010 to HK$675.2 million in FY2011. This mainly reflects higher segment revenue from most of our properties, in particular our Hopewell Centre, KITEC properties and GardenEast (apartments), driven by increased average occupancy rates at a majority of our other investment properties and increased average rental rates at most of our investment properties. These increases primarily reflect (i) the improved quality and attractiveness of our properties as a result of our continuous asset enhancements, (ii) improved tenant mix and (iii) efforts spent on marketing programmes.

Segment revenue from hotel, restaurant and catering operation

Segment revenue from hotel, restaurant and catering operation increased by 18.8% from HK$326.9 million in FY2010 to HK$388.4 million in FY2011. Segment revenue from Panda Hotel increased by 30.1% from HK$205.0 million in FY2010 to HK$266.7 million in FY2011, primarily due to an increase in the average occupancy rate and an increase in the average daily room rates at Panda Hotel. These increases resulted mainly from (i) a continued increase in the number of guests from China, (ii) an increase in the number of guests from Southeast Asia and (iii) our on-going efforts to renovate our guestrooms and upgrade the quality of our facilities and services. Segment revenue from restaurant and catering operation and others[(1)] decreased by 0.2% from HK$121.9 million in FY2010 to HK$121.7 million in FY2011, primarily due to a decrease in turnover resulting from the closure of a restaurant as part of our business strategy. This decrease was offset by an increase in segment revenue from our catering business attributable to our flexible pricing strategy, specially tailor-made corporate and wedding banquet packages and the ability to cater for large functions and events.

Segment revenue from property development

Segment revenue from property development increased from nil in FY2010 to HK$1,519.3 million in FY2011, primarily due to the sale of our residential units at Broadwood Twelve.

In order to reconcile total segment revenue to turnover for FY2010 and FY2011 under the relevant HKFRS accounting rules, HK$7.2 million in share of revenue of jointly controlled entities was subtracted from total segment revenue for FY2010 and HK$7.4 million in share of revenue of jointly controlled

Note:

(1) Excludes revenue from restaurant and catering operations at Panda Hotel.

entities and HK$1,519.3 million in sale of completed investment properties held for sale included in the segment revenue of property development were subtracted from total segment revenue for FY2011.

Cost of sales and services

Our cost of sales and services increased by 7.1% from HK$419.0 million in FY2010 to HK$448.6 million in FY2011, primarily due to (i) an increase in business associated with our hotel, restaurant and catering operation; (ii) an increase in the number of staff to improve the facility and service quality of our investment properties; and (iii) an increase in salaries. Our cost of sales and services as a percentage of turnover decreased from 44.2% in FY2010 to 42.5% in FY2011, primarily due to the fact that turnover increased at a higher rate than cost of sales and services.

Gross profit and gross margin

For the above reasons, our gross profit increased by 15.0% from HK$528.2 million in FY2010 to HK$607.6 million in FY2011. Our gross margin increased from 55.8% in FY2010 to 57.5% in FY2011, primarily due to the fact that our rental rates increased at a higher rate than cost of sales and services, some of which are fixed in nature and experienced less fluctuation.

Other income

Other income decreased by 10.9% from HK$11.5 million in FY2010 to HK$10.2 million in FY2011, primarily due to the decrease in rental deposit forfeiture.

Selling and distribution costs

Selling and distribution costs increased by 42.1% from HK$59.2 million in FY2010 to HK$84.1 million in FY2011. This mainly reflects an increase in marketing expenses as a result of a new television marketing and advertising campaign for Broadwood Twelve, and to a lesser extent, an increase in commissions paid to agents and agencies for signing up new tenants.

Administrative expenses

Administrative expenses increased by 7.0% from HK$148.0 million in FY2010 to HK$158.3 million in FY2011, primarily due to increases in the number of administrative staff and staff costs.

Gain on disposal of investment properties

Gain on disposal of investment properties increased from nil in FY2010 to HK$46.4 million in FY2011, primarily due to the sale of our residential units at Broadwood Twelve during FY2011.

Fair value gain of investment properties under development

Fair value gain of investment properties under development decreased from HK$2,237.8 million in FY2010 to nil in FY2011. The initial gain recognised in FY2010 was the result of the reclassification of Broadwood Twelve, which was reclassified from properties under development to investment properties in accordance with Amendments to HKAS *40 Investment Property*. No such reclassification was made in FY2011. This gain represents gain arising from changes in the fair value of Broadwood Twelve up to completion of development.

Fair value gain of completed investment properties

Fair value gain of completed investment properties increased by 194.1% from HK$1,467.6 million in FY2010 to HK$4,316.2 million in FY2011, primarily due to higher rental and occupancy rates as well as enhancements made to the properties.

Fair value gain of investment properties held for sale

Fair value gain of investment properties held for sale increased by 66.2% from HK$120.0 million in FY2010 to HK$199.5 million in FY2011, primarily due to the increased rate at which property valuation grew in FY2011.

Finance costs

Finance costs remained relatively stable at HK$20.1 million in FY2010 and in FY2011.

Share of profits (losses) of jointly controlled entities

Share of profits (losses) of jointly controlled entities increased by 62.0% from HK$71,000 in FY2010 to HK$115,000 in FY2011, primarily due to the increase in profits of our jointly controlled entities, in particular, profits derived from Hong Kong Bowling City Limited.

Profit before taxation

Our profit before taxation increased by 18.8% from HK$4,137.8 million in FY2010 to HK$4,917.5 million in FY2011, primarily due to an increase in fair value gain of completed investment properties.

Income tax expense

Our income tax expense increased by 40.7% from HK$75.1 million in FY2010 to HK$105.7 million in FY2011, primarily due to an increase in taxable profit.

Profit for the year

As a result of the foregoing, our profit for the year increased by 18.4% from HK$4,062.7 million in FY2010 to HK$4,811.8 million in FY2011.

Our profit for the year excluding fair value gains after tax increased by 28.0% from HK$257.1 million in FY2010 to HK$329.0 million in FY2011.

CERTAIN ITEMS FROM OUR COMBINED STATEMENTS OF FINANCIAL POSITION

Completed investment properties

Our completed investment properties consist of completed investment properties, land and buildings that are being held for future use as investment properties and investment properties that are being redeveloped for continued use as investment properties. Our completed investment properties (excluding assets classified as held for sale) were valued at HK$10,807.2 million, HK$15,290.7 million, HK$17,862.3 million and HK$25,729.4 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively.

The following table sets out the breakdown of the value of our completed investment properties by project as at each date indicated below:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Completed Investment properties (stated at fair value)				
Hopewell Centre	4,607.7	6,783.7	8,365.8	11,839.1
KITEC (office, E-Max and conference and exhibition)	3,769.3	5,297.2	5,775.0	8,564.7
GardenEast (apartments)	968.0	1,256.0	1,438.0	1,862.0
QRE Plaza	563.4	761.7	906.0	1,143.0
Panda Place	641.0	873.0	982.0	1,790.0
Wu Chung House[1]	257.8	319.1	395.5	530.6
Total value of completed investment properties	**10,807.2**	**15,290.7**	**17,862.3**	**25,729.4**
Assets classified as held for sale	3,050.0	1,835.0	1,202.2	982.3
Total value of completed investment properties (including assets classified as held for sale)	**13,857.2**	**17,125.7**	**19,064.5**	**26,711.7**

Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

The increase in total value of completed investment properties from 30 June 2010 to 31 December 2012 was primarily due to an increase in the market value of the properties, resulting from improved rental performance and occupancy rates, as well as asset enhancements made throughout this period. For a detailed explanation of the valuation methodology utilised, please see "*Financial Information — Critical Accounting Policies — Investment properties*".

The following table sets out all fair value gains of completed investment properties for the periods indicated:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Hopewell Centre	670.0	2,136.6	1,425.6	727.3	3,469.8
KITEC (office, E-Max and conference and exhibition)	528.3	1,406.3	461.0	200.4	2,788.1
GardenEast (apartments)	124.4	287.9	181.3	92.0	423.9
QRE Plaza	56.3	196.5	105.4	66.7	237.0
Wu Chung House[1]	9.8	61.3	76.4	52.7	135.1
Panda Place	78.8	227.6	98.7	54.0	798.3
Total	**1,467.6**	**4,316.2**	**2,348.4**	**1,193.1**	**7,852.2**

Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

We have devoted significant effort to increase the value of our complementary cluster of properties located in Wan Chai. These properties have benefited from the decentralisation trend which has pushed certain cost sensitive tenants out of core business locations in Hong Kong. Additionally, we introduced "The East", which is the brand of a dining and entertainment community that occupies these properties. At Hopewell Centre, refurbishments were made to the observation lifts with cylindrical glass curtains, the common areas were upgraded and modernised, tenant areas were

reconfigured and other value adding efforts were made. Further, the improved connectivity of Hopewell Centre with the surrounding areas, including the Wan Chai MTR station and the 200 Queen's Road East Project, also resulted in an increase in market values. GardenEast (apartments) increased in value primarily because of its prime location, its reputation for quality service and its ability to attract repeat guests. QRE Plaza saw an increase in its value due to asset enhancements made as well as its increased amount of traffic and number of renowned retailers, while our interests in Wu Chung House benefited from the unveiling of an additional well-known luxury automotive manufacturer, which augmented the car showroom cluster at "The East".

With regard to KITEC and its increase in valuation throughout the Track Record Period, ongoing promotions and renovations were carried out. A comprehensive renovation programme for upgrading the facilities, lobbies and common areas was implemented. The popularity of our Star Hall venue also helped to increase KITEC's value.

The value of Panda Place increased during the Track Record Period primarily due to renovations and enhancements made during that period.

The fair value gain of completed investment properties in 1HFY2012 and 1HFY2013 amounted to HK$1,193.1 million and HK$7,852.2 million, respectively. The fair value gain in 1HFY2013 reflected: (i) an increase in the fair value of Hopewell Centre of HK$3,469.8 million, which was the result of an increase in property value surrounding Hopewell Centre II after the beginning of preparation work for construction of Hopewell Centre II, an improved rental performance, improved connectivity with the surrounding areas as well as positive rental reversion resulting from the decentralisation trend; (ii) an increase in the fair value of KITEC of HK$2,788.1 million, which resulted from an improved rental performance, a land sale by the Government in the surrounding Kowloon Bay area in November 2012 at the price of HK$5,460 per sq. ft., the Government's "Energizing Kowloon East" initiatives and CBD2 plans as well as positive rental reversion resulting from the decentralisation trend; and (iii) an increase in the fair value of Panda Place of HK$798.3 million which was driven by a 65% increase in the FY2014 full year rental income[(1)] based on rental contracts on hand as compared to FY2012 rental income and the completion of an extensive renovation programme. Furthermore, the fair value gain in 1HFY2013 was also positively impacted by the general increase in the market rates of areas in which our properties are located.

Property, plant and equipment

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had property, plant and equipment of HK$688.6 million, HK$666.5 million, HK$612.4 million and HK$594.7 million, respectively. The overall decrease from 30 June 2010 to 30 June 2012 was primarily the result of depreciation, as well as a transfer of property from property, plant and equipment (HK$20.4 million in 2011 and HK$23.9 million in 2012) to investment property as a result of leasing out some of our previously own use space to new tenants. The further decrease from 30 June 2012 to 31 December 2012 was primarily the result of depreciation.

Note:

(1) The calculation is based on base rent and excludes turnover rent.

The following table sets out the carrying value of our property, plant and equipment at cost as at each date indicated below:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Panda Hotel property	312.0	302.3	292.6	287.8
Other properties for own use				
Hopewell Centre headquarter office	150.3	147.0	135.6	131.9
Self-operated restaurants and others	110.7	87.3	66.6	65.6
Other assets	115.6	129.9	117.6	109.4
Total property, plant and equipment	**688.6**	**666.5**	**612.4**	**594.7**

The following table sets out the breakdown of the value of the hotel portions of our property, plant and equipment at fair value as at each date indicated below.

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Panda Hotel (at fair value)[1]	1,124.0	1,544.0	1,990.0	3,270.0
Other properties for own use at fair value	419.6	533.4	499.2	709.2
Total	**1,543.6**	**2,077.4**	**2,489.2**	**3,979.2**

Note:

(1) For our hotel, our independent valuer has valued it assuming all relevant statutory and/or mandatory permissions, permits, approvals and licences which are necessary for hotel operation in Hong Kong are properly in place and by making reference to comparable sales transactions as available in the market.

Properties for development

The following table sets out the value of our properties for development as at each date indicated below:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Total value of properties for development	796.3	864.2	964.0	571.9

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had properties for development of HK$796.3 million, HK$864.2 million, HK$964.0 million and HK$571.9 million, respectively. Properties for development primarily comprises properties acquired for future development of which the development plan is yet to be fixed. The development costs cannot be determined at the end of the reporting period. Accordingly, the fair value cannot be reliably measured and, as such, the properties are measured at cost less recognised impairment loss. The increase from 30 June 2010 to 30 June 2012 was primarily the result of an increase in the number of Amalgamation Properties. The decrease from 30 June 2012 to 31 December 2012 was primarily due to the transfer of Hopewell Centre II at cost (HK$500.5 million) to properties under development upon the commencement of the project during 1HFY2013.

Properties under development

The following table sets out the value of our properties under development as at each date indicated below:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
	HK$ Million			
Commercial portion of Hopewell Centre II (investment properties)	—	—	—	4,270.0
Hotel portion of Hopewell Centre II (property, plant and equipment)	—	—	—	2,117.4
Total value of properties under development	**—**	**—**	**—**	**6,387.4**

As at 31 December 2012, we had properties under development of HK$6,387.4 million. Properties under development primarily comprises HK$4,270.0 million of the commercial portion of Hopewell Centre II and HK$2,117.4 million of the hotel portion of Hopewell Centre II. The commercial portion of Hopewell Centre II is accounted for as investment property and is stated at fair value. The hotel portion of Hopewell Centre II is accounted for as property, plant and equipment and is stated at cost.

Interests in jointly controlled entities

Our interests in jointly controlled entities (principally 50.0% of the issued share capital of Grand Site and Hong Kong Bowling City Limited, respectively) were HK$11.8 million, HK$11.9 million, HK$14.0 million and HK$10.9 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. The increase from 30 June 2010 to 30 June 2012 was primarily due to an increase in profits derived from jointly controlled entities. The decrease from 30 June 2012 to 31 December 2012 was primarily due to marketing costs incurred in connection with the pre-sale of residential units at the 200 Queen's Road East Project which cannot be capitalised. Our share of assets of the jointly controlled entities is accounted for using the equity method.

Amount due from a jointly controlled entity

As at 30 June 2010, 2011 and 2012 and 31 December 2012, our amount due from a jointly controlled entity was HK$1,670.4 million, HK$1,753.2 million, HK$2,116.8 million and HK$2,211.1 million, respectively. The amount due from a jointly controlled entity represents advances to Grand Site, a joint venture company holding the 200 Queen's Road East Project. The balance is subordinated and shall not be repaid until all amounts owing under the banking facilities that have been granted to Grand Site have been paid. The balance is unsecured, interest-free and has no fixed repayment terms. The increase from 30 June 2010 to 31 December 2012 is primarily the result of additional advances by us to Grand Site.

Amounts due from the Remaining Group

The total amounts due from the Remaining Group were HK$196.3 million, HK$1,716.6 million, HK$1,315.9 million and nil as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. Prior to the Listing, we centralised fund and cash management at Hopewell. Part of this management included advances from Hopewell to finance our funding needs (such as amounts due to the Remaining Group) and transfers of our income from operations to Hopewell in the form of amounts due from the Remaining Group. The amounts due from the Remaining Group are unsecured, interest-free and repayable within one year. The increase in the amounts due from the Remaining Group from 30 June 2010 to 30 June 2011 was primarily due to an increase in the amount of cash received by Hopewell as a result of the sales of residential units of Broadwood Twelve during FY2011. We set off

certain amounts due from the Remaining Group against a declared dividend in FY2012, resulting in a decrease in amounts due from the Remaining Group from 30 June 2011 to 30 June 2012. All amounts due from the Remaining Group were settled prior to 31 December 2012.

Trade receivables

The table below sets out a summary of our (i) trade receivables and other receivables and (ii) average trade and other receivables turnover days as at the dates indicated:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
	HK$ Million			
Total trade receivables	**21.6**	**18.0**	**19.6**	**26.5**

	FY			1HFY
	2010	2011	2012	2013
	Days			
Trade receivables turnover days(1)	**7**	**7**	**6**	**7**

Note:

(1) Calculated by dividing average trade receivables by turnover and multiplying the resulting value by the number of days in the period. Average trade receivables equals trade receivables at the beginning of the period plus trade receivables as at the end of the period, divided by two.

We had trade receivables of HK$21.6 million, HK$18.0 million, HK$19.6 million and HK$26.5 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. Our trade receivables mainly arose from rental income derived from the completed investment properties that we leased and receivables related to corporate client services and events at our hotel. As at 30 June 2011, the decrease in trade receivables from 30 June 2010 levels was due to increased efficiency in our collection efforts. The increase from 30 June 2011 to 31 December 2012, was primarily the result of an increase in our turnover. Other than rental receivables, which are payable upon presentation of invoices, we allow a credit period of 15 to 60 days to our trade customers. Included in our trade receivables balance are debtors with carrying amounts of HK$8.6 million, HK$12.7 million, HK$8.7 million and HK$11.0 million which are past due as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively, and for which we have not provided for impairment loss. We do not hold any collateral over these balances.

Our trade receivables turnover days remained stable at 7 days in FY2010 and FY2011, 6 days in FY2012 and 7 days in 1HFY2013.

The table below sets out an ageing analysis of our trade receivables as at the periods indicated which are past due but not impaired:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
	HK$ Million			
0 - 30 days	6.7	10.7	7.5	7.4
31 - 60 days	1.3	1.3	1.2	2.5
Over 60 days	0.6	0.7	—	1.1
Total	**8.6**	**12.7**	**8.7**	**11.0**

As at 30 April 2013, approximately HK$25.8 million or 97.3% of our trade receivables outstanding as at 31 December 2012 were settled.

Deposits and prepayments

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had deposits and prepayments of HK$12.6 million, HK$21.2 million, HK$24.4 million and HK$30.7 million, respectively. Our deposits and prepayments mainly represent utilities deposits and other types of deposits and prepayments in connection with our properties. The increase from 30 June 2010 to 30 June 2012 was primarily due to an increase in the amount of deposits paid for the purchases of Amalgamation Properties. The increase from 30 June 2012 to 31 December 2012 was primarily due to deposits and prepayments in connection with our renovations at Panda Hotel.

Assets classified as held for sale

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had assets classified as held for sale of HK$3,050.0 million, HK$1,835.0 million, HK$1,202.2 million and HK$982.3 million, respectively. These assets consist primarily of residential units of Broadwood Twelve that were available for sale. The decrease from 30 June 2010 to 31 December 2012 was primarily the result of a reduced number of units available for sale at Broadwood Twelve.

Deferred tax liabilities

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had deferred tax liabilities of HK$99.7 million, HK$153.4 million, HK$174.1 million and HK$188.5 million, respectively. The movement of deferred tax between the reporting periods was primarily a result of fair value gains and losses on our investment properties held for sale, and to a lesser extent, movements in accelerated tax depreciation on property, plant and equipment and tax losses.

Trade and other payables

The table below sets out our (i) trade payables and other payables and (ii) average trade and other payables turnover days as at the dates indicated:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Total trade and other payables	**234.6**	**227.8**	**201.5**	**177.2**

	FY			1HFY
	2010	2011	2012	2013
			Days	
Trade and other payables turnover days(1)	**81**	**93**	**83**	**72**

Note:

(1) Calculated by dividing average trade and other payables by total related expenditure and multiplying the resulting value by the number of days in the period. Average trade and other payables equals trade and other payables at the beginning of the period plus trade and other payables as at the end of the period, divided by two. Total related expenditure comprises cost of sales and services, selling and distribution costs, administrative expenses, additions to investment properties, property, plant and equipment and properties for development.

The following sets out an analysis of trade payables outstanding by age, presented based on the invoice date:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Payables aged				
0 - 30 days	78.4	79.3	66.4	39.2
31 - 60 days	0.9	6.5	3.2	9.3
Over 60 days	6.6	16.9	22.7	36.8
Total trade payables	85.9	102.7	92.3	85.3
Retentions payable	15.5	12.1	5.0	4.8
Accrued costs for properties	113.1	94.7	85.1	58.4
Accrued staff costs	20.1	18.3	19.1	28.7
Total trade and other payables	**234.6**	**227.8**	**201.5**	**177.2**

We had trade and other payables amounting to HK$234.6 million, HK$227.8 million, HK$201.5 million and HK$177.2 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. Our trade and other payables primarily consist of trade payables, retentions payable, accrued costs for properties and accrued staff costs. The decrease from 30 June 2010 to 30 June 2011 was primarily due to a decrease in accrued costs for properties as a result of Broadwood Twelve being completed. The further decrease from 30 June 2011 to 30 June 2012 was primarily due to a decrease in total trade payables and accrued costs for properties as a result of our settlement after the completion of Broadwood Twelve. The further decrease from 30 June 2012 to 31 December 2012 was primarily due to the decrease in trade payables and accrued costs for properties at Hopewell Centre and Panda Hotel. This decrease was primarily the result of our settlement of these payables.

Our trade and other payables turnover days increased from 81 days in FY2010 to 93 days in FY2011, primarily due to the decrease in the amount of total expenditure in connection with our investment properties and properties under development. Our trade and other payables turnover days decreased from 93 days in FY2011 to 83 days in FY2012, primarily due to our settlement of retention and trade payables in connection with Broadwood Twelve after its completion. Our trade and other payables turnover days further decreased to 72 days in 1HFY2013, primarily due to our settlement of accrued costs for properties.

As at 30 April 2013, approximately HK$49.5 million or 58.1% of our trade payables outstanding as at 31 December 2012 were settled.

The Directors have confirmed that the Group had no material defaults with regard to the payment of trade and non-trade payables during the Track Record Period.

Rental and other deposits

As at 30 June 2010, 2011 and 2012 and 31 December 2012, our total rental and other deposits were HK$157.5 million, HK$199.8 million, HK$216.3 million and HK$217.5 million, respectively. The increase from 30 June 2010 to 31 December 2012 was the result of an increase in rental rates, occupancy rates and other deposits received from our tenants and customers.

Amounts due to the Remaining Group

As at 30 June 2010, 2011 and 2012 and 31 December 2012, the amounts due to the Remaining Group were HK$10,808.2 million, HK$10,491.3 million, HK$9,962.9 million and HK$10,606.0 million, respectively. These amounts represent advances from Hopewell, due to the fact that we centralised

fund and cash management at Hopewell prior to the Listing. These advances were provided to finance the development of our investment properties and properties under development and such advances were interest-free. All of the amounts due to the Remaining Group will be capitalised prior to the Listing. The amounts due to the Remaining Group included in non-current liabilities are unsecured, interest-free and repayable in June 2013, except for an amount of HK$1,000.0 million as at 30 June 2010, which was repayable in June 2012. The amounts due to the Remaining Group included in current liabilities are unsecured, interest-free and repayable on demand, except for the amount of HK$1,000.0 million, HK$862.0 million and HK$399.0 million as at 30 June 2011, 30 June 2012 and 31 December 2012, respectively, which are repayable within one year.

Amount due to a jointly controlled entity

As at 30 June 2010, 2011 and 2012 and 31 December 2012, the total amount due to a jointly controlled entity was HK$4.7 million, HK$6.8 million, HK$10.1 million and HK$11.9 million, respectively. The amount due to a jointly controlled entity primarily consists of advances from the jointly controlled entity, which typically would be offset by dividends from the jointly controlled entity. The increase from 30 June 2010 to 31 December 2012 was primarily due to an increase in profits of the jointly controlled entity.

Tax liabilities

The total amount of tax liabilities was HK$29.2 million, HK$49.6 million, HK$92.3 million and HK$47.8 million, as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. The increase from 30 June 2010 to 30 June 2012 primarily reflected an increase in the amount of our profits that were subject to current tax. The decrease from 30 June 2012 to 31 December 2012 was primarily due to the fact that we made a tax payment in November 2012, thereby reducing our tax liabilities (as compared to our tax liabilities as at 30 June 2012).

NET CURRENT LIABILITIES

The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 30 June			As at 31 December	As at 30 April
	2010	2011	2012	2012	2013
			HK$ Million		
Current Assets					
Inventories	5.5	6.8	7.2	9.0	8.1
Trade receivables	21.6	18.0	19.6	26.5	26.4
Deposits and prepayments	12.6	21.2	24.4	30.7	32.3
Bank balances and cash	40.9	44.2	14.5	15.3	21.8
Assets classified as held for sale	3,050.0	1,835.0	1,202.2	982.3	852.3
Subtotal	3,130.6	1,925.2	1,267.9	1,063.8	940.9
Amounts due from the Remaining Group	196.3	1,716.6	1,315.9	—	—
Total Current Assets	3,326.9	3,641.8	2,583.8	1,063.8	940.9
Current Liabilities					
Trade and other payables	234.6	227.8	201.5	177.2	167.5
Rental and other deposits	157.5	199.8	216.3	217.5	222.9
Amount due to a jointly controlled entity	4.7	6.8	10.1	11.9	—
Tax liabilities	29.2	49.6	92.3	47.8	70.7
Liabilities associated with assets classified as held for sale	23.6	28.2	7.2	2.0	19.0
Subtotal	449.6	512.2	527.4	456.4	480.1
Amounts due to the Remaining Group	8,946.4	9,629.5	9,962.9	10,606.0	10,384.5
Total Current Liabilities	**9,396.0**	**10,141.7**	**10,490.3**	**11,062.4**	**10,864.6**
Net Current Liabilities	**6,069.1**	**6,499.9**	**7,906.5**	**9,998.6**	**9,923.7**

We recorded net current liabilities of HK$6,069.1 million, HK$6,499.9 million, HK$7,906.5 million and HK$9,998.6 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. We had net current liabilities during the Track Record Period primarily due to an increase in the amounts due to the Remaining Group which mainly represent advances from Hopewell. In addition, the increase in net current liabilities from 30 June 2012 to 31 December 2012 was due to an increase in our amounts due to the Remaining Group (net of a portion set off against certain amounts due from the Remaining Group over the same period), primarily as a result of advances from Hopewell for the payment of the land premium in connection with Hopewell Centre II. Prior to the Listing, we centralised fund and cash management at Hopewell. Part of this management included advances from Hopewell to finance our funding needs (such as amounts due to the Remaining Group). We mainly utilised amounts due to the Remaining Group (principally short-term liabilities) to fund the development of our investment properties and properties under development, both of which are accounted for as non-current assets. As a result of the combined effect of the above, we had significant amounts of net current liabilities during the Track Record Period.

As at 30 April 2013, our net current liabilities were HK$9,923.7 million. We expect all of the amounts due to the Remaining Group to be capitalised prior to the Listing, thereby significantly reducing our current liabilities. We do not expect to remain at a net current liabilities position following the Listing.

INDEBTEDNESS

Borrowings

The table below sets out our loans and borrowings as at the dates indicated:

	As at 30 June			As at 31 December	As at 30 April
	2010	2011	2012	2012	2013
			HK$ Million		
Total bank borrowings, unsecured	**—**	**580.0**	**1,380.0**	**3,700.0**	**3,700.0**

As at 30 June 2010, 2011 and 2012 and 31 December 2012, our total unsecured bank borrowings, representing bank borrowings through the Remaining Group, were nil, HK$580.0 million, HK$1,380.0 million and HK$3,700.0 million, respectively. The increase from 30 June 2010 to 31 December 2012 was primarily due to the increased funding needed to finance the development of our investment properties and properties under development. During FY2011, FY2012 and 1HFY2013, our bank borrowings carried floating interest rates of HIBOR plus 0.32%. As at 30 June 2011, 30 June 2012 and 31 December 2012, our bank borrowings carried an interest rate of 0.52%, 0.62% and 0.60% per annum, respectively. All of our loans are due for settlement after one year but not exceeding five years.

As at 30 April 2013, being the latest practicable date for the purpose of the indebtedness statements, we had (i) unsecured and non-guaranteed amounts due to the Remaining Group of approximately HK$10,384.5 million; and (ii) outstanding unsecured bank borrowings through the Remaining Group of HK$3,700.0 million. As at the same date, we had no banking facilities. We obtained the Refinancing Facility on 8 May 2013 and have utilised HK$3,700.0 million of the Refinancing Facility for the purposes of repaying the Outstanding Borrowings in full.

As at the Latest Practicable Date, we had banking facilities of HK$4,000.0 million, of which approximately HK$300.0 million had not been utilised.

The table below sets out an ageing analysis of our borrowings as of the periods indicated:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Carrying amount repayable:				
Within one year	—	—	—	—
In the second to fifth years inclusive	—	580.0	1,380.0	3,700.0
Total amounts due for settlement after one year	**—**	**580.0**	**1,380.0**	**3,700.0**

The following is a general summary of the material covenants and undertakings and material events of default of the bank borrowings obtained by the Remaining Group which we utilised previously:

- The borrower cannot sell, transfer, lease out or otherwise dispose of all or a material part of its assets.
- The borrower cannot change its business.
- Material events of default include: (a) disposal of all or a material part of its assets and (b) change of business (the Group, taken as a whole, changes the scope of its business having a material adverse effect on the guarantor (Hopewell)).
- The guarantor (Hopewell) cannot cease to be the beneficial owner, of (i) 100% of the issued share capital of the borrower; or (ii) at least 51% of the issued share capital of Hopewell Highway.

As part of our Reorganisation, we have restructured our bank financing arrangements. As a result, the above covenants are no longer applicable.

As at the Latest Practicable Date, the Group's aggregate borrowings was HK$3,700.0 million. In preparation for the Listing, the Company has arranged the Refinancing Facility from Bank of China (Hong Kong) Limited (as an agent on behalf of a syndicate of lenders) to finance the repayment of the Outstanding Borrowings. The Refinancing Facility consists of three tranches. The Refinancing Facility was borrowed by a wholly-owned subsidiary of the Company and is guaranteed by the Company and Hopewell. The guarantee given by Hopewell will be released and discharged upon Listing, in accordance with the terms of such guarantee. A summary of the terms of the Refinancing Facility is set out below:

- Principal amount: HK$4,000.0 million

- Interest rate: tranche A1 and A2: The sum of interest margin (1.12% per annum) and HIBOR; and tranche B: The sum of interest margin (0.88% per annum) and HIBOR.

- Maturity date: tranche A1 and A2: 2 years from the date of the facility agreement; and tranche B: 6 months from the date of the facility agreement.

- All amounts borrowed under the Refinancing Facility shall first be applied towards repaying in full (together with other financial resources of the Group) the Outstanding Borrowings and then towards financing the general working capital requirements of the Parent Group, the Group (before Listing) and the Group (on or after Listing).

The following is a general summary of the material covenants and undertakings and material events of default of the Refinancing Facility:

- On and after completion of the Listing, the Company shall maintain a Consolidated Tangible Net Worth of not less than HK$10.0 billion.

- On and after completion of the Listing, the Company shall maintain a Consolidated Total Borrowings not in excess of 150% of its Consolidated Tangible Net Worth.

- The Group shall not transfer or otherwise dispose of Hopewell Centre, KITEC or Panda Hotel.

- On and after completion of the Listing, the Company shall be at least 51% directly or indirectly owned by Hopewell.

- The borrower of the Refinancing Facility shall confirm that the aggregate open market value of Hopewell Centre, KITEC and Panda Hotel is not less than the amount as specified in the facility agreement.

The Directors have confirmed that the Group had no material defaults with regard to bank borrowings and/or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

CASH FLOW AND LIQUIDITY

Overview

For FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, the principal sources of funding for our investments and operations were cash from our operating activities, financing from the Remaining Group and bank borrowings.

The following table sets out a summary of our net cash flow for the periods indicated:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Net cash from operating activities	414.0	447.9	534.2	248.7	237.9
Net cash used in investing activities	(2,040.0)	(383.1)	(643.6)	(367.6)	(3,973.8)
Net cash from (used in) financing activities	1,627.5	(61.5)	79.7	135.5	3,736.7
Net increase (decrease) in cash and cash equivalents	1.5	3.3	(29.7)	16.6	0.8
Cash and cash equivalents at the end of the year	**40.9**	**44.2**	**14.5**	**60.8**	**15.3**

Net cash from operating activities

Our cash from operating activities consists primarily of profit before taxation adjusted by fair value gain of completed investment properties, fair value gain of investment properties under development and fair value gain of investment properties held for sale.

Our net cash from operating activities was HK$237.9 million in 1HFY2013, primarily reflecting profit before taxation of HK$10,289.7 million and non-cash adjustments for fair value gain of completed investment properties of HK$7,852.2 million and a fair value gain of investment properties under development of HK$2,153.0 million. Fair value gain at our completed investment properties were primarily attributable to the increased rental rates at most of our completed investment properties. Specifically, Hopewell Centre experienced a fair value gain of HK$3,469.8 million, which primarily resulted from an increase in property value surrounding Hopewell Centre II after the beginning of preparation work for construction of Hopewell Centre II. KITEC experienced a fair value gain of HK$2,788.1 million, which primarily resulted from a land sale by the Government in the surrounding Kowloon Bay area at the price of HK$5,460 per sq. ft. in November 2012. Fair value gain of investment properties under development were primarily attributable to a land conversion gain at the commercial portion of Hopewell Centre II. For more information on our fair value gain of completed investment properties, see "*— Significant Factors Affecting our Results of Operations and Financial Condition — Changes in fair value of investment properties and recognition of fair value gains or losses under our management and accounting policies.*"

Our net cash from operating activities was HK$248.7 million in 1HFY2012, primarily reflecting profit before taxation of HK$1,443.0 million and a non-cash adjustment for fair value gain of completed investment properties of HK$1,193.1 million, which was primarily attributable to higher occupancy and rental rates, coupled with enhancements made to the properties.

Our net cash from operating activities was HK$534.2 million in FY2012, primarily reflecting profits before taxation of HK$2,832.1 million and a non-cash adjustment for fair value gain of completed investment properties of HK$2,348.4 million, which was primarily attributable to the positive fair value gain of our completed investment properties as a result of higher rental and occupancy rates as well as enhancements made to the properties.

Our net cash from operating activities was HK$447.9 million in FY2011, primarily reflecting profits before taxation of HK$4,917.5 million and a non-cash adjustment for fair value gain of completed investment properties of HK$4,316.2 million, due to reasons similar to the previous year.

Our net cash from operating activities was HK$414.0 million in FY2010, primarily reflecting profits before taxation of HK$4,137.8 million and non-cash adjustments for (i) fair value gain of completed investment properties of HK$1,467.6 million due to reasons similar to the previous year and (ii) fair value gain of investment properties under development of HK$2,237.8 million due to an initial gain

recognised as a result of the reclassification of Broadwood Twelve from properties under development to investment properties in accordance with Amendments to HKAS 40 *Investment Property*.

Net cash used in investing activities

Our cash inflow from investing activities primarily consists of proceeds and deposits received from disposal of investment properties (net), as well as proceeds from disposal of property, plant and equipment. Our cash outflow from investing activities primarily consists of advances to the Remaining Group, advances to jointly controlled entities, additions to investment properties and additions to properties for/under development. Advances to the Remaining Group from our subsidiaries which have net amounts receivable from the Remaining Group are classified under investing activity.

In 1HFY2013, our net cash used in investing activities was HK$3,973.8 million, primarily reflecting additions to properties for/under development of HK$3,838.3 million and advances to the Remaining Group of HK$195.1 million, offset in part by HK$221.2 million in proceeds and deposits received from disposal of investment properties (net). The additions to properties for/under development primarily reflect the land premium that we paid for Hopewell Centre II. Advances to the Remaining Group were primarily due to the transfer of funds in connection with our centralised fund and cash management at Hopewell.

In 1HFY2012, our net cash used in investing activities was HK$367.6 million, primarily reflecting advances to the Remaining Group of HK$364.3 million, as well as advances to jointly controlled entities totalling HK$304.2 million. Such amounts were offset in part by HK$378.1 million in proceeds and deposits received from disposal of investment properties (net), namely residential units of Broadwood Twelve.

In FY2012, our net cash used in investing activities was HK$643.6 million, primarily reflecting advances to the Remaining Group of HK$667.6 million and HK$363.6 million in advances to jointly controlled entities, offset in part by HK$618.0 million in proceeds and deposits received from disposal of investment properties (net), namely residential units of Broadwood Twelve.

In FY2011, our net cash used in investing activities was HK$383.1 million, primarily reflecting advances to the Remaining Group of HK$1,522.7 million, together with HK$144.6 million in additions to investment properties, including construction costs of Broadwood Twelve and enhancements to Hopewell Centre and KITEC. These amounts were offset in part by HK$1,479.2 million in proceeds and deposits received from disposal of investment properties (net), namely the residential units of Broadwood Twelve.

In FY2010, our net cash used in investing activities was HK$2,040.0 million, primarily reflecting HK$1,645.4 million in advances to jointly controlled entities, which was used to finance the 200 Queen's Road East Project and the associated payment to the URA, HK$244.0 million in additions to investment properties, such as construction costs of Broadwood Twelve, and HK$102.7 million in advances to the Remaining Group.

Net cash from (used in) financing activities

Our cash inflow from financing activities primarily consists of new bank borrowings raised and advances from the Remaining Group. Our cash outflow from financing activities primarily consists of repayments to the Remaining Group. Repayments to the Remaining Group from our subsidiaries which have net amounts payable to the Remaining Group are classified under financing activity.

In 1HFY2013, our net cash from financing activities was HK$3,736.7 million. The net cash inflow primarily consisted of advances from the Remaining Group of HK$3,933.1 million, coupled with new

bank borrowings raised of HK$2,320.0 million, offset in part by repayments to the Remaining Group totalling HK$2,506.8 million.

In 1HFY2012, our net cash from financing activities was HK$135.5 million. The net cash inflow primarily consisted of HK$800.0 million in new bank borrowings raised, together with HK$328.4 million in advances from the Remaining Group, offset in part by HK$978.9 million in repayments to the Remaining Group.

In FY2012, our net cash from financing activities was HK$79.7 million. The net cash inflow primarily consisted of HK$800.0 million in new bank borrowings raised and HK$455.1 million in advances from the Remaining Group, offset in part by HK$1,161.5 million in repayments to the Remaining Group.

In FY2011, our net cash used in financing activities was HK$61.5 million. The net cash outflow primarily consisted of HK$778.3 million in repayments to the Remaining Group, offset in part by HK$580.0 million in new bank borrowings raised and HK$154.6 million in advances from the Remaining Group.

In FY2010, our net cash from financing activities was HK$1,627.5 million. The net cash inflow primarily consisted of HK$1,849.8 million in advances from the Remaining Group, offset in part by HK$204.5 million in repayments to the Remaining Group.

Working capital sufficiency

The Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Global Offering, available bank borrowings and cash flows from our operating activities.

CAPITAL RISK MANAGEMENT, CAPITAL EXPENDITURES AND COMMITMENTS

Capital risk management

We manage our capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Our overall strategy remained unchanged throughout the Track Record Period. Our capital structure consists of bank borrowings and equity attributable to equity holders of the Company, comprising share capital, retained profits and other reserves.

The Directors review the capital structure periodically. As part of this review, the Directors assess the budgets of major projects, taking into account the provision of funding. Based on the operating budgets, the Directors consider the pros and cons of each class of capital and balance the overall capital structure through the payment of dividends, new share issues as well as the issuance of debts.

Capital expenditures

Our capital expenditures amounted to HK$315.6 million, HK$257.0 million and HK$230.5 million for FY2010, FY2011 and FY2012, respectively. For 1HFY2012 and 1HFY2013, our capital expenditures were HK$77.3 million and HK$3,872.5 million, respectively. Historically, our capital expenditures consisted principally of additions to investment properties, additions to property, plant and equipment and additions to property under development. During the Track Record Period, we incurred a significant portion of our capital expenditures in connection with the construction of Broadwood Twelve and the acquisitions of Amalgamation Properties. In 1HFY2013, we incurred HK$3,700.0 million in bank borrowings for the payment of the land premium in connection with Hopewell Centre II.

We financed our capital expenditure requirements mainly through our operating income, amounts due to the Remaining Group (advances from Hopewell) and bank borrowings. In the future, we expect to finance our projects principally through net proceeds from the Global Offering, our internal resources and/or external bank borrowings.

Project commitments/estimated investment costs

Hopewell Centre II

Hopewell Centre II is one of our new major property projects. On 26 June 2012, we received a land premium offer for Hopewell Centre II and accepted such offer on 25 July 2012. The land premium of approximately HK$3,726 million was paid by us to the Hong Kong Government in October 2012. Under the current plan, the estimated total investment cost (including land premium) for the development will be approximately HK$9,000.0 million. We estimated that the project will be completed in 2018. As at the latest available date (being 31 March 2013 for the purpose of this statement), the committed amount(1) for this project was HK$4,311.7 million, out of which HK$4,235.1 million has been incurred by a subsidiary of the Group. Based on the current development plans, the Company estimated that it will incur approximately HK$40.0 million, HK$200.0 million, HK$580.0 million, HK$1,000.0 million, HK$2,000.0 million, HK$1,000.0 million and HK$90.0 million of development costs during 2HFY2013, FY2014, FY2015, FY2016, FY2017, FY2018 and FY2019 and beyond, respectively. Such estimated schedule of payment will be subject to the construction progress of the project. We expect to fund the project development costs through net proceeds from the Global Offering, our internal resources and/or external bank borrowings.

200 Queen's Road East Project

Along with a joint venture partner, we jointly hold and are developing the 200 Queen's Road East Project in Wan Chai through our respective shareholdings of 50% each in Grand Site (the joint venture company for the 200 Queen's Road East Project). The total estimated development cost for the 200 Queen's Road East Project is approximately HK$9,000.0 million (50% of which is attributable to the Company). As at the latest available date (being 31 March 2013 for the purpose of this statement), the committed amount(1) for the project was approximately HK$9,000.0 million. Up to the same date, we advanced HK$2,225.7 million to Grand Site to finance project development costs. We estimated that Grand Site will settle approximately HK$140.0 million, HK$1,400.0 million and HK$300.0 million of development costs during the last quarter of FY2013, FY2014 and FY2015 and beyond, respectively. The remaining development costs will be funded by the bank borrowings drawn under the existing loan facilities of Grand Site. Based on the foregoing, we do not expect to advance additional funds to Grand Site to settle any remaining development costs. Our equity interest in Grand Site has been pledged to certain banks to secure the banking facilities that have been granted to Grand Site. Hopewell has, in the past, entered into various arrangements with us for the purposes of, amongst others, providing financial assistance. As a result of one of these arrangements, Hopewell is currently the guarantor for the loan facility relating to Grand Site.

Based on our agreements with the URA and our joint venture partner, on an aggregate basis, residential sales proceeds exceeding HK$6.2 billion will be shared equally between the URA and Grand Site. Net rental income from the retail portion of the project will be shared by the URA and Grand Site at a ratio of 40:60, respectively.

Note:

(1) Committed amount means contracted construction cost and land cost.

Property renovation

The following table sets out our property renovation as at the dates indicated:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Contracted but not provided for	**0.5**	**4.6**	**11.5**	**23.1**

CONTINGENT LIABILITIES

Save as disclosed in "— *Project commitments/estimated investment costs*" above and in this prospectus, as at the Latest Practicable Date, we did not have any outstanding mortgages, charges, debentures, loan capital, bank borrowings, overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, guarantees or material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	FY			1HFY
	2010	2011	2012	2013
Current ratio[1]	35.4%	35.9%	24.6%	9.6%
Adjusted current ratio[2]	696.4%	375.9%	240.4%	233.1%
Gearing ratio[3]	—	2.6%	5.7%	10.1%
Total debt to equity ratio[4]	—	5.5%	11.4%	17.1%
Net debt to equity ratio[5]	—	5.1%	11.3%	17.0%
Return on equity[6][8]	68.4%	45.9%	22.7%	47.4%
Return on assets[7][8]	23.5%	21.6%	11.4%	28.0%

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities.

(2) Adjusted current ratio is defined as current ratio excluding amounts due to the Remaining Group and amounts due from the Remaining Group.

(3) Gearing ratio is calculated by dividing total bank borrowings by total assets.

(4) Total debt to equity ratio is calculated by dividing total bank borrowings by total equity.

(5) Net debt to equity ratio is calculated by dividing net debt (total bank borrowings less bank balances and cash) by total equity.

(6) Return on equity is calculated by dividing profit for the year/period by total equity.

(7) Return on assets is calculated by dividing profit for the year/period by total assets.

(8) The calculation for the return for 1HFY2013 has not been annualised.

Current ratio

Our current ratio was 35.4%, 35.9%, 24.6% and 9.6% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our current ratio remained relatively stable from FY2010 to FY2011. Our current ratio decreased from 35.9% in FY2011 to 24.6% in FY2012, primarily due to a decrease in total current assets which was the result of the decrease in the amounts due from the Remaining Group and the decrease in assets classified as held for sale. Our current ratio decreased to 9.6% in 1HFY2013, primarily due to the settlement of amounts due from the Remaining Group, which resulted in a decrease in total current assets, coupled with an increase in amounts due to the Remaining Group.

Adjusted current ratio

Our adjusted current ratio was 696.4%, 375.9%, 240.4% and 233.1% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our adjusted current ratio decreased from FY2010 to FY2011, primarily reflecting the increases from rental and other deposits and tax liabilities. Our adjusted current ratio decreased from 375.9% in FY2011 to 240.4% in FY2012, primarily due to a decrease in bank balances and cash, coupled with an increase in tax liabilities. Our adjusted current ratio decreased to 233.1% in 1HFY2013, which was primarily the result of a decrease in assets classified as held for sale, coupled with an increase in rental and other deposits.

Gearing ratio

Our gearing ratio was nil, 2.6%, 5.7% and 10.1% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our gearing ratio was nil in FY2010 due to the fact that we had no bank borrowings for that period. Our gearing ratio increased from 2.6% in FY2011 to 5.7% in FY2012 and further to 10.1% in 1HFY2013, primarily due to an increase in external borrowings used to finance the capital expenditures of the Group and to provide advances to Grand Site.

Total debt to equity ratio

Our total debt to equity ratio was nil, 5.5%, 11.4% and 17.1% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our total debt to equity ratio was nil in FY2010 due to the fact that we had no bank borrowings for that period. The increase from FY2010 to 1HFY2013 was primarily due to an increase in external borrowings used to finance the capital expenditures of the Group and to provide advances to Grand Site.

Net debt to equity ratio

Our net debt to equity ratio was nil, 5.1%, 11.3% and 17.0% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our net debt to equity ratio was nil in FY2010 due to the fact that we had no bank borrowings for that period. The increase from FY2010 to 1HFY2013 was primarily due to an increase in external borrowings used to finance the capital expenditures of the Group and to provide advances to Grand Site.

Return on equity

Our return on equity was 68.4%, 45.9%, 22.7% and 47.4% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our return on equity decreased from 68.4% in FY2010 to 45.9% in FY2011, primarily due to an increase in total equity resulting from an increase in our reserves. Our return on equity further decreased from 45.9% in FY2011 to 22.7% in FY2012, primarily due to a decrease in our profit for the year which was the result of a reduced fair value gain of completed investment properties as compared to the previous year. Our return on equity was 47.4% in 1HFY2013, primarily due to an increase in fair value gain of completed investment properties and investment properties under development, namely the commercial portion of Hopewell Centre II after land conversion.

Return on assets

Our return on assets was 23.5%, 21.6%, 11.4% and 28.0% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our return on assets decreased from 23.5% in FY2010 to 21.6% in FY2011, primarily due to an increase in completed investment properties and amounts due from the Remaining Group. Our return on assets decreased from 21.6% in FY2011 to 11.4% in FY2012, primarily due to lower fair value gains of completed investment properties in FY2012, coupled with an increase in completed investment properties and amount due from a jointly controlled entity. Our return on assets was 28.0% in 1HFY2013, primarily due to an increase in fair value gain of completed investment properties and investment properties under development, namely the commercial portion of Hopewell Centre II after land conversion.

OFF BALANCE SHEET ARRANGEMENTS

Save as disclosed in *"— Contingent Liabilities"* above, we have not entered into other material off-balance sheet arrangements or commitments to guarantee the payment of obligations of any third parties. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

The Directors confirm that all related party transactions are conducted on normal commercial terms and that their terms are fair, reasonable and in the interest of Shareholders and the Group as a whole.

Please refer to "*Connected Transactions*" and note 31 of "*Appendix I – Accountants' Report"* for more details.

PROPERTY INTEREST AND PROPERTY VALUATION

Particulars of our property interests are in *"Appendix IV — Property Valuation".* DTZ has valued the property interests of the Group as at 31 March 2013. A summary of values and valuation certificates issued by DTZ are included in *"Appendix IV — Property Valuation"*.

The following table sets out our property interest and property valuation for the periods indicated.

	HK$ Million
Carrying value as at 31 December 2012	
Completed investment properties	25,729.4
Hotel and other properties in property, plant and equipment	485.3
Properties under development	6,387.4
Properties for development	571.8
Attributable interest in properties owned by a jointly controlled entity (including amount due from a jointly controlled entity)	2,211.1
Investment properties classified as held for sale	982.3
	36,367.3
Less: Net disposal during the period from 1 January 2013 to 31 March 2013[(1)]	(179.4)
Less: Value of Unexposed Amalgamation Property not included in the Property Valuation Report	(224.5)
Add: Bank borrowings shared from the jointly controlled entity	1,513.0
Add: Valuation surplus[(2)]	8,131.4
Valuation attributable to the Group as at 31 March 2013	45,607.8

Notes:

(1) Includes properties with sale and purchase agreements that have been signed but not yet completed on or before 31 March 2013.

(2) The valuation surplus represents:

Fair value gain from 1 January 2013 to 31 March 2013	
Completed investment properties	1,026.3
Investment properties portion in properties under development	47.0
Valuation surplus arising from recording properties at fair value instead of at cost	
Hotel portion in property, plant and equipment	3,104.6
Hotel portion in properties under development	2,496.7
Own used properties in property, plant and equipment	536.6
Properties for development	226.8
Valuation surplus arising from properties owned by a jointly controlled entity	693.4
	8,131.4

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET AND OTHER RISKS

The main risks we are exposed to are market and other risks, including interest rate risks, credit risks and liquidity risks. The Directors review and agree on policies for managing each of these risks. They are summarised below:

Market risks

Interest rate risks

We are exposed to fair value interest rate risk in relation to amount due from a jointly controlled entity and current account with the Remaining Group which are interest-free. Prior to the Listing, it was our policy to keep these balances at interest-free to manage the cash flow interest rate risk. We expect all of the amounts due to the Remaining Group to be capitalised prior to the Listing, thereby significantly reducing our current liabilities.

We are exposed to cash flow interest rate risk in relation to certain bank borrowings which are subject to changes in HIBOR. Our cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR.

We expect the interest rate risk in relation to our bank balances to remain insignificant.

Interest rate risk sensitivity analysis

As the prevailing market interest rates have had limited fluctuation throughout the Track Record Period, the Directors expect the market interest rate will have limited fluctuation in the next twelve months and are of the opinion that our exposure to cash flow interest rate risk is minimal. Accordingly, no sensitivity analysis is presented.

Credit risks

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets stated in the combined statements of financial positions.

Our credit risk is primarily attributable to our amounts due from a jointly controlled entity and the Remaining Group, trade receivables, and bank balances. In order to minimise the credit risk of trade receivables, our management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that our credit risk is significantly reduced.

Our management is responsible to exercise joint control over the financial and operating activities of Grand Site with the joint venture partner to ensure that Grand Site maintains a favourable financial position in order to reduce such credit risk.

The credit risk on amount due from the Remaining Group is limited as the Remaining Group is at a good financial position.

Other than the amounts due from the Remaining Group and a jointly controlled entity, we have no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Our credit risks on liquid funds are limited because the counterparties are banks with good reputations.

Liquidity risks

As at 30 June 2010, 2011 and 2012, our total assets less current liabilities amounted to HK$7,905.3 million, HK$12,086.6 million, HK$13,662.9 million and HK$25,506.8 million, respectively. As at 30 June 2010, 2011 and 2012 and 31 December 2012, our net current liabilities amounted to HK$6,069.1 million, HK$6,499.9 million and HK$7,906.5 million and HK$9,998.6 million, respectively.

With regard to management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilisation of the loan facilities from the Remaining Group.

As at 30 June 2011 and 2012 and 31 December 2012, our bank borrowings of approximately HK$580.0 million, HK$1,380.0 million and HK$3,700.0 million, respectively, were due within one year for which we expected, and had discretion to request the Remaining Group to roll over the amount for at least twelve months after the end of the reporting period under our existing loan facility with the same lenders and on similar terms. Accordingly, the amounts were classified as noncurrent liabilities and presented in the time band of "1-5 years" in the liquidity risk table in note 33 of *"Appendix I — Accountants' Report"*.

Please refer to note 33 of *"Appendix I — Accountants' Report"* for more details on our contractual maturity for our financial liabilities.

DIVIDEND POLICY

We will evaluate our dividend policy and dividends declared in any particular year in light of the Group's financial position, the prevailing economic climate and expectations about the future macroeconomic environment and our business performance. The determination to pay dividends will be made at the discretion of the Board and will be based upon the Group's earnings, cash flow, financial condition, capital and other reserve requirements, the payment of cash dividends by our subsidiaries and any other conditions which the Board deems relevant. The payment of dividends may also be limited by legal restrictions and by financing and other agreements that we and/or our subsidiaries have entered into or may enter into in the future. The Company did not declare any dividends since its date of incorporation.

On 29 April 2013, dividends of HK$100 million were declared by the companies now comprising the Group to the Remaining Group. Dividends declared to the Remaining Group were included in the amounts due to the Remaining Group, which will be fully capitalised pursuant to the Capitalisation Issue. Further, during FY2010, FY2011, FY2012 and 1HFY2013, certain subsidiaries of the Group made distributions of HK$157.5 million, HK$323.9 million, HK$1,256.9 million and HK$744.0 million to the Remaining Group, respectively. There is, however, no assurance that any proportion of our profit attributable to the equity holders of the Company for any year will be distributed as dividends or that any dividend will be paid at all.

DISTRIBUTABLE RESERVES

The Company had no distributable reserves as at the Latest Practicable Date. The distributable reserves of the Company will be increased by any net profit earned, or decreased by any net losses incurred or any distributions made, in subsequent periods.

LISTING EXPENSES

No significant listing expense has been incurred by the Group up to 31 December 2012. The total estimated listing expenses (excluding underwriting commission) in connection with the Global Offering are approximately HK$58.0 million, among which approximately HK$20.0 million will be charged to

profit or loss and approximately HK$38.0 million will be capitalised as deferred expenses, which is expected to be charged against equity upon successful listing under the relevant accounting standards.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to the combined net tangible assets of the Group attributable to the equity holders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 as if the Global Offering had taken place on that date.

The statement of unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 or as at any subsequent dates, including following the Global Offering.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2012[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share[3][4][5]
	HK$ (in millions)	HK$ (in millions)	HK$ (in millions)	HK$
Before Capitalisation Issue				
Based on an Offer Price of HK$15.30 per Offer Share	**21,618**	**5,014**	**26,632**	**19.87**
Based on an Offer Price of HK$17.80 per Offer Share	**21,618**	**5,843**	**27,461**	**20.49**

Notes:

(1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 is extracted from the Accountants' Report set out in "*Appendix I — Accountants' Report*", which is based on the audited combined net assets of the Group attributable to the equity holders of the Company.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$15.30 and HK$17.80 per Offer Share, respectively, after deduction of underwriting commissions and fees (assuming no payment of the discretionary incentive fee) and other related expenses payable by the Company and without taking into account (i) any Shares which may be issued pursuant to the issue mandate and (ii) any Shares which may be repurchased pursuant to the repurchase mandate.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at on the basis that 1,340,000,000 Shares were in issue, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group and 340,000,000 Shares to be issued pursuant to the Global Offering, assuming that the Global Offering had been completed on 31 December 2012 and without taking into account (i) Shares to be issued pursuant to the Capitalisation Issue, (ii) any Shares which may be issued pursuant to the issue mandate and (iii) any Shares which may be repurchased pursuant to the repurchase mandate.

(4) No adjustment has been made to audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2012. In particular, the unaudited pro forma adjusted combined net tangible assets in the table above has not been adjusted to show the effect of the Capitalisation Issue. Subject to and simultaneous with the completion of the Global Offering, the Company will issue 500,000,000 Shares to Boyen Investments. These Shares will be credited as fully paid up by way of capitalisation of the entire amount of the net outstanding intra-group loans owed by the Group to the Remaining Group as at the date of such issue. A sum of HK$10,606.0 million representing the amount due from the Group to the Remaining Group as at 31 December 2012 has been adjusted in the table below for illustrative purposes, taking into account the impact of the Capitalisation Issue. The unaudited pro forma adjusted net tangible assets after the Capitalisation Issue per Share is arrived at on the basis that 1,840,000,000 Shares were in issue, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group, 340,000,000 Shares to be issued pursuant to the Global Offering and 500,000,000 Shares to be issued pursuant to the Capitalisation Issue, assuming that both the Global Offering (see note (2) above for an explanation of the estimated net proceeds from the Global Offering) and the Capitalisation Issue had been completed on 31 December 2012. The actual amounts to be capitalised will be based on the outstanding balances as at the date when the Capitalisation Issue actually takes place.

	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company after the Capitalisation Issue	Unaudited pro forma adjusted net tangible assets after the Capitalisation Issue per Share
	HK$ (in millions)	HK$
After Capitalisation Issue		
Based on an Offer Price of HK$15.30 per Offer Share	**37,238**	**20.24**
Based on an Offer Price of HK$17.80 per Offer Share	**38,067**	**20.69**

(5) Based on the property valuation reports as at 31 March 2013 as set out in "*Appendix IV — Property Valuation*", the property interests attributable to the Group had a revaluation surplus up to 31 March 2013 of approximately HK$8,131.4 million (please refer to "*— Property Interest And Property Valuation*" above for more information), representing the excess of the market value of these properties over their book value. The unaudited pro forma adjusted combined net tangible assets has not taken into account of the revaluation surplus of properties held for own use and hotel properties, nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 31 March 2013 is to be incorporated in the Group's future financial statements, additional annual depreciation of approximately HK$136.1 million would be charged to profit or loss.

UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE[1]

The following unaudited pro forma forecast earnings per Share have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 July 2012. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 30 June 2013 or any future periods.

Forecast consolidated net profit attributable to equity holders of the Company before fair value gains of investment properties	**not less than HK$420 million**
Fair value gains of investment properties	**HK$11,143 million**
Forecast consolidated net profit attributable to equity holders of the Company after fair value gains of investment properties	**not less than HK$11,563 million**
Unaudited pro forma forecast earnings per Share before the Capitalisation Issue[2]	
— Forecast profit before fair value gains of investment properties	**not less than HK$0.31 per Share**
— Forecast profit after fair value gains of investment properties	**not less than HK$8.63 per Share**

Notes:

(1) The forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 is extracted from "*Appendix II — Unaudited Pro Forma Financial Information*" and "*Appendix III — Profit Forecast*". The bases and assumptions on which the above profit forecast has been prepared are summarised in "*Appendix III — Profit Forecast*". The Directors have prepared the above profit forecast based on the audited results of the Group for the 6 months ended 31 December 2012, the unaudited results based on the management accounts of the Group for the 3 months ended 31 March 2013 and a forecast of the results of the Group for the remaining 3 months ending 30 June 2013. The above profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of the Accountants' Report, the text of which is set out in "*Appendix I — Accountants' Report*".

(2) The unaudited forecast earnings per Share on a pro forma basis (before the Capitalisation Issue) is calculated by dividing the forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 by 1,340,000,000 Shares comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group and 340,000,000 Shares to be issued pursuant to the Global Offering as if such Shares had been in issue on 1 July 2012. The number of Shares used in this calculation includes the Shares in issue as at the date of this prospectus and the Shares to be issued pursuant to the Global Offering but excludes (i) Shares to be issued pursuant to the Capitalisation Issue, (ii) any Shares which may be issued pursuant to the issue mandate and (iii) any Shares which may be repurchased pursuant to the repurchase mandate.

(3) For illustrative purposes, had the Capitalisation Issue been taken into account, the number of Shares used in this calculation would be increased to 1,840,000,000 Shares, comprising 1,000,000,000 Shares issued for settlement of

consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group, 340,000,000 Shares to be issued pursuant to the Global Offering and 500,000,000 Shares to be issued pursuant to the Capitalisation Issue, as if the Global Offering and the Capitalisation Issue had been completed on 1 July 2012. The unaudited forecast earnings per Share on a pro forma basis (after the Capitalisation Issue) is calculated by dividing the forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 by 1,840,000,000 Shares as set out in the table below.

Unaudited pro forma forecast earnings per Share after the Capitalisation Issue	
— Forecast profit before fair value gains of investment properties	not less than HK$0.23 per Share
— Forecast profit after fair value gains of investment properties	not less than HK$6.28 per Share

SENSITIVITY ANALYSIS

The following table is for illustrative purposes and sets out the sensitivity of the forecast consolidated net profit attributable to our equity holders to different levels of increase/(decrease) in fair value of the investment properties (excluding investment properties held for sale) for the year ending 30 June 2013:

% change in fair value of investment properties(1)	**-5%**	**-10%**	**5%**	**10%**
Impact on forecast net profit attributable to our equity holders targeted for the year ending 30 June 2013 (HK$ in million)	(1,581)	(3,163)	1,581	3,163
The Group's net profit for the year ending 30 June 2013 will be (HK$ in million)	9,982	8,400	13,144	14,726
% (decrease) increase in net profit	(13.7%)	(27.4%)	13.7%	27.4%

Note:

(1) Excludes investment properties classified as held for sale.

We adopt a 5% and 10% range of increment/decrement to the base case in the sensitivity analysis above in respect of (i) the change in fair value of the Group's completed investment properties, including Hopewell Centre, QRE Plaza, GardenEast, our interests in Wu Chung House, KITEC and Panda Place; (ii) the change in fair value of the commercial portion of Hopewell Centre II, which is accounted for as investment property; and (iii) the share of the change in fair value of the commercial portion of 200 Queen's Road East Project, which is accounted for as investment property, during FY2013.

For the purposes of the sensitivity analysis, we have excluded the impact from the change in fair value of the Group's investment properties held for sale, namely Broadwood Twelve. Taking into account the relatively stable nature of the luxury residential market which is consistent with recent historical periods, it is estimated that there will be no material change in fair value of Broadwood Twelve.

You should refer to "*Risk Factors — Gains or losses arising from changes in fair value of our investment properties are likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability and financial position*" for additional information.

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not purported to be exhaustive. While we have considered for the purposes of this profit forecast what we believe is the best estimate of the changes in fair value of our investment properties for FY2013, the actual changes in fair value of our investment properties as of the relevant time may differ materially from our estimates and are dependant upon market conditions and other factors which are beyond our control.

The Directors estimate that there will be no material change in the market value of investment properties during the three months ending 30 June 2013, as it is expected that there will be no material change in the Group's operations or the market conditions during such period.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as disclosed in "— *Capital Risk Management, Capital Expenditures and Commitments — Project commitments/estimated investment costs — 200 Queen's Road East Project*", we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

The Directors confirm that they have performed sufficient due diligence on the Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2012, and there has been no event since 31 December 2012 which would materially affect the information shown in "*Appendix I — Accountants' Report*".

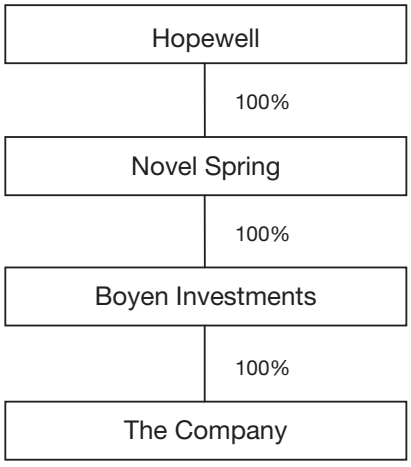
OVERVIEW

As at the Latest Practicable Date, Hopewell owned, through its wholly-owned subsidiaries, 100% of the issued share capital of and 100% of the voting rights in the Company. Immediately after completion of the Global Offering, the Company will remain a subsidiary of Hopewell and will be indirectly owned by Hopewell, through Novel Spring and Boyen Investments, as to approximately 81.5% of its issued share capital (without taking into account any Shares which may be sold by Boyen Investments pursuant to the exercise of the Over-allotment Option).

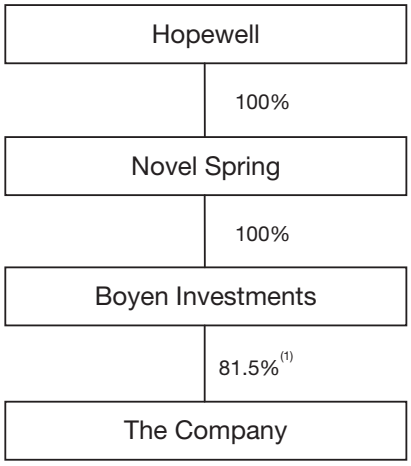
Save as mentioned above, there is no other person who will, immediately following completion of the Global Offering, be directly or indirectly interested in 30% or more of the Shares then in issue.

The shareholding relationship between the Company and Hopewell (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Global Offering is set out below:

As at the Latest Practicable Date



Immediately following completion of the Global Offering



Note:

(1) Without taking into account any Shares which may be sold by Boyen Investments pursuant to the exercise of the Over-allotment Option.

BACKGROUND OF OUR CONTROLLING SHAREHOLDER

Hopewell is a public company incorporated with limited liability in Hong Kong, which has been listed on the Main Board of the Stock Exchange since 21 August 1972 (stock code: 54). The Hopewell Group is principally engaged in the businesses of property development and investment, property related services and hospitality in Hong Kong and the PRC, power and highway infrastructure. The Hopewell Group's highway infrastructure business is carried out through its subsidiary, Hopewell Highway. Hopewell Highway and its subsidiaries and jointly controlled entities were spun off from Hopewell, and separately listed on the Main Board of the Stock Exchange on 6 August 2003 (stock codes: 737 (Hong Kong dollar counter) and 80737 (Renminbi counter)).

The Group has entered into certain connected transactions with some of the companies and/or their subsidiaries listed above, which will continue to be in effect after the Listing. For details of such transactions, please refer to *"Connected Transactions"*.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

The Board is satisfied that, on the basis of the following information, the Group is capable of operating independently of the Controlling Shareholder and its associates after the Listing:

Clear delineation of business

The businesses of the Group comprise property development and investment, property related services and hospitality businesses in Hong Kong (the "**Group Businesses**"). While there is no restriction on the scope or geographical locations of our business activities that we are permitted to enter into, after the Listing, it is our current strategy to focus on the Group Businesses only and it is not our present intention to diversify our business outside Hong Kong.

The Remaining Group will continue to engage in the businesses of (i) property development and investment, property related services and hospitality in the PRC; and (ii) power (together, the "**Remaining Group Businesses**"). Hopewell, however, will continue to retain ownership of the Nam Koo Property, the Miu Kang Property and the Retained Car Park Lots (each as defined below in *"— Excluded Properties in Hong Kong"*) through the Remaining Group after the Listing for the reasons set out in *"— Excluded Properties in Hong Kong"* below.

Excluded Properties in Hong Kong

Our Controlling Shareholder will retain the following properties after the Listing through the Remaining Group:

A. The Nam Koo Property

The Remaining Group acquired the Nam Koo Property, comprising five lots of land situated on Ship Street and Hillside Terrace, Wan Chai, Hong Kong between 1981 and 1988, (i) upon one of which an abandoned four-storey school building is situated; (ii) upon another of which Nam Koo Terrace, a two-storey house, is situated; and (iii) the remaining three of which are vacant sites. The carrying value of the Nam Koo Property as recorded in the financial statements of Hopewell as at 31 March 2013 is HK$47.1 million, representing approximately 0.1% of the value of the properties attributable to the Group as at 31 March 2013 as disclosed in *"Appendix IV — Property Valuation"*. The properties built upon the Nam Koo Property have a total GFA of approximately 23,039 sq. ft.

The town plan zoning of the Nam Koo Property was changed from "residential use" to "open space" in 1994 and Nam Koo Terrace is currently classified as a Grade 1 historical building by the Antiquities and Monuments Office of the Hong Kong Government. While Hopewell intends to negotiate with the Hong Kong Government to change the current town plan zoning of the Nam Koo Property to allow for development or redevelopment while preserving Nam Koo Terrace, the outcome

of, and timeframe for, such negotiations (the "**Negotiations**") are highly uncertain and not within the control of Hopewell.

As advised by an independent professional property valuer, under the current town plan zoning for the Nam Koo Property and given the issues, problems and uncertainties regarding the redevelopment of the Nam Koo Property, there is no proper basis to formulate the necessary assumptions, and as such, it is not possible to carry out a reasonably accurate valuation in respect of the Nam Koo Property.

Given the above, we consider that the Nam Koo Property currently has insignificant commercial value and there would be limited benefits should it be included in the Group at this time.

Hopewell considers that as the Nam Koo Property cannot be transferred to the Group at an appropriate market valuation or price at this time, it would be more appropriate for the Remaining Group to retain the Nam Koo Property in order to protect the interests of the Hopewell Shareholders.

To balance the interests of the Remaining Group and the Group, conditional upon the conditions for completion of the Global Offering mentioned in *"Structure of the Global Offering — Conditions of the Global Offering"* being fulfilled or waived as mentioned therein:

(i) Hopewell has granted the Company a sole and exclusive option (the "**Nam Koo Option**"), exercisable by the Company at any given time (a) after the restrictions on the development or redevelopment of the Nam Koo Property are removed (whether as a result of a change in the town plan zoning or otherwise), or (b) after the Company receives notification in writing from Hopewell that the Negotiations have ceased, whether because Hopewell has decided to terminate such Negotiations prematurely for whatsoever reason or the Negotiations have come to a conclusion irrespective of the results thereof or otherwise, to require Hopewell or its relevant subsidiary to sell or procure to be sold to the Company or the subsidiary or subsidiaries designated by the Company all the issued shares in the capital of, and all the shareholder's loans (if any) to, Maryfield Investments Limited, a limited liability company incorporated in the BVI and an indirect wholly-owned subsidiary of Hopewell (which owns 100% of the issued shares in Yuba Company Limited, which in turn is the owner of the Nam Koo Property) at a total consideration (the "**Nam Koo Option Price**") equal to the adjusted consolidated net asset value of Maryfield Investments Limited to be ascertained from the completion accounts to be prepared and computed in accordance with the requirements provided in the agreement governing the grant of the Nam Koo Option (the "**Nam Koo Option Agreement**"), in particular, the value of the Nam Koo Property shall be replaced by the fair market price of the Nam Koo Property to be determined by reference to an independent valuation. Hopewell has also undertaken that for so long as the Nam Koo Option subsists, except as required by the Company as mentioned in sub-paragraph (ii) below, or as expressly permitted under sub-paragraph (iii) below, no change shall be made in the shareholding structure of Maryfield Investments Limited or Yuba Company Limited or in the ownership of Yuba Company Limited over any part of the Nam Koo Property without the prior written consent of the Company, where the giving of such consent shall be at the absolute discretion of the Company and, if given, may be subject to such condition(s), if any, as the Company may reasonably impose; and the Nam Koo Option will automatically lapse upon Yuba Company Limited having sold, transferred or otherwise disposed of all its interest in the Nam Koo Property provided that such sale, transfer or disposal is effected without breaching any of the terms of the Nam Koo Option Agreement;

(ii) Hopewell has also agreed that where the restriction from development or redevelopment is lifted or removed in respect of only part of the Nam Koo Property, the Company shall have the right (a) to require Hopewell to procure that such part of the Nam Koo Property which is still being restricted from being developed or redeveloped to be transferred out of Yuba Company Limited to another wholly-owned subsidiary of Hopewell which is acceptable to the Company (the "**New Subsidiary**") at a cash consideration equal to its value to be

ascertained from the latest financial statement of Yuba Company Limited (the "**Transfer**") and to grant the Company an option over the entire issued share capital of and all the shareholder's loan to the New Subsidiary, and the terms of the Nam Koo Option shall, *mutatis mutandis*, apply to such option, and (b) to exercise the Nam Koo Option on the basis that the Transfer has been effected and, in determining the Nam Koo Option Price, the value of the Nam Koo Property referred to in sub-paragraph (i) above shall not include any value attributable to such part of the Nam Koo Property which is to be transferred to the New Subsidiary pursuant to the Transfer;

(iii) Hopewell has granted the Group a right of first refusal (the "**Nam Koo Right**") (in addition to the Nam Koo Option as set out in sub-paragraph (i) above), exercisable in the event that Hopewell or its relevant subsidiary proposes to sell, transfer or otherwise dispose of the whole or any part(s) of the Nam Koo Property to any third party(ies), whether independent or not, regardless of whether the Negotiations have concluded or not, to acquire the whole, or such part(s) and/or any other part(s), of the Nam Koo Property at:

(a) the price at which it is proposed to be sold, transferred or otherwise disposed of by Hopewell or its relevant subsidiary to any third party(ies) (the "**Intended Nam Koo Sale Price**"); or

(b) if the Intended Nam Koo Sale Price relates to the sale of a part or parts of the Nam Koo Property which is or are different from the part or parts of the Nam Koo Property in respect of which the Nam Koo Right is exercised, a fair market price to be determined by reference to an independent valuation.

If the Company does not exercise the Nam Koo Right, the Remaining Group would be permitted to dispose of the relevant part of (or, where relevant, the whole of) the Nam Koo Property to any third party(ies) at a price no less than the Intended Nam Koo Sale Price; and

(iv) Hopewell has agreed to provide the Company with updates on the status of the Negotiations quarterly and when there is any significant development in the Negotiations, and has undertaken that, for as long as it remains as a controlling shareholder (as defined in the Listing Rules) of the Company, the Remaining Group will not develop or redevelop the Nam Koo Property or any part thereof (the "**Nam Koo Undertaking**").

For FY2011 and FY2012, the net loss (both before and after taxation) attributable to the Nam Koo Property was less than HK$1.0 million for both years.

Given the facts and circumstances concerning the Nam Koo Property mentioned above, and in view of the Nam Koo Option, the Nam Koo Right and the Nam Koo Undertaking that have been granted/given by Hopewell in favour of us, it is considered that the Remaining Group's continued interest in the Nam Koo Property will not affect the delineation of the Group Businesses from the Remaining Group Businesses.

B. The Miu Kang Property

The Remaining Group has acquired a number of units of Miu Kang Terrace for the purpose of site amalgamation and which are intended eventually to be used for the possible aggregation with the Nam Koo Property. Miu Kang Terrace is located immediately adjacent to the Nam Koo Property.

As at the Latest Practicable Date, the units of Miu Kang Terrace that were successfully acquired by the Remaining Group (together, the "**Miu Kang Units**") have a total GFA of approximately 14,868 sq. ft. and together represent approximately 92.1% of all the undivided shares of the lot of land upon which Miu Kang Terrace is situated (the "**Miu Kang Lot**"). The Remaining Group's level of interest in the Miu Kang Units has reached the required application threshold for compulsory sale in respect of all of the undivided shares of the Miu Kang Lot (including the remaining units) pursuant to the Land

(Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong) (the "**Compulsory Sale**"). The Remaining Group intends to acquire the remaining units of Miu Kang Terrace and, where necessary, through the Compulsory Sale.

The Miu Kang Lot, on its own, has limited development or redevelopment potential due to the minimal difference between the existing GFA of the Miu Kang Lot and upon development/ redevelopment, the permitted GFA under various existing restrictions and therefore, it currently has limited commercial value or benefit. The market value (as at 31 March 2013) of the interests in the Miu Kang Units held by the Remaining Group as at the Latest Practicable Date represents less than 0.4% of the value of the properties attributable to the Group as at 31 March 2013 as disclosed in "*Appendix IV – Property Valuation"*.

However, if the Negotiations are successful, the Miu Kang Lot can be developed along with the Nam Koo Property and such possibility will significantly raise their commercial value. In addition, it is believed that the retention of the Miu Kang Units along with the Nam Koo Property by the Remaining Group will also give Hopewell flexibility in the Negotiations with the Hong Kong Government, such as potential development/redevelopment schemes concerning the Nam Koo Property together with the Miu Kang Lot. If the restrictions on the development or redevelopment of the Nam Koo Property are removed, it is our current intention to acquire the Nam Koo Property and the Miu Kang Property.

As explained in "*The Nam Koo Property*" above, the uncertainties associated with the Negotiations mean that it is not appropriate to determine at this stage the value of the Remaining Group's interest in the Miu Kang Units on the basis that both the Miu Kang Lot and the Nam Koo Property can be developed/redeveloped together. In light of the above, the Hopewell Board considers that it is not in the best interest of Hopewell and its shareholders, and there is currently limited commercial benefit to the Group, for the Remaining Group's interest in the Miu Kang Units to be included in the Group.

To balance the interests of the Remaining Group and the Group, conditional upon the conditions for completion of the Global Offering mentioned in *"Structure of the Global Offering – Conditions of the Global Offering"* being fulfilled or waived as mentioned therein:

(i) Hopewell has granted the Company a sole and exclusive option (the "**Miu Kang Option**"), exercisable by the Company to require Hopewell or its relevant subsidiaries to sell or procure to be sold to the Company or the subsidiary or subsidiaries designated by the Company all the issued shares in the capital of, and all the shareholder's loans (if any) to, the subsidiaries of Hopewell (the "**Miu Kang Subsidiaries**") which directly or indirectly own the Miu Kang Property (such subsidiaries being special purpose vehicles formed solely for the purpose of acquiring and holding the Miu Kang Properties) at a total consideration (the "**Miu Kang Option Price**") equal to the adjusted net asset value or (where relevant) the adjusted consolidated net asset value of the Miu Kang Subsidiaries to be ascertained from the completion accounts to be prepared and computed in accordance with the requirements provided in the agreement governing the grant of the Miu Kang Option (the "**Miu Kang Option Agreement**"), in particular, the value of the Miu Kang Property shall be replaced by the fair market price of the Miu Kang Property to be determined by reference to an independent valuation. The Miu Kang Option is exercisable by the Company at any time where the Nam Koo Option is exercisable. Hopewell has also undertaken that for so long as the Miu Kang Option subsists, except as required by the Company as mentioned in sub-paragraph (ii) below, no change shall be made in the shareholding structure of the Miu Kang Subsidiaries or in the ownership of the Miu Kang Subsidiaries over any part of the Miu Kang Property without the prior written consent of the Company, where the giving of such consent shall be at the absolute discretion of the Company and, if given, may be subject to such condition(s), if any, as the Company may reasonably impose; and the Miu Kang Option will automatically lapse upon the entire interest in the Miu Kang Property having been sold, transferred or otherwise disposed of by the Miu Kang Subsidiaries provided that such sale,

transfers or disposals are effected without breaching any of the terms of the Miu Kang Option Agreement;

(ii) Hopewell has granted the Group a right of first refusal (the "**Miu Kang Right**") (in addition to the Miu Kang Option set out in sub-paragraph (i) above), exercisable in the event that Hopewell or its relevant subsidiary(ies) propose(s) to sell, transfer or otherwise dispose of the whole or any part(s) of the Miu Kang Property to any third party(ies), whether independent or not, regardless of whether the Negotiations have concluded or not, to acquire the whole, or such part(s) and/or any other part(s) of the Miu Kang Property at:

(a) the price at which it is proposed to be sold, transferred or disposed of by Hopewell or its relevant subsidiary(ies) (the "**Intended Miu Kang Sale Price**"); or

(b) if the Intended Miu Kang Sale Price relates to the sale of a part or parts of the Miu Kang Property which is or are different from the part or parts of the Miu Kang Property in respect of which the Miu Kang Option is exercised, a fair market price to be determined by reference to an independent valuation.

If the Company does not exercise the Miu Kang Right, the Remaining Group would be permitted to dispose the relevant part of the Miu Kang Property (or, where relevant, the whole thereof) to any third party(ies) at a price no less than the Intended Miu Kang Sale Price; and

(iii) Hopewell has undertaken that, for as long as it remains a controlling shareholder (as defined in the Listing Rules) of the Company, the Remaining Group will not develop or redevelop the Miu Kang Property or any part thereof (the "**Miu Kang Undertaking**").

For FY2011 and FY2012, the net profit (both before and after taxation) attributable to the Miu Kang Property was less than HK$1.0 million and approximately HK$1.0 million respectively.

Since the responsible team of personnel of the Group will continue to be responsible for the acquisitions of the remaining units of Miu Kang Terrace as explained in "*Appendix VII — Statutory and General Information*", the Group will be aware of the status of the amalgamation of the Miu Kang Property.

Given the facts and circumstances concerning the Miu Kang Property mentioned above, and in view of the Miu Kang Option, the Miu Kang Right and the Miu Kang Undertaking that has been granted / given by Hopewell to the Company and the insignificance and immateriality of the Hopewell Group's interest in the Miu Kang Units as compared to the aggregate market value of the Group's completed property portfolio, it is considered that the Remaining Group's interest in the Miu Kang Units will not affect the delineation of the Group Businesses from the Remaining Group Businesses.

C. The Retained Car Park Lots

The Remaining Group holds approximately 46% of a joint venture company (the "**JV Company**") which beneficially owns 33 car park lots in Shun Tak Centre, Sheung Wan, Hong Kong (the "**Retained Car Park Lots**"). The remaining interest in the JV Company of approximately 54% is held by another Hong Kong-listed property developer (the "**JV Partner**"), which also controls the board of directors of the JV Company.

There are ongoing disputes with the leasing agent of the JV Company relating to the Retained Car Park Lots. Furthermore, the legal title over the Retained Car Park Lots has not yet been assigned to the JV Company.

Based on the valuation of the Retained Car Park Lots (assuming that they are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their value) as at

31 March 2013 of HK$66 million, the Remaining Group's 46% effective interest in the Retained Car Park Lots represents less than 0.1% of the total property value attributable to the Group as at 31 March 2013 as disclosed in "*Appendix IV – Property Valuation".* The valuation was assessed by an independent property valuer. Furthermore, given the Group's principal business is not in the car parking industry and that the Retained Car Park Lots are not located within close proximity to the car park assets of the Group, we consider that any competition between the Group's car park assets and the Retained Car Park Lots should be minimal.

To balance the interests of the Remaining Group and the Group, conditional upon the conditions for completion of the Global Offering mentioned in *"Structure of the Global Offering – Conditions of the Global Offering"* being fulfilled or waived as mentioned therein, Hopewell has granted to the Company a right of first refusal (the "**Retained Car Park Lots Related Right**"), exercisable in the event that Hopewell proposes to sell, transfer or otherwise dispose of all or any part of its interest in the JV Company (the "**Sale Interest**") to any third party(ies), whether independent or not, to acquire the Sale Interest at the same price at which the Sale Interest is proposed to be sold, transferred or disposed of by Hopewell (the "**Intended Price for the Sale Interest**"). If the Company does not exercise the Retained Car Park Lots Related Right, Hopewell would be permitted to sell, transfer or otherwise dispose of the Sale Interest to any third party(ies) at a price no less than the Intended Price for the Sale Interest. Hopewell has undertaken that for so long as the Retained Car Park Lots Related Right subsists, it shall remain holding its interest in the JV Company directly except with the prior written consent of the Company, where the giving of such consent shall be at the absolute discretion of the Company and, if given, shall be subject to such condition(s), if any, as the Company may reasonably impose.

Taking into account (i) the ongoing disputes mentioned above; (ii) that the car-park operation business is not the Group's principal business and therefore, both Hopewell and the Company consider that the ownership of the Retained Car Park Lots is not part of the future business strategies of the Group; and (iii) that the Retained Car Park Lots represent a very insignificant value to the overall property portfolio of the Group, the Directors consider that it would not be necessary for the Remaining Group to grant an option to the Group to acquire the Remaining Group's interests in the JV Company.

Considering the above facts and circumstances, and in view of the granting of the Retained Car Park Lots Related Right to the Company, the Hopewell Board does not consider Hopewell's interest in the Retained Car Park Lots to be a sufficiently material asset to affect the delineation of the Group Businesses from the Remaining Group Businesses.

In considering whether to exercise the Nam Koo Option, the Nam Koo Right, the Miu Kang Option, the Miu Kang Right and the Retained Car Park Lots Related Right (together the "**Options and Rights**", and "**Right**" or "**Option**" means the relevant one of them) that Hopewell has granted to the Group as mentioned above, the Group will take into account all relevant factors and circumstances (including, but not limited to, the relevant legal, regulatory, financial and other commercial considerations) then subsisting. As required under the Articles of Association, and under Rule 13.44 of the Listing Rules, only those Directors who and whose associates have no material interest in the exercise of the relevant Option or Right will be entitled to vote on any resolution of the board of Directors approving such exercise.

With respect to the exercise of the Options and Rights, (i) the Company will comply with the applicable requirements under Chapter 14 and/or 14A of the Listing Rules (including, where applicable, independent Shareholders' approval requirement pursuant to which common shareholders of Hopewell and the Company who are materially interested in the decision on the exercise of the relevant Option or Right would be required to abstain from voting on the resolutions approving the same); and (ii) the Company and Hopewell will, pursuant to Rule 14.74(2) of the Listing

Rules, announce such exercise by means of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as reasonably practicable.

The Spin-off was approved by the Hopewell Shareholders at Hopewell's extraordinary general meeting held on 23 May 2013. The granting of the Options and the Rights, the Nam Koo Undertaking, and the Miu Kang Undertaking to the Company by Hopewell, as well as the entering into of the Deed of Non-competition by Hopewell in favour of the Group, form part and parcel of the arrangements contemplated under the Spin-off and Hopewell has provided information relating thereto to the Hopewell Shareholders for their consideration in approving the Spin-off.

Save as mentioned above, Hopewell and its subsidiaries (including the Hopewell Highway Group which focuses on highway infrastructure business but excluding the Group) do not, and do not intend to, engage in any business activities that compete, or are likely to compete, either directly or indirectly, with those of the Group for so long as Hopewell remains our controlling shareholder (as defined in the Listing Rules).

Deed of Non-competition

Hopewell has entered into the Deed of Non-competition in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which Hopewell, irrevocably and unconditionally, undertakes to us that with effect from the Listing Date and for as long as the Shares remain so listed on the Stock Exchange, and Hopewell is our controlling shareholder (as defined under the Listing Rules from time to time) and remains the single largest Shareholder, Hopewell shall not, and shall procure that none of the Parent Group shall, directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or otherwise be involved in the Restricted Business save for:

(i) the Remaining Group's interest in the Nam Koo Property, the Miu Kang Property and the Retained Car Park Lots; and

(ii) the holding of not more than 5% shareholding interests (individually or collectively with Hopewell's associates) in any listed company in Hong Kong.

For the purpose of the Deed of Non-competition, "Restricted Business" means:

(i) property investment in Hong Kong, comprising property letting, agency and management in Hong Kong;

(ii) hotel, restaurant and catering operations in Hong Kong, comprising ownership and management of hotels in Hong Kong, restaurant operations in Hong Kong and food catering in Hong Kong; and

(iii) property development in Hong Kong, comprising the development and/or sale of properties in Hong Kong, property under development in Hong Kong and project management for properties in Hong Kong.

The Deed of Non-competition also provides that:

(i) Hopewell shall provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

(ii) Hopewell shall provide us with written confirmation of its compliance with the Deed of Non-competition and consent to the inclusion of such confirmation in our annual report.

Our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by Hopewell. We will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition through our annual report.

Financial independence

Following the Listing, our financial system will be independent from that of our Controlling Shareholder and its associates, and the Group will make financial decisions according to our own business needs.

Hopewell has entered into various financial assistance arrangements in connection with the 200 Queen's Road East Project. Details of such arrangements which still subsist and/or will remain in place after the Listing are set out as follows:

(i) Hopewell and Sino Land, as guarantors, entered into a deed of guarantee dated 8 July 2011 (the "**200 QRE Facility Guarantee**"). Pursuant to the 200 QRE Facility Guarantee, Hopewell and Sino Land have provided several guarantees (limited to 50% of HK$5.0 billion for each of Hopewell and Sino Land) in respect of the obligations of Grand Site under an agreement entered into on 8 July 2011 between Grand Site as borrower and a syndicate of banks (the "**200 QRE Facility Agreement**") in respect of a HK$5.0 billion facility (the "**200 QRE Facility**"). The guarantee obligations of Hopewell under the 200 QRE Facility Guarantee will subsist until, among others, final payment has been made by Grand Site of, including but not limited to, all loans and all interest accrued thereon, and all other amounts due from, owing or payable by Grand Site under the 200 QRE Facility Agreement or any of its other ancillary documents entered into by Grand Site, in accordance with the terms thereof. Unless extended, the 200 QRE Facility will mature in January 2015;

(ii) Hopewell and Sino Land, as covenantors, entered into a funding agreement dated 8 July 2011 in favour of the agent of financing parties in respect of the 200 QRE Facility (the "**200 QRE Facility Funding Agreement**"). Pursuant to the 200 QRE Facility Funding Agreement, Hopewell and Sino Land have undertaken, among others, to fund Grand Site certain payments relating to the 200 Queen's Road East Project (limited to 50% of such payments) and to ensure and procure Grand Site to duly complete the 200 Queen's Road East Project as required under the 200 QRE Facility Agreement. The obligations of Hopewell under the 200 QRE Facility Funding Agreement will subsist until, among others, all loans and all interest accrued on, and all other amounts due from, owing or payable under or in respect of the 200 QRE Facility Agreement and its other ancillary documents entered into by Grand Site have been discharged in full and all lenders' commitments under all facilities under the 200 QRE Facility Agreement have been reduced to zero, or Hopewell has duly fulfilled all its obligations under the 200 QRE Facility Funding Agreement (as the case may be);

(iii) Hopewell and Sino Land, as covenantors, entered into a funding agreement dated 14 July 2009 in favour of the URA (the "**200 QRE Project Funding Agreement**"). Pursuant to the 200 QRE Project Funding Agreement, Hopewell and Sino Land have severally undertaken to pay the URA such funds as may be required by the URA for the purpose of completing the 200 Queen's Road East Project to the standard and in the manner contemplated under the Development Agreement in the event that the Development Agreement is terminated prior to the completion of the 200 Queen's Road East Project by Grand Site. Hopewell has obtained the necessary consents from, among others, Sino Land and the URA for the replacement of Hopewell by the Company under the 200 QRE Project Funding Agreement subject to, among others, completion of the Listing. As such, Hopewell will have no obligations and liabilities under the 200 QRE Project Funding Agreement if they arise on or after the date on which such replacement is effected, which is expected to be on the Listing Date;

(iv) Hopewell and Sino Land, as guarantors, and the URA entered into a deed of guarantee dated 14 July 2009 (the "**200 QRE Development Guarantee**"). Pursuant to the 200 QRE Development Guarantee, Hopewell and Sino Land have provided several guarantees (limited to 50% for each of Hopewell and Sino Land) in respect of the obligations of Grand Site under the Development Agreement. The Company has obtained the necessary consents from, among others, Sino Land and the URA for the replacement of Hopewell by the Company as a guarantor under the 200 QRE Development Guarantee subject to, among others, completion of the Listing. As such, Hopewell will have no obligations and liabilities under the 200 QRE Development Guarantee if they arise on or after the date on which such replacement is effected, which is expected to be on the Listing Date; and

(v) Hopewell and Sino Land, as guarantors, entered into a deed of guarantee dated 22 August 2012 (the "**200 QRE Pre-sale Guarantee**"). Pursuant to the 200 QRE Pre-sale Guarantee, Hopewell and Sino Land have provided several guarantees (limited to 50% of HK$2,061,871,735.08 for each of Hopewell and Sino Land) in respect of the obligations of Grand Site under the facility letter dated 20 March 2013 issued to Grand Site by The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") (the "**HSBC Facility**"), which has been accepted by Grand Site and is currently still in force. Pursuant to the HSBC Facility, HSBC has agreed to grant to Grand Site a banking facility by way of providing a letter of undertaking of up to HK$2,061,871,735.08 (being the outstanding development cost of the 200 Queen's Road East Project as at 30 June 2012) in favour of the Hong Kong Government (the "**HSBC Undertaking**") for the purpose of facilitating Grand Site's application to the Hong Kong Government for the pre-sale consent of the residential units and car parking spaces of the 200 Queen's Road East Project (the "**Pre-Sale Consent Application**"). The obligations of Hopewell under the 200 QRE Pre-Sale Guarantee will effectively cease upon the expiry of the term of the HSBC Undertaking, which is on 31 March 2017 or when the amount under the HSBC Facility has been reduced to zero, whichever is earlier.

The obligations of Hopewell pursuant to the 200 QRE Facility Guarantee, the 200 QRE Facility Funding Agreement and the 200 QRE Pre-sale Guarantee are together referred to as the "**Financial Assistance Arrangements**".

As the Financial Assistance Arrangements will remain in place after the Listing, the Group's proportionate exposure to the facility arrangement under the Financial Assistance Arrangements shall be approximately HK$3.5 billion, which accounts for approximately only 9.7% of the Group's total assets as at 31 December 2012. For the reasons mentioned below, it is necessary for the Financial Assistance Arrangements to remain in place after the Listing and would be unnecessary or not in the best interests of the Company for Hopewell to be replaced by the Company as a guarantor or covenantor (as the case may be) under the Financial Assistance Arrangements:

(i) in relation to the 200 QRE Facility Guarantee and the 200 QRE Facility Funding Agreement, the replacement of Hopewell by the Company as guarantor or covenantor (as the case may be) requires consent from all members of the syndicate of lenders under the 200 QRE Facility Agreement and Sino Land, which would be complex and unduly onerous for the Company;

(ii) given the prevailing economic climate where financial institutions will be more likely to impose stricter or less favourable terms for banking facilities, a replacement of Hopewell by the Company as guarantor or covenantor (as the case may be) under the 200 QRE Facility Guarantee, 200 QRE Facility Funding Agreement and 200 QRE Pre-sale Guarantee would likely involve renegotiation with the relevant lenders concerning new terms and conditions that may be less favourable than the existing ones. Given Sino Land's interest in the 200 Queen's Road East Project, any unfavourable changes in the terms and conditions of the 200 QRE Facility Agreement or HSBC Facility would adversely affect Sino Land's interests, and thus we consider that it is unlikely that the necessary consent from Sino Land can be obtained to effect such replacement;

(iii) the 200 QRE Facility Agreement (in respect of Grand Site's obligations thereunder, Hopewell acts as a guarantor and a covenantor under the 200 QRE Facility Guarantee and the 200 QRE Facility Funding Agreement respectively) will, according to its current terms, mature in January 2015, which is only approximately one and a half years from the Listing Date. Furthermore, after the pre-sale of the residential portion of the 200 Queen's Road East Project has commenced (such pre-sale is currently scheduled to commence in 2013), the amount borrowed under the 200 QRE Facility will be procedurally repaid; and

(iv) the replacement of Hopewell by the Company as a guarantor in respect of the HSBC Facility requires the consent of HSBC, and similar reasons as mentioned in (ii) above also apply to such replacement. Furthermore, the substitution of the HSBC Undertaking by a new letter of undertaking by another bank (even if there is another bank willing to provide it) is likely to delay the approval of the Pre-sale Consent Application, thus causing a delay in the pre-sale of residential units and car parking spaces of the 200 Queen's Road East Project and resulting in a delay in the revenue generation of the 200 Queen's Road East Project, and therefore, is not in the best interests of the Company and the Shareholders as a whole.

Previously, certain facilities were utilised by the Remaining Group for the purpose of providing utility deposit guarantees required by the Group. Currently, instead of the Remaining Group utilising its facilities to provide such guarantees, such guarantees are either provided by utilising facility obtained by the Group for such purpose which is guaranteed by the Company, or released by having the amount secured by such guarantee fully settled.

Notwithstanding that the Financial Assistance Arrangements will remain in place after the Listing, we believe that the Group is able to operate financially independently from our Controlling Shareholder and its associates and the Group's financial independence is demonstrated in the following aspects:

- **Intra-group loans:** As at 31 December 2012, an aggregate principal amount of approximately HK$3,700.0 million was drawn down under the HKD Revolving Facility (which was obtained by the Remaining Group and guaranteed by Hopewell) and on-lent to the Group, being the Outstanding Borrowings. Such amount was accounted for as bank borrowings in the audited combined statements of financial position of the Group as at 31 December 2012. As at 31 March 2013, the amount of the Outstanding Borrowings remained at approximately HK$3,700.0 million.

  The Group has obtained the Refinancing Facility, being a loan facility of an aggregate principal amount of HK$4,000.0 million, of which HK$3,700.0 million has been applied by the Group for the purposes of repaying the Outstanding Borrowings in full. Of the HK$3,700.0 million drawn under the Refinancing Facility, HK$2,000.0 million will mature in May 2015 and the remaining HK$1,700.0 million of which will mature in November 2013. Of the said HK1,700.0 million drawn under the Refinancing Facility, we intend to finance the repayment of which by using part of the net proceeds from the Global Offering as disclosed under *"Use of Proceeds"*. The Refinancing Facility bears interest rates ranging from HIBOR plus 0.88% to 1.12% per annum as compared with HIBOR plus 0.32% per annum for the HKD Revolving Facility. The guarantee given by Hopewell in respect of the Refinancing Facility will be released and discharged upon Listing in accordance with the terms of such guarantee. As such, following Listing, the Refinancing Facility will be guaranteed solely by the Company.

  In addition to the Outstanding Borrowings, there are net outstanding intra-group loans owing by the companies within the Group to the Remaining Group (the "**Outstanding Intra-group Loans**"). The amount of the Outstanding Intra-group Loans amounted to approximately HK$10,384.5 million as at 30 April 2013.

  The Outstanding Intra-group Loans will be fully settled by way of the Capitalisation Issue, pursuant to which the Company will issue 500,000,000 Shares to Boyen Investments

credited as fully paid up subject to and simultaneous with the completion of the Global Offering, such Shares to rank *pari passu* in all respects with the Shares then in issue.

After the Listing, the Group will no longer be required to obtain funding from a centralised source within the Hopewell Group via intra-group lending and will have its own source of funding and such funds will be managed by the Group itself.

- **Strong financial position:** The Group's business operations are in relatively matured and developed markets. The Group has a strong financial position, which is demonstrated by the following factors:

  (i) *Low level of bank leverage* — as at 31 December 2012 the Group had cash and bank balances of approximately HK$15.3 million and bank borrowings of approximately HK$3,700 million. The net debt to shareholders' equity as at 31 December 2012 was approximately 17.0%. In addition, it should be noted that all of the Group's bank borrowings are long term in nature. Lastly, as mentioned above, the net amount due to the Remaining Group will be capitalised prior to the Listing.

  (ii) *Low loan to asset ratio and market value ratio* — the value of the Group's total assets (free from encumbrances) was approximately HK$36.6 billion as at 31 December 2012. The Group's loan to total asset ratio was approximately 10.1% as at 31 December 2012. The loan to market value ratio as at 31 March 2013 based on the value of properties attributable to the Group as at 31 March 2013 (as disclosed in "*Appendix IV — Property Valuation*") was approximately 8.1%, which demonstrates the total assets and market value of the Group's property portfolio well exceed the Group's total borrowings.

  (iii) *Strong cashflow from business operations* — according to the audited combined financial statements of the Group, for FY2010, FY2011 and FY2012, the Group generated strong cash flow from its business operations of approximately HK$414.0 million, HK$447.9 million and HK$534.2 million, respectively. We believe that the steady but increasing stream of cashflow generated from the Group's business operations is sufficient to service our long term bank borrowings and obligations as well as other working capital needs.

We believe that we will be able to obtain additional funding (as necessary) without recourse to the Remaining Group based on our record of fund raisings and our strong financial position.

Operational and administrative independence

During the Track Record Period, the Group was operationally and administratively independent from our Controlling Shareholder and its associates. The Company has its own separate management team and separate functional units that focus on, among others, conventions and exhibitions, hotel and catering management, leasing, property and facility management, project management, accounts and human resources, all of which operate independently from the Remaining Group. Accordingly, our Board believes that the Company has been operating independently from our Controlling Shareholder and its associates and will continue to do so after the Listing.

It is proposed that the Remaining Group will continue to provide general office administration services (such as, among others, procurement of office supplies, investor relations management, information technology support, corporate finance services and internal audit) access to the LIS and technical support related thereto, company secretarial services, the services of employees of Remaining Group and certain office equipment and such other services (together, the "**Administrative Services**") as may be requested by the Group from time to time. Hopewell will be paid service fees to be determined based on the cost incurred in providing the Administrative Services which will be allocated to the Group on a fair and equitable basis. The Hopewell Board and

our Board are of the view that the independence of administrative capability of the Company should not be affected by the provision of the Administrative Services by the Remaining Group to the Group given that such arrangements involve the provision of support functions only.

INDEPENDENCE OF BOARD AND MANAGEMENT

The Company has a Board and senior management which function independently from our Controlling Shareholder and its associates. We have seven Directors on our Board, comprising four executive Directors and three independent non-executive Directors. Mr. Wing Lam WONG and Mr. Albert Kam Yin YEUNG, executive Directors, are currently executive directors of Hopewell; and Mr. Ahito NAKAMURA, an independent non-executive Director, is currently an independent non-executive director of Hopewell. Mr. Wing Lam WONG, Mr. Albert Kam Yin YEUNG and Mr. Ahito NAKAMURA will resign from their respective roles in Hopewell prior to the Listing Date. Accordingly, save for two Directors, namely Sir Gordon Ying Sheung WU and Mr. Thomas Jefferson WU, who are also, and who will upon Listing remain as, executive directors of Hopewell and Hopewell Highway, all other Directors do not have, or will, before the Listing Date, cease to have, any role in, and is or will be independent of, the Remaining Group.

The senior management team of the Company comprises eleven members, being Mr. Pei Sai LEUNG, Mr. Kam Wai CHAN, Ms. Josephine Wai Fun LAM, Mr. Stuart WANG, Ms. Judy Ngar Yee TSANG, Ms. Edith Tak Ching LEE, Mr. Yat Kei CHAN, Mr. John Chun Yin TU, Mr. Danny Wing Hung FAN, Mr. Danny Ka Pang WONG and Mr. Cho Wa LAW. Save for Mr. Cho Wa LAW, the company secretary of the Company, who also acts as the company secretary of both Hopewell and Hopewell Highway as well as the corporate affairs director of Hopewell, overseeing Hopewell's information technology, corporate communication, human resources and administration functions, all other members of our senior management team will be dedicated to the day-to-day management of the Group Businesses and will not have any management roles in Hopewell and/or Hopewell Highway.

A majority of our senior management team has, throughout FY2012, carried out senior management supervisory responsibilities in the Group Businesses. The responsibilities of our management team involve dealing with operational and financial matters, making general capital expenditure decisions and daily implementation of the business strategy of the Group. This ensures the independence of the daily management and operations of the Group from those of our Controlling Shareholder and its associates. Further details of our Board and senior management team are set out in *"Directors and Senior Management"*.

The following table sets out the directorship and/or employment relationship (if any) that the Directors and the senior management team members of the Company had with Hopewell and Hopewell Highway as at the Latest Practicable Date, respectively.

Name	The Company	Hopewell	Hopewell Highway
Sir Gordon Ying Sheung WU	Chairman and executive Director	Chairman and executive director	Chairman and executive director
	Participates in the strategic planning and general management but not in the daily operations.	Participates in the strategic planning and general management but not in the daily operations.	Participates in the strategic planning and general management but not in the daily operations.
Mr. Thomas Jefferson WU	Executive Director and managing Director	Executive director and managing director	Executive director and managing director
	Participates in the strategic planning, general management and in the daily operations.	Participates in the strategic planning, general management and in the daily operations.	Participates in the strategic planning, general management and in the daily operations.

Name	The Company	Hopewell	Hopewell Highway
Mr. Wing Lam WONG	Executive Director and deputy managing Director Participates in the strategic planning, general management and in the daily operations.	Executive director Participates in the strategic planning, general management and in the daily operations.	N/A
Mr. Albert Kam Yin YEUNG	Executive Director Participates in the strategic planning, general management and in the daily operations.	Executive director Participates in the strategic planning, general management and in the daily operations.	N/A
Mr. Ahito NAKAMURA	Independent non-executive Director Participates in the strategic planning and general management but not in the daily operations.	Independent non-executive director Participates in the strategic planning and general management but not in the daily operations.	N/A
Mr. Stephen Hoi Yin LEE	Independent non-executive Director Participates in the strategic planning and general management but not in the daily operations.	N/A	N/A
Mr. Alexander Lanson LIN	Independent non-executive Director Participates in the strategic planning and general management but not in the daily operations.	N/A	N/A
Other members of the senior management of the Company[1]	Senior management	N/A	N/A

Note:

(1) *Further details of our senior management team are set out in "Directors and Senior Management".*

Under the Articles of Association, a Director who, to his knowledge, is in any way, whether directly or indirectly, interested in a contract or arrangement, or proposed contract or arrangement, with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested. The Articles of Association do not require such a Director who is so interested to not attend any meeting of the Board. However, the Articles of Association do provide that a Director shall not be entitled to vote (or be counted in the quorum) on a resolution of the

Directors in respect of any board resolution approving any contract, arrangement or proposal in which he or any of his associates is materially interested, except in certain prescribed circumstances, the details of which are set out in "*Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law*".

Whether a Director is conflicted or non-conflicted on any matter depends on the particular circumstances of the matter under consideration. The fact that a Director also holds directorships in other companies does not create a conflict for that Director unless the matter under consideration involves his personal interests or those of the other companies as well as the Group. In all other circumstances, a Director is able to act without being conflicted.

The provisions in the Articles of Association ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice so as to ensure that the best interests of the Company and the Shareholders (including the minority Shareholders) taken as a whole are preserved. Following the Listing, the Board is required to comply with the provisions of the Listing Rules. This includes the review of the connected transactions by the independent non-executive Directors and, where appropriate, independent financial advice and independent shareholders' approval will be required.

Upon the Listing, the Company will have its own separate management team and separate functional units that will focus on, among others, conventions and exhibitions, hotel and catering management, leasing, property and facility management, accounts and human resources, all of which operate independently from the Remaining Group.

On the basis of the above, the Directors believe that, following the Listing, we will operate independently from the Controlling Shareholder and its associates and in the best interests of the Company and the Shareholders as a whole.

CONFIRMATION

Save as disclosed in "— *Independence from the Controlling Shareholder*" and "— *Independence of Board and Management*" above, neither Hopewell nor any of the executive and non-executive Directors was, as at the Latest Practicable Date, interested in any business, other than that of the Group, which competes or is likely to compete, either directly or indirectly, with the Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

We have entered into certain transactions with parties who are our connected persons and these transactions will continue following the Listing Date, thereby constituting connected transactions of the Group under the Listing Rules.

A. CONNECTED PERSONS OF THE GROUP

Hopewell, the Controlling Shareholder, is indirectly interested in approximately 68% of the equity interests in Hopewell Highway. Members of the Parent Group are thus connected persons of the Company. By virtue of Hopewell's shareholding in Hopewell Highway, members of the Hopewell Highway Group are associates of Hopewell, and as such, connected persons of the Company.

Mr. Thomas Jefferson WU is an executive director of both Hopewell and the Company, and is therefore a connected person of the Company.

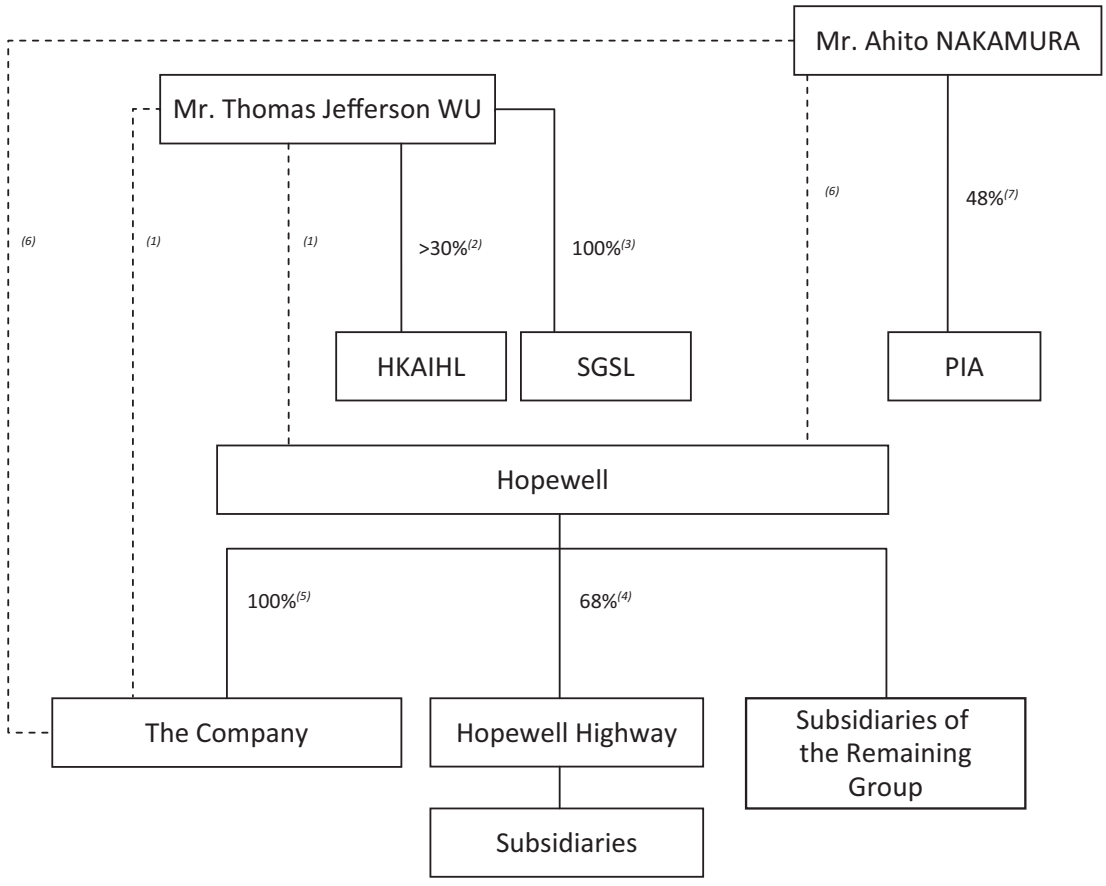
As Mr. Thomas Jefferson WU is directly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings of HKAIHL, HKAIHL is an associate of Mr. Thomas Jefferson WU and is therefore a connected person of the Company.

As Mr. Thomas Jefferson WU owns the entire equity interest of SGSL, SGSL is an associate of Mr. Thomas Jefferson WU and is therefore a connected person of the Company.

Mr. Ahito NAKAMURA is an independent non-executive director of both Hopewell and the Company, and is therefore a connected person of the Company.

PIA, in which Mr. Ahito NAKAMURA is directly interested in approximately 48% of the issued share capital, is an associate of Mr. Ahito NAKAMURA and therefore a connected person of the Company.

The shareholding relationships between Hopewell, the Company, the Remaining Group, Hopewell Highway Group, Mr. Thomas Jefferson WU, HKAIHL, SGSL, Mr. Ahito NAKAMURA and PIA as at the Latest Practicable Date are set out in the simplified chart below:



Notes:

(1) Mr. Thomas Jefferson WU is a director of both Hopewell and the Company.

(2) Mr. Thomas Jefferson WU exercises or controls the exercise of 30% or more of the voting power at the general meetings of HKAIHL.

(3) Mr. Thomas Jefferson WU holds the entire issued share capital of SGSL.

(4) Hopewell Highway is owned as to approximately 68% by Hopewell.

(5) The Company is wholly-owned by Hopewell. Immediately after completion of the Global Offering and the Capitalisation Issue, the Company will be owned as to approximately 81.5% by Hopewell (without taking into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option).

(6) Mr. Ahito NAKAMURA is the independent non-executive director of both Hopewell and the Company.

(7) Mr. Ahito NAKAMURA exercises or controls the exercise of approximately 48% of the voting power at the general meetings of PIA.

B. EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing Date, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rules 14A.31 and 14A.33 of the Listing Rules.

1. Trademark agreement between Hopewell and the Company

(a) Description of the transaction

Hopewell and the Company have entered into a trademark licence agreement, pursuant to which Hopewell, as licensor, grants to the members of the Group and the Company's jointly controlled

entities, as licensee, a non-exclusive right to use certain trademarks registered by or under the name of Hopewell at a nominal licence fee (amounting to HK$1.00 per agreement) (the "**Trademark Agreement**"). The parties to the Trademark Agreement have agreed that the Trademark Agreement will not be terminated unless written notice is given by one party to the other party in the event that such other party:

(i) has failed to remedy a material breach which has been committed in relation to any term in the Trademark Agreement within 90 days of receiving notification from the non-breaching party; or

(ii) is dissolved, becomes bankrupt, insolvent or unable to pay its debts.

In addition, Hopewell is also able to terminate the Trademark Agreement by written notice if the Company ceases to be a subsidiary of Hopewell. Further details of the trademarks are set out in *"Appendix VII — Statutory and General Information"*.

(b) Listing Rules requirements

As the highest relevant aggregated percentage ratios in respect of the Trademark Agreement entered into between Hopewell and the Company will be, on an annual basis, less than 0.1%, they will, pursuant to Rule 14A.33 of the Listing Rules constitute *de minimis* continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

2. Administrative services transaction between the Remaining Group and the Group

(a) Description of the transaction

Hopewell and the Company have entered into an agreement, pursuant to which the Remaining Group will continue to provide general office administration services (including amongst others, the procurement of office supplies, investor relations management, information technology support, corporate finance services and internal audit) and technical support in relation to the LIS, company secretarial services, the services of employees of the Remaining Group and certain office equipment and such other services as may be requested by the Group from time to time (collectively, the "**Administrative Services**") (the "**Administrative Services Agreement**"). Hopewell will receive service fees to be determined based on the cost incurred in the provision of the Administrative Services which will be allocated to the Group on a fair and equitable basis.

(b) Listing Rules requirements

As the Administrative Services will be provided by the Remaining Group to the Group on a cost basis which will be identifiable and allocated to the Remaining Group on a fair and equitable basis, the Administrative Services Agreement will, pursuant to Rule 14A.31(8) of the Listing Rules constitute continuing connected transactions exempt from reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

3. Leasing transaction between PIA and the Group

(a) Description of the transaction

The Group has, in its ordinary and usual course of business, entered into agreements with PIA, an associate of Mr. Ahito NAKAMURA, to lease certain premises owned by the Group as landlord in accordance with the terms of the tenancy agreements (collectively, the "**PIA Agreements**" and each, a "**PIA Agreement**"). The following table sets out a summary of the principal terms of the PIA Agreement which is currently in force:

(i) Tenancy Agreement

Landlord	Tenant	Location	Monthly rental	Duration	Use
Singway BVI	PIA	3701 on the 37th Floor of Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong	HK$32,780.0 (inclusive of air conditioning charges and management fees)	16 May 2013 – 15 May 2015 (both days inclusive)	Office

(b) Historical transaction amounts

For each of FY2010, FY2011, FY2012 and 1HFY2013, the aggregate annual rental payments, air conditioning charges and management fees made by PIA to the Group pursuant to the PIA Agreements were approximately HK$0.5 million, HK$0.4 million, HK$0.3 million and HK$0.2 million, respectively.

(c) Listing Rules requirements

As the highest relevant aggregated percentage ratios in respect of the PIA Agreements entered into between PIA and the Group will be, on an annual basis, less than 0.1%, they will, pursuant to Rule 14A.33 of the Listing Rules constitute *de minimis* continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing Date, the following transactions will be regarded as continuing connected transactions exempt from the independent shareholders' approval requirement but subject to the reporting, announcement and annual review requirements under Rule 14A.34 of the Listing Rules.

1. Leasing and licensing transactions between the Remaining Group and the Group

(a) Description of the transaction

(i) Tenancy Agreement

The Group has, in its ordinary and usual course of business, entered into various tenancy agreements with members of the Remaining Group to lease certain floors of Hopewell Centre at 183 Queen's Road East, Wan Chai, Hong Kong owned by the Group as landlord to members of the Remaining Group for office use. During the Track Record Period, tenancy agreements with terms ranging from 24 months to 38 months and 22 days were entered into between members of the Group and members of the Remaining Group with those tenancy agreements still subsisting to be expired on 30 June 2013. The monthly rental (inclusive of air conditioning charges and management fees) attributable to the Remaining Group was approximately HK$1.5 million after deducting the portion that was used by members of the Group prior to the Reorganisation (collectively, the "**Hopewell Tenancy Agreements**" and each, a "**Hopewell Tenancy Agreement**").

The Group expects to continue to enter into tenancy and licensing transactions with relevant members of the Remaining Group after the Listing Date with expected terms of tenancy/licence between 1 July 2013 to 30 June 2015. All future licences and tenancies to be entered into from time to time between relevant members of the Group and relevant members of the Remaining Group shall be governed by the Hopewell Framework Agreement (as defined in paragraph (c) below).

DTZ, our independent property valuer, has confirmed that the Hopewell Tenancy Agreements are on normal commercial terms and conditions and are fair and reasonable. DTZ is also of the view that the monthly rental payments, air conditioning charges and management fees charged by the Group under the Hopewell Tenancy Agreements are no less favourable than that offered to an independent third party.

(b) Historical transaction amounts

For each of FY2010, FY2011, FY2012 and 1HFY2013, the aggregate annual rental payments, air conditioning charges and management fees made by the Remaining Group to the Group pursuant to the Hopewell Tenancy Agreements were approximately HK$17.9 million, HK$17.1 million, HK$19.6 million and HK$9.9 million, respectively.

(c) Framework Agreement with Hopewell

The Group expects to continue to enter into tenancy and licensing transactions with relevant members of the Remaining Group following the Listing Date. To ensure that all tenancy and licensing transactions between relevant members of the Remaining Group and relevant members of the Group comply with Rule 14A.35 of the Listing Rules, the Company, entered into a framework agreement with Hopewell (the "**Hopewell Framework Agreement**") on 28 May 2013 which shall take effect from the Listing Date and shall be for a term commencing from the Listing Date to 30 June 2015 (both days inclusive). The Hopewell Framework Agreement stipulates that all tenancy and licensing transactions between relevant members of the Remaining Group and relevant members of the Group must be (i) in the ordinary and usual course of business; (ii) on normal commercial terms; and (iii) in compliance with all applicable provisions of the Listing Rules.

(d) Annual caps on future transaction amounts

In accordance with Rule 14A.35(2) of the Listing Rules, the Company has set annual caps for the maximum aggregate amount payable by Hopewell to the Group for each of FY2013, FY2014 and FY2015. It is anticipated that the aggregate annual value of payments in respect of the tenancy and licensing transactions between the Remaining Group and the Group for each of FY2013, FY2014 and FY2015 will be approximately HK$18.1 million, HK$22.6 million and HK$22.9 million respectively.

The abovementioned annual caps in respect of the tenancy and licensing agreements to be made between relevant members of the Remaining Group and relevant members of the Group have been estimated primarily based on the consideration of existing rentals or licence fees (as the case may be), air conditioning charges, management fees, and/or other charges and/or fees (where applicable) of our properties, current rentals of other properties in the same areas and the prevailing market rates at the time when entering or renewing leases and the anticipated increase in letted area, rental or licence fees (as the case may be), air conditioning charges, management fees, and/or other charges and/or fees (where applicable) of the relevant properties.

(e) Listing Rules requirements

As the highest relevant percentage ratios in respect of the tenancy and licensing agreements to be made between the Remaining Group and the Group will be, on an annual basis, more than 0.1% but less than 5% and are on normal commercial terms, they will pursuant to Rule 14A.34 of the Listing Rules, be exempt from the independent shareholders' approval requirement but will be subject to the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

2. Leasing and licensing transactions between the Hopewell Highway Group and the Group

(a) Description of the transactions

The Group has, in its ordinary and usual course of business, entered into various agreements with members of the Hopewell Highway Group to lease or licence certain premises or car parking spaces owned by the Group as landlord or licensor in accordance with the respective terms of the tenancy agreements or licences (collectively, the "**Hopewell Highway Agreements**" and each a, "**Hopewell Highway Agreement**"). The following table sets out a summary of the principal terms of each Hopewell Highway Agreement which is currently in effect:

(i) Tenancy agreement

Landlord	Tenant	Location	Monthly rental	Duration	Use
Singway BVI	HCDSL	A portion of the 63rd Floor of Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong	HK$182,085.0 (inclusive of air conditioning charges and management fees)	1 July 2011 – 30 June 2013 (both days inclusive)	Office

(ii) Various licences in respect of car parking spaces

Licensor	Licensee	Subject Matter	Location	Monthly licence fee	Duration
HREA as agent for and on behalf of Singway BVI	HCDSL	4 fixed private car parking spaces	Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong	1 July 2011 – 30 September 2011: HK$18,000.0 1 October 2011 – 31 January 2013: HK$13,500.0 Revised by Singway BVI with effect from 1 February 2013 onwards to HK$14,400.0 (subject to further revisions by Singway BVI)	1 July 2011 – 30 June 2013 (both days inclusive)
HREA as agent for and on behalf of PPL	HCDSL	1 lorry parking space	Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong	HK$5,350.0 (subject to revisions by PPL)	1 July 2011 – 30 June 2013 (both days inclusive)

Licensor	Licensee	Subject Matter	Location	Monthly licence fee	Duration
HREA as agent for and on behalf of Singway BVI	HCDSL	1 fixed private car parking space	Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong	1 September 2012 – 31 January 2013 HK$3,000.0 Revised by Singway BVI with effect from 1 February 2013 onwards to HK$3,300.0 (subject to further revisions by Singway BVI)	1 September 2012 – 30 June 2013 (both days inclusive)

The Group expects to continue to enter into tenancy and licensing transactions with relevant members of the Hopewell Highway Group after the Listing Date with expected terms of tenancy/licence between 1 July 2013 to 30 June 2015. All future licences and tenancies which may be entered into from time to time between relevant members of the Group and relevant members of the Hopewell Highway Group shall be governed by the Hopewell Highway Framework Agreement (as defined in paragraph (c) below).

DTZ, our independent property valuer, has confirmed that the Hopewell Highway Agreements are on normal commercial terms and conditions and are fair and reasonable. DTZ is also of the view that the monthly rental payments, air conditioning charges, management fees and licence fees (as the case may be) at which the Group charged under the Hopewell Highway Agreements are no less favourable than those offered to an independent third party.

(b) Historical transaction amounts

For each of FY2010, FY2011, FY2012 and 1HFY2013, the aggregate annual rental payments, air conditioning charges, management fees and licence fees made by members of the Hopewell Highway Group to the Group pursuant to the Hopewell Highway Agreements were approximately HK$1.8 million, HK$1.8 million, HK$2.7 million and HK$1.3 million, respectively.

(c) Framework Agreement with Hopewell Highway

The Group expects to continue to enter into tenancy and licensing transactions with relevant members of the Hopewell Highway Group following the Listing Date. To ensure that all tenancy and licensing transactions between relevant members of the Hopewell Highway Group and the relevant members of Group comply with Rule 14A.35 of the Listing Rules, the Company entered into a framework agreement with Hopewell Highway (the "**Hopewell Highway Framework Agreement**") on 28 May 2013 which shall take effect from the Listing Date and shall be for a term commencing from the Listing Date to 30 June 2015 (both days inclusive). The Hopewell Highway Framework Agreement stipulates that all tenancy and licensing transactions between relevant members of the Hopewell Highway Group and relevant members of the Group must be (i) in the ordinary and usual course of business; (ii) on normal commercial terms; and (iii) in compliance with all applicable provisions of the Listing Rules.

(d) Annual caps on future transaction amounts

In accordance with Rule 14A.35(2) of the Listing Rules, the Company has set annual caps for the maximum aggregate amount payable by the Hopewell Highway Group to the Group for each of FY2013, FY2014 and FY2015. It is anticipated that the aggregate annual value of payments in respect of the tenancy and licensing transactions between relevant members of the Hopewell Highway Group

and relevant members of the Group for each of FY2013, FY2014 and FY2015 will be approximately HK$2.5 million, HK$2.9 million and HK$3.0 million, respectively.

The abovementioned annual caps in respect of the tenancy and licensing agreements between relevant members of the Hopewell Highway Group and relevant members of the Group have been estimated primarily based on the consideration of existing rentals or licence fees (as the case may be), air conditioning charges, management fees, and/or other charges and/or other fees where applicable of our properties, current rentals and licence fees of other properties in the same areas and the prevailing market rates at the time when entering or renewing leases and/or licences and the anticipated increase in letted area, rental or licence fees (as the case may be), air conditioning charges, management fees, and/or other charges and/or other fees where applicable of the relevant properties.

(e) Listing Rules requirements

As the highest relevant percentage ratios in respect of Hopewell Highway Agreement between the Hopewell Highway Group and the Group, will be, on an annual basis, more than 0.1% but less than 5% and is on normal commercial terms, they will, pursuant to Rule 14A.34 of the Listing Rules, be exempt from the independent shareholders' approval requirement but will be subject to the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

3. Leasing and licensing transactions between the TJW Parties and the Group

(a) Description of the transaction

The Group has, in its ordinary and usual course of business, entered into various agreements with the associates of Mr. Thomas Jefferson WU (including HKAIHL and SGSL) (collectively, the "**TJW Parties**") to lease or licence certain premises owned by the Group as landlord or licensor in accordance with the respective terms of the relevant tenancy agreements or licences (collectively, the "**TJW Agreements**" and each a, "**TJW Agreement**"). The following tables set out a summary of the principal terms of the TJW Agreements which are currently in effect:

(i) Tenancy agreement

Landlord	Tenant	Location	Monthly rental	Duration	Use
Singway BVI	HKAIHL	Rooms 2602-03 on 26th Floor of Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong	HK$120,447.0 (inclusive of air conditioning charges and management fees)	1 September 2012 – 19 January 2014 (both days inclusive)	Office

(ii) Various licences in respect of car parking spaces

Licensor	Licensee	Subject Matter	Location	Monthly licence fee	Duration
HREA as agent for and on behalf of International Trademart Company Limited, a wholly-owned subsidiary of the Company	SGSL	26 car parking spaces	Level B3, KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong	1st year: HK$32,500.0; 2nd year: HK$ 39,000.0; and 3rd year: HK$45,500.0	1 August 2011 – 31 July 2014 (both days inclusive)
HREA as agent for and on behalf of Singway BVI	SGSL	25 car parking spaces	14th Floor of Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong	HK$112,500.0	1 August 2011 – 31 July 2014 (both days inclusive)
HREA as agent for and on behalf of Singway BVI	HKAIHL	1 fixed private car parking space and 1 floating private car parking space	Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong	1 September 2012 – 31 January 2013: HK$5,700.0 Revised by Singway BVI with effect from 1 February 2013 onwards to HK$6,300.0 (subject to further revisions by Singway BVI)	1 September 2012 – 19 January 2014 (both days inclusive)

The Group expects to continue to enter into tenancy and licensing transactions with relevant members of the TJW Parties after the Listing Date with expected terms of tenancy/licence between 1 July 2013 to 30 June 2015. All future licences and tenancies which may be entered into from time to time between relevant members of the Group and relevant members of the TJW Parties shall be governed by the TJW Framework Agreement (as defined in paragraph (c) below).

DTZ, our independent property valuer, has confirmed that the TJW Agreements are on normal commercial terms and conditions and are fair and reasonable. DTZ is also of the view that the monthly rental payments, air conditioning charges, management fees, or licence fees (as the case may be) charged by the Group under the TJW Agreements are no less favourable than those offered to an independent third party.

(b) Historical transaction amounts

For each of FY2010, FY2011, FY2012 and 1HFY2013, the aggregate annual rental payments, air conditioning charges, management fees and licence fees made by the TJW Parties to the Group were approximately HK$0.5 million, HK$1.1 million, HK$1.7 million and HK$1.4 million, respectively.

(c) Framework Agreement with Mr. Thomas Jefferson WU

The Group expects to continue to enter into tenancy and licensing transactions with relevant members of the TJW Parties following the Listing Date. To ensure that all tenancy and licensing transactions between relevant members of the TJW Parties and relevant members of the Group comply with Rule 14A.35 of the Listing Rules, the Company entered into a framework agreement with Mr. Thomas Jefferson WU (the "**TJW Framework Agreement**") on 28 May 2013 which shall take effect from the Listing Date and shall be for a term commencing from the Listing Date to 30 June 2015 (both days inclusive). The TJW Framework Agreement stipulates that all tenancy and licensing transactions between relevant members of the TJW Parties and relevant members of the Group must be (i) in the ordinary and usual course of business; (ii) on normal commercial terms; and (iii) in compliance with all applicable provisions of the Listing Rules.

(d) Annual caps on future transaction amounts

In accordance with Rule 14A.35(2) of the Listing Rules, the Company has set annual caps for the maximum aggregate amount payable by the TJW Parties to the Group for each of FY2013, FY2014 and FY2015 respectively. It is anticipated that the aggregate annual value of payments in respect of the tenancy and licensing transactions between the TJW Parties and the Group for each of FY2013, FY2014 and FY2015 will be approximately HK$3.3 million, HK$3.7 million and HK$4.2 million, respectively.

The abovementioned annual caps in respect of the tenancy and licensing transactions between relevant members of the TJW Parties and relevant members of the Group have been estimated primarily based on the consideration of existing rentals or licence fees (as the case may be), air conditioning charges, management fees, and/or other charges and/or other fees (as may be applicable) of our properties, current rentals and licence fees of other properties in the same areas and the prevailing market rates at the time when entering or renewing leases and licences and the anticipated increase in letted area, rental or licence fees (as the case may be), air conditioning charges, management fees, and/or other charges and/or other fees (as may be applicable) of the relevant properties.

(e) Listing Rules requirements

As the highest relevant percentage ratios in respect of the TJW Agreements between the TJW Parties and the Group, will be, on an annual basis, more than 0.1% but less than 5% and are on normal commercial terms, they will, pursuant to Rule 14A.34 of the Listing Rules, be exempt from the independent shareholders' approval requirement but will be subject to the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

Aggregation of certain non-exempt continuing connected transactions

The following table summarises the aggregation of the non-exempt continuing connected transactions between the Group and connected persons of the Company after Listing.

Transaction	Historical figures (HK$ million)				Annual caps (HK$ million)		
	FY2010	*FY2011*	*FY2012*	*1HFY2013*	*FY2013*	*FY2014*	*FY2015*
1. Leasing and licensing transactions between the Remaining Group and the Group	17.9	17.1	19.6	9.9	18.1	22.6	22.9
2. Leasing and licensing transactions between the Hopewell Highway Group and the Group	1.8	1.8	2.7	1.3	2.5	2.9	3.0
3. Leasing and licensing transactions between the TJW Parties and the Group	0.5	1.1	1.7	1.4	3.3	3.7	4.2
Total	**20.2**	**20.0**	**24.0**	**12.6**	**23.9**	**29.2**	**30.1**

Each of the leasing and licensing transactions between the Remaining Group and the Group, leasing and licensing transactions between the Hopewell Highway Group and the Group and the leasing and licensing transactions between the TJW Parties and the Group (collectively, the "**Aggregated Non-Exempt Continuing Connected Transactions**") constitutes a connected transaction under Chapter 14A of the Listing Rules.

However, pursuant to Rule 14A.25 of the Listing Rules, the Stock Exchange will aggregate a series of connected transactions as if they were one transaction if they were all completed within a 12-month period or otherwise related. Further, under Rule 14A.26 of the Listing Rules, in determining whether connected transactions will be aggregated, the Stock Exchange will take into account whether the connected transactions were entered into by an issuer with the same party or with parties connected or otherwise associated with one another. In light of Rules 14A.25 and 14A.26 of the Listing Rules, the Aggregated Non-Exempt Continuing Connected Transactions have been aggregated given that the nature of the transactions are related and the counterparties to the Aggregated Non-Exempt Continuing Connected Transactions are connected to or otherwise associated with Mr. Thomas Jefferson WU. As the highest relevant percentage ratio in respect of the Aggregated Non-Exempt Continuing Connected Transactions will be, on an annual basis, more than 0.1% but less than 5% and the Aggregated Non-Exempt Continuing Connected Transactions are on normal commercial terms, they will be exempt pursuant to Rule 14A.34 of the Listing Rules from the independent shareholders' approval requirement but will be subject to reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

D. WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of the Aggregated Non-Exempt Continuing Connected Transactions described in this section, as the highest applicable percentage ratio as set out in the Listing Rules is, on an annual basis, in each case expected to be more than 0.1% but less than 5%, such transactions are exempt from the independent shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements as set out in Rules 14A.37 to 14A.40 of the Listing Rules.

As described above, the Company expects the Aggregated Non-Exempt Continuing Connected Transactions to be carried out on a continuing basis and to extend over a period of time. The Directors therefore consider that strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, the Company has applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement relating to continuing connected transactions under Rule 14A.35 of the Listing Rules in respect of the Aggregated Non-Exempt Continuing Connected Transactions described in this section.

The Company will, however, comply at all times with applicable provisions under Rules 14A.35(1), 14.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in respect of these non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions referred to in this section, the Company will take immediate steps to ensure compliance with such new requirements.

E. CONFIRMATION OF THE DIRECTORS AND THE JOINT SPONSORS

The Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that the terms and the proposed annual caps of the leasing and licensing transactions between the Remaining Group and the Group, the leasing and licensing transactions between the Hopewell Highway Group and the Group and the leasing and licensing transactions between the TJW Parties and the Group have been entered into, and will continue to be, in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BOARD OF DIRECTORS

The Board of Directors consists of 7 Directors, 3 of whom are independent non-executive Directors. The following table sets out certain information concerning the Directors:

Name	Age	Date of appointment	Position
Sir Gordon Ying Sheung WU	77	23 January 2013	Chairman and executive Director
Mr. Thomas Jefferson WU	40	23 January 2013	Executive Director and managing Director
Mr. Wing Lam WONG	55	23 January 2013	Executive Director and deputy managing Director
Mr. Albert Kam Yin YEUNG	62	23 January 2013	Executive Director
Mr. Ahito NAKAMURA	61	29 April 2013	Independent non-executive Director
Mr. Stephen Hoi Yin LEE	53	29 April 2013	Independent non-executive Director
Mr. Alexander Lanson LIN	40	29 April 2013	Independent non-executive Director

Chairman and Executive Director

Sir Gordon Ying Sheung WU, GBS, KCMG, FICE, aged 77, is the chairman of the Board and the chairman of the nomination committee of the Company. He is also the chairman of Hopewell, the listed parent company of the Company, of Hopewell Highway, a listed subsidiary of Hopewell, and a director of various subsidiaries of the Company.

Sir Gordon Wu graduated from Princeton University with a Bachelor of Science degree in engineering in June 1958. One of the founders of Hopewell, he was managing director from July 1972 to December 2001 before becoming the chairman of the board of directors of Hopewell in November 1996. His responsibilities included Hopewell's infrastructure projects in the PRC and Southeast Asia, and he has been involved in the design and construction of numerous buildings and development projects in Hong Kong, the PRC and other countries. This includes the Shajiao B power plant, which received the British Construction Industry Civil Engineering Award in 1988. Sir Gordon Wu is the husband of Lady WU Ivy Sau Ping KWOK, a non-executive director of Hopewell, and the father of Mr. Thomas Jefferson WU, the managing Director of the Company.

Sir Gordon Wu is very active in civic activities and community service. His civic and community positions include:

- Council Member of the United Nations Association of China
- Advisor to the China Development Bank
- Vice President of the Real Estate Developers Association of Hong Kong

Sir Gordon Wu is a fellow of several professional bodies, including:

- Institution of Civil Engineers, United Kingdom
- The Hong Kong Institution of Engineers
- Hong Kong Academy of Engineering Sciences

He has also received honorary doctorate degrees from the following universities:

- The Hong Kong Polytechnic University, Hong Kong (January 1994)
- City University of Hong Kong, Hong Kong (November 2007)

- Lingnan University, Hong Kong (October 2007)
- University of Strathclyde, United Kingdom (November 1994)
- The University of Edinburgh, United Kingdom (June 1990)
- University of Manitoba, Canada (May 2012)

His additional awards and honours include:

2010 The Lifetime Achievement Award of the 9th Asia Business Leaders Award by CNBC

2007 Officer de L'Ordre de la Couronne by HM Albert II, King of Belgium

2007 The Order of Croatian Danica with figure of Blaz Lorkovic by the Republic of Croatia

2004 Gold Bauhinia Star (G.B.S.) by the Hong Kong Government

2004 Leader of the Year 2003 (Business / Finance) by Sing Tao Newspaper Group

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

2002 Honorary Consul of The Republic of Croatia in Hong Kong

1997 Knight Commander of the Order of St. Michael and St. George (KCMG) by the Queen of England

1996 International CEO of the Year by George Washington University, United States

1995 Executive of the Year by Independent Energy, United States

1994 Among "the Best Entrepreneurs" by Business Week

1994 Man of the Year by International Road Federation, United States

1991 Business Man of the Year by the South China Morning Post and DHL

1991 Asia Corporate Leader by Asian Finance Magazine, Hong Kong

1985 Chevalier de L'Ordre de la Couronne by the King of Belgium

Executive Directors

Mr. Thomas Jefferson WU, aged 40, is an executive Director and the managing Director. He is also the managing director of Hopewell and Hopewell Highway, and a director of various subsidiaries of the Company.

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

Mr. Thomas Wu joined Hopewell in August 1999 as the manager of the Executive Committee Office, and was promoted to group controller of Hopewell in March 2000. He has been involved in the

review of Hopewell's operational performance, strategic planning and organisational effectiveness, and was responsible for the upgrading of its financial and management accounting systems. An executive director of Hopewell since June 2001, he was appointed as the chief operating officer in January 2002, deputy managing director in August 2003, co-managing director in July 2007 and managing director in October 2009.

Mr. Thomas Wu is active in public service in both Hong Kong and the PRC. He serves in a number of advisory roles at different levels of government. In the PRC, he is a member of the Heilongjiang Provincial Committee of the 10th Chinese People's Political Consultative Conference, a Standing Committee member and a member of the Huadu District Committee of The Chinese People's Political Consultative Conference. He is also a member of the Executive Committee of the All-China Federation of Industry and Commerce, among other public service capacities.

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

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

In 2006, the World Economic Forum selected Mr. Thomas Wu as a "Young Global Leader". He was also awarded the "Director of the Year Award" by the Hong Kong Institute of Directors in 2010, the "Asian Corporate Director Recognition Award" by Corporate Governance Asia in both 2011 and 2012, and the "Asia's Best CEO (Investor Relations)" awards in 2012 and 2013. Mr. Thomas Wu is the son of Sir Gordon Ying Sheung WU, the chairman and executive director of the Company and Hopewell, and Lady WU Ivy Sau Ping KWOK, a non-executive director of Hopewell.

Mr. Wing Lam WONG, aged 55, is an executive Director and the deputy managing Director and a member of the remuneration committee of the Company. He is mainly responsible for managing the Group's property and hospitality business operations as well as project development matters such as development appraisals, land and planning issues. Mr. Wong first joined the Hopewell Group as an associate director in May 2005 and was an executive director of Hopewell from January 2007 to June 2013. He has over 20 years of experience in property and land development matters. Mr. Wong graduated from the University of Aberdeen in July 1989 with a Bachelor of Land Economy degree and is a registered professional surveyor in Hong Kong.

Prior to joining the Hopewell Group, Mr. Wong was a director of Savills (Hong Kong) Limited from January 1996 to July 1998, then promoted to senior director and remained in this position until April 2005. During his time at Savills (Hong Kong) Limited, he was the head of its valuation and consultancy department and also a founding director of Savills (Macau) Limited, handling property valuations and development appraisals for commercial, statutory and litigation purposes covering Hong Kong, Macau and the PRC.

Mr. Wong is a member of several professional bodies. Amongst others, he is a fellow of the Royal Institution of Chartered Surveyors, a registered professional surveyor (General Practice Division), a member of the Hong Kong Institute of Surveyors, and a member of the Hong Kong Institute of Real Estate Administrators.

Mr. Wong is also active in public service in both Hong Kong and the PRC. Since 2012, he has been a member of the Guangzhou Huadu District Committee of The Chinese People's Political Consultative Conference, an executive committee member of The Real Estate Developers Association of Hong Kong, a committee member of the RICS HK Energizing Kowloon East Task Force, and a member of the executive committee of The Federation of Hong Kong Hotel Owners. Further, he was a council member of the Hong Kong Institute of Real Estate Administrators between the years 2008 and 2010.

Mr. Albert Kam Yin YEUNG, aged 62, is an executive Director, and is mainly responsible for managing the construction works of Hopewell Centre II. He is an experienced architect and was an executive director of Hopewell from November 2002 to June 2013. Prior to joining the Hopewell Group, he was a director of WMKY Limited from June 1986 to June 1998. He then acted as a WMKY Limited's consultant to handle the Hopewell Group's development and construction projects from July 1998 to October 2002.

Mr. Yeung graduated from the University of Hong Kong in November 1976 with a Bachelor of Architecture degree. He is a registered architect under the Architects Registration Ordinance, an authorised person (List of Architects) under the Buildings Ordinance, and a member of The Hong Kong Institute of Architects. Mr. Yeung is a member of the various professional bodies, including the Hong Kong Institute of Architects, the Royal Institute of British Architects, and the Royal Australian Institute of Architects. He is also a member of the Advisory Board of Macau University of Science and Technology.

Independent Non-Executive Directors

Mr. Ahito NAKAMURA, aged 61, is an independent non-executive Director and a member of the audit committee, nomination committee and the remuneration committee of the Company. He was an independent non-executive Director of Hopewell from December 2012 to June 2013. Mr. Nakamura is currently the managing director of PIA Entertainment (H.K.) Co., Limited and J-Macau Consulting Limited. He is also a member of the executive board of The Macao-Japan Chamber of Commerce. Mr. Nakamura was previously employed by Hopewell in the position of Treasurer in between June 1992 and December 1997.

Mr. Nakamura graduated from Keio University, Japan with a Bachelor of Arts degree in Economics in March 1975.

Mr. Stephen Hoi Yin LEE, aged 53, is an independent non-executive Director, the chairman of the audit committee and a member of the nomination committee of the Company. Mr. Lee has over 30 years of experience in accounting, auditing and financial management. He was an audit partner of KPMG Hong Kong before becoming the partner-in-charge of the risk & compliance advisory services practices of KPMG in respect of Hong Kong, the PRC and the Asia Pacific region. Mr. Lee retired from KPMG in June 2011, and is currently serving as an independent non-executive director of Asia Satellite Telecommunications Holdings Limited, a company listed on the Stock Exchange, since March 2013. He is an adjunct associate professor of the Chinese University of Hong Kong and the president of the Institute of Internal Auditors Hong Kong Limited.

Mr. Lee was awarded a Bachelor of Arts (Honours) degree in Accountancy from the City of London Polytechnic (U.K.) in July 1981. He is an associate member of the Institute of Chartered Accountants in England and Wales (U.K.) and a fellow member of the Hong Kong Institute of Certified

Public Accountants. Mr. Lee is the brother-in-law of Dr. Gordon YEN, an independent non-executive director of Hopewell.

Mr. Alexander Lanson LIN, aged 40, is an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee of the Company. Mr. Lin has over 17 years of experience in finance and asset management. He has been serving as a director of Les Enphants Co., Ltd., a public company listed on the Taiwan Stock Exchange, since May 2002. He joined OCP Asia (Hong Kong) Limited as a senior portfolio manager in October 2009 and was a responsible officer of OCP Asia (Hong Kong) Limited from December 2009 to March 2013. Prior to joining OCP Asia (Hong Kong) Limited, Mr. Lin was a managing director of Credit Suisse (Hong Kong) Limited from November 1997 to April 2009 and one of its responsible officers from October 2003 to January 2009.

Mr. Lin graduated with a Bachelor of Arts degree with a concentration in International Relations from Cornell University, US in May 1995. He is a chartered financial analyst (CFA).

Save as disclosed in "— *Board of Directors*" above, there is no other information in respect of the Directors that is required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management of our business. Our executive Directors are shown in *"— Executive Directors"* above. The following table sets out certain information concerning our senior management personnel:

Name	Age	Year joined	Current Position
Mr. Pei Sai LEUNG	49	2010	Chief operating officer — commercial property
Ms. Josephine Wai Fun LAM	49	1996	Co-chief operating officer — convention, exhibition and entertainment
Mr. Stuart WANG	40	2013	Co-chief operating officer – convention, exhibition and entertainment
Mr. Cho Wa LAW	48	2008	Company secretary
Ms. Judy Ngar Yee TSANG	53	1993	General manager — Panda Hotel
Ms. Edith Tak Ching LEE	46	1991	General manager — residential property
Mr. Yat Kei CHAN	40	2012	General manager — property and facility management
Mr. John Chun Yin TU	58	1996	General manager — B P International House
Mr. Kam Wai CHAN	56	2006	General manager — projects and engineering
Mr. Danny Wing Hung FAN	41	2005	Financial controller
Mr. Danny Ka Pang WONG	48	2012	Human resources director

Senior Management

Mr. Pei Sai LEUNG, aged 49, is the chief operating officer of the commercial property division of the Company, and is responsible for managing the Group's investment in, and the operations of, commercial properties. He has over 23 years of sales and leasing experience in the real estate industry.

Prior to joining the Group in May 2010 as a director of its asset management operations, Mr. Leung was the head of asset management and one of the responsible officers at Sunlight REIT, a

real estate investment trust listed on the Stock Exchange, from May 2006 to May 2010, during which he was responsible for asset enhancement strategies, leasing, property and tenancy management, as well as marketing and development. From July 2003 to May 2006, Mr. Leung was the assistant general manager of the portfolio leasing department of Henderson Land, a company listed on the Stock Exchange, where he was responsible for leasing, marketing and managing part of the portfolio of properties of Henderson Land and its subsidiaries. From November 2002 to June 2003, he served as a director of China Golden View Holdings Limited, where he was responsible for business development, site acquisition and marketing for its investment property portfolio in Guangzhou. Prior to that, Mr. Leung was the director of retail services (Greater China) at CB Richard Ellis from February 1999 to October 2002 where he was responsible for leading sizeable agency teams in Hong Kong and China.

Mr. Leung obtained a Master of Business Administration (Executive) degree from the City University of Hong Kong in November 2008 and a Diploma (Honours) in Applied Biology in December 1987 from Hong Kong Baptist University. He is a member of The Royal Institution of Chartered Surveyors and also holds an estate agent's license granted by the Estate Agents Authority in Hong Kong.

Ms. Josephine Wai Fun LAM, aged 49, is the co-chief operating officer of the convention, exhibition and entertainment division of the Company, and is responsible for managing the Group's convention and exhibition facilities and related entertainment businesses. She has over 27 years of experience in the hospitality industry.

Ms. Lam joined the Group as a catering manager in 1996, and was then in charge of KITEC's banquet sales and operation. She took up the role of assistant director of sales in July 2001 overseeing the convention, exhibition and special events of KITEC in addition to her catering role, and was promoted to a director of marketing and sales in January 2006 and further appointed as a deputy general manager in January 2008. She became the general manager of KITEC in January 2011, and was promoted to a director of the Group's convention and exhibition operations in January 2013.

Prior to joining the Hopewell Group, Ms. Lam began her career in the hotel industry in 1986 and has worked in the Grand Hyatt Hong Kong, which is a 5-star hotel.

Mr. Stuart WANG, aged 40, is the co-chief operating officer of the convention, exhibition and entertainment division of the Company, and is responsible for managing the Group's entertainment business and branding related ventures. He rejoined the Group in March 2013, and has over 16 years of experience in advertising, marketing and MICE management.

He first joined the Group in September 2001 as a marketing consultant. He became general manager of KITEC in January 2005 and served as a director and general manager of KITEC from January 2006 to December 2008. Prior to re-joining the Group in March 2013, he was the chief commercial officer of AsiaWorld-Expo Management Limited from January 2009 to November 2012 and was re-designated as the director of project development in November 2012 to handle various project developments for the Hong Kong and China operations of AsiaWorld-Expo Management Limited.

Prior to joining the Hopewell Group, Mr. Wang began his career at the account servicing team in Leo Burnett Limited, a 4A's advertising agency, in 1995.

Ms. Judy Ngar Yee TSANG, aged 53, is the general manager of Panda Hotel of the hospitality division, and is responsible for the day-to-day management of Panda Hotel, assuring its optimum performance and continual improvement in key result areas namely guest service, employees, sales and marketing, property management and profit/financial control.

Ms. Tsang joined the Group as the controller in-charge of Panda Hotel's finance and control department in August 1993, and has been the general manager of Panda Hotel since May 2003.

Ms. Tsang is a professional accountant by training and obtained a Master of Business Administration degree in Investment and Finance from the University of Hull in December 1994. She is a fellow member of the Association of Chartered Certified Accountants (UK) and the Hong Kong Institute of Certified Public Accountants.

Ms. Edith Tak Ching LEE, aged 46, is the general manager of the residential property division of the Group, and is responsible for managing the Group's residential property business operations. She joined the Group in 1991 and was a general manager of its leasing division from January 2008 to June 2013, and was previously a senior manager of said division from February 2004 to December 2007.

Ms. Lee obtained a Master of Business Administration degree from The Hong Kong Polytechnic University in November 2001 and is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. Yat Kei CHAN, aged 40, is the general manager of the property and facility management sub-division of the Company, serving both the commercial property division and the residential property division. He is responsible for the property and facility management of the Group's property assets. Mr. Chan has over 17 years' experience in property and facility management, and joined the Group in March 2012.

Mr. Chan graduated from the Hong Kong Baptist University in November 1995 with a Bachelor of Business Administration degree in Office Management and obtained a Master of Science degree in Real Estate from The University of Hong Kong in November 2008. He is a member of The Hong Kong Institute of Housing and a registered professional housing manager of the Housing Managers Registration Board.

Mr. John Chun Yin TU, aged 58, has been the general manager of B P International House, a hostel which is managed by the Group's hospitality division, since March 1996 and is responsible for managing the full operations of B P International House. He has over 36 years' experience in the hotel industry and worked previously at Kimberley Hotel in Hong Kong. Mr. Tu obtained a Certificate in Front Office Procedures in October 1983 and a Certificate in Food and Beverage Control in December 1985, both from the American Hotel and Motel Association.

Mr. Kam Wai CHAN, aged 56, is a general manager of the projects and engineering division of the Company. He has over 30 years' experience in the design and construction of major development projects. Mr. Chan joined the Hopewell Group in August 2006 as a senior project manager and was an assistant general manager of the project and construction management division of Hopewell from January 2011 to December 2012. Prior to joining the Hopewell Group, Mr. Chan worked for consultants, contractors and developers from UK, France, the United States and Hong Kong.

Mr. Chan graduated from the Polytechnic of Central London (now known as the University of Westminster) in July 1983 with a Bachelor of Science (Honours) degree in Civil Engineering. He also obtained a Master of Buddhist Studies degree from The University of Hong Kong in December 2005 and a doctor of philosophy degree in Tibetology from the Minzu University of China (Beijing) in June 2011. He is a chartered engineer, a fellow of the Institution of Structural Engineers, a member of the Hong Kong Institution of Engineers, a registered professional engineer, and a Fellow of the Royal Asiatic Society. He also serves as a mentor to The University of Hong Kong master degree students.

Mr. Danny Wing Hung FAN, aged 41, is the financial controller of the Company, and is responsible for accounting, financial and management reporting of the Group. Prior to that, he was the financial controller of the Group's asset management division from January 2010 to June 2013, and was mainly responsible for the financial and accounting aspects of the Group's investment property operations. He has over 18 years' experience in finance and accounting field. Mr. Fan obtained a Master of Business Administration degree from Northeast Louisiana University in August

1996 and a Bachelor of Laws (China) degree from Peking University in July 1998. He is also a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Danny Ka Pang WONG, aged 48, is the human resources director of the Company. He joined the Group in October 2012, and has over 20 years' experience in the hospitality industry, including 15 years with Mandarin Oriental Hong Kong in various operational and human resources positions. Since 1999, he has undertaken leading roles in human resources management with various 5-star hotels, renowned exhibition centres and property management companies such as Mandarin Oriental Hong Kong, IFC Property Management Limited, MGM Macau, and AsiaWorld-Expo. He has extensive experience in industrial relations, mass right-sizing management, organisational development and change management.

Mr. Wong graduated from the Hong Kong Polytechnic University with a Bachelor of Arts degree in Hotel and Catering Management in October 1995. He is a certified gambling counselor, a member of the Hotel & Catering International Management Association and the Hong Kong Institute of Human Resources Management.

Save as disclosed in "— *Board of Directors*" and "— *Senior Management*" above, none of the Directors or senior management had other directorships in listed companies during the Track Record Period.

Company Secretary

Mr. Cho Wa LAW, aged 48, is the company secretary of the Company, and also the company secretary of Hopewell and Hopewell Highway. He has over 25 years' experience in company secretarial practice, compliance, financial and management reporting, auditing, finance and general management.

Mr. Law joined Hopewell as head of the company secretarial department in May 2008 and was appointed as the company secretary of Hopewell and Hopewell Highway in November 2009. In January 2013, Mr. Law was further appointed as the corporate affairs director of Hopewell, overseeing its information technology, corporate communication, human resources and administration functions. Prior to joining the Hopewell Group, Mr. Law was the financial controller of Sunlight REIT from May 2006 to January 2008, responsible for the finance and accounting matters. From April 2005 to April 2006, Mr. Law was the deputy general manager of the company secretarial department of Henderson Land, a company listed on the Stock Exchange. Prior to his transfer to Henderson Land, Mr. Law worked in Hong Kong Ferry (Holdings) Company Limited, a company listed on the Stock Exchange, an associate company of Henderson Land, for over 12 years. From January 1997 to March 2005, Mr. Law was the company secretary and group accounting manager of Hong Kong Ferry (Holdings) Company Limited and was responsible for finance, accounting and company secretarial functions.

Mr. Law obtained a Master of Business Administration degree in November 1996 and a Master of Science in Real Estate degree in December 2006, both from The University of Hong Kong. He also obtained a Postgraduate Diploma in Corporate Administration in November 1998 and a Professional Diploma in Accountancy in November 1987, both from The Hong Kong Polytechnic University. He is also a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Compliance Adviser

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the

compliance adviser will provide guidance and advice to us as to compliance with the requirements under the Listing Rules, including in any of the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- if a transaction which might be a notifiable or a connected transaction is contemplated, including share issues and share repurchases;
- if we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; or
- if the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of the Shares.

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee of the Company include, without limitation, to review and supervise our financial reporting process and internal controls of the Group, and to develop and review the policies and procedures on corporate governance of the Company and make recommendations to the Board.

The audit committee of the Company currently consists of three independent non-executive Directors. The members of the audit committee of the Company are currently Mr. Stephen Hoi Yin LEE, Mr. Alexander Lanson LIN, Mr. Ahito NAKAMURA. The audit committee is currently chaired by Mr. Stephen Hoi Yin LEE.

Nomination Committee

The Company has established a nomination committee as recommended by the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee of the Company include, without limitation, to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors, and to make recommendations to the Board on the appointment and removal of Directors.

The nomination committee of the Company currently consists of one executive Director and two independent non-executive Directors. The members of the nomination committee of the Company are currently Sir Gordon Ying Sheung WU, Mr. Stephen Hoi Yin LEE and Mr. Ahito NAKAMURA. The nomination committee is currently chaired by Sir Gordon Ying Sheung WU.

Remuneration Committee

The Company has established a remuneration committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee include making recommendations to the Board as to the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy with regard to such remuneration.

The remuneration committee of the Company currently consists of one executive Director and two independent non-executive Directors. The members of the remuneration committee of the Company are currently Mr. Alexander Lanson LIN, Mr. Ahito NAKAMURA and Mr. Wing Lam WONG. The remuneration committee is currently chaired by Mr. Alexander Lanson LIN.

REMUNERATION

No remuneration was paid or is payable to any directors of the companies comprising the Group during the Track Record Period. However, certain Directors received remuneration from the Parent Group in respect of their services to both the Parent Group and the Group. The amounts paid by the Parent Group were not specifically allocated between their services to the Group and to the Parent Group, respectively, as such allocation of services of the directors to the various group companies in the Parent Group is not feasible.

The remunerations (including fees, salaries, contributions to pension schemes, housing allowances, discretionary bonuses, and other allowances and benefit in kind) paid to the Group's five highest paid individuals by the Parent Group for the years FY2010, FY2011 and FY2012 and the six months ended 31 December 2012 were approximately HK$5.9 million, HK$7.0 million, HK$8.1 million and HK$3.5 million, respectively. None of the Directors had waived any remuneration during the above period.

It is estimated that remuneration equivalent to an aggregate of approximately HK$472,000 (excluding share options granted) will be paid and granted to the Directors by the Company in respect of the period between the Listing Date and the end of FY2013 under arrangements in force as at the date of this prospectus. In addition to their cash remuneration, certain Directors will receive share options granted by the Board as set out in *"Appendix VII — Statutory and General Information"*.

EMPLOYEES

As at 31 December 2012, we had a total of 877 full-time employees. The table below shows the number of employees in each of the stated categories as at 31 December 2012:

Category	Number
Property Leasing and Administration	91
Property Management	274
Convention and Exhibition	17
Human Resources and Administration	14
Finance and Accounting	27
Hotel	374
Restaurants and Catering	69
Hospitality Management	11
Total	**877**

EMPLOYEE BENEFIT SYSTEMS

All employees are offered Mandatory Provident Fund Scheme (the "**MPF Scheme**") membership only. Both the employee and the Group each contribute 5% of the employee's relevant income (subject to a cap, revised on 1 June 2012, of HK$25,000.0 per month) to the employee's account.

For the MPF Scheme, employees will receive their benefits at age 65 or upon being permanently disabled. In the case of death, the MPF account balance will be paid to the legal personal representative. If an employee leaves the Group, his/her account balances may be transferred to his/her new account under the MPF Scheme of the new employer.

Both the employers and the employees are required to make contributions to the plans calculated based on percentage of the monthly compensation of employees, subject to a certain

ceiling, and are paid to the respective labour and social welfare authorities. The Hong Kong Government is responsible for the planning, management and supervision of the scheme, including collecting the contributions and paying out the pensions to the retired employees.

For details of the Group's employee benefits schemes, please refer to Note 11 to the "*Appendix I — Accountants' Report*".

OTHER EMPLOYEE BENEFITS

We also provide other benefits to our staff or particular categories of staff, including medical benefits, discretionary bonus, education subsidies and overtime allowance.

Remuneration of our employees primarily includes cash compensation, contractual bonus, discretionary bonus and certain other allowances. Discretionary bonuses are based on individual performance of the employee and the overall performance of our business.

STAFF TRAINING AND DEVELOPMENT

We have a management trainee programme and offer our staff comprehensive training in various areas, such as in leadership development, management skill, service orientation and various technical related training.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in *"Appendix VII — Statutory and General Information".*

USE OF PROCEEDS

We estimate that the net proceeds received from the Global Offering will be approximately HK$5,428.3 million (assuming an Offer Price of HK$16.55 per Offer Share, which is the mid-point of the indicative Offer Price range, and assuming the Over-allotment Option is not exercised), after deducting underwriting commissions and fees (taking no account of any discretionary incentive fee) and estimated expenses payable by the Company in connection with the Global Offering.

We intend to use the net proceeds we receive from the Global Offering for the following purposes:

- approximately HK$2,200.0 million (or approximately 40.5% of the net proceeds) will be used for capital expenditures for the development of Hopewell Centre II;

- approximately HK$1,200.0 million (or approximately 22.1% of the net proceeds) will be used for the acquisition and development of the Amalgamation Properties, potential acquisition and development of land and properties for future projects and investment in future business opportunities when suitable opportunities arise;

- approximately HK$1,700.0 million (or approximately 31.3% of the net proceeds) will be applied toward the partial repayment of the amount drawn under the Refinancing Facility. The Refinancing Facility has been utilised towards financing the repayment of the Outstanding Borrowings drawn under the HKD Revolving Facility, which bears an interest rate of HIBOR plus 0.32% per annum and with a maturity date in September 2014; and

- the balance of approximately HK$328.3 million (or approximately 6.0% of the net proceeds) will be used for our working capital requirements and general corporate purposes.

If the Offer Price is fixed at HK$15.30 per Offer Share (which is the low end of the indicative Offer Price range), the net proceeds the Company will receive will be reduced by approximately HK$414.4 million. If the Offer Price is fixed at HK$17.80 per Offer Share (which is the high end of the indicative Offer Price range), the net proceeds the Company will receive will be increased by approximately HK$414.4 million.

If the Over-allotment Option is exercised in full and assuming an Offer Price of HK$16.55 per Offer Share (which is the mid-point of the indicative Offer Price range), Boyen Investments will receive net proceeds of approximately HK$822.9 million from the sale of existing shares, deducting underwriting commissions and fees and estimated expenses payable by Boyen Investments. As the Over-allotment Option is granted by Boyen Investments and not the Company, the Company will not receive any proceeds from any exercise of the Over-allotment Option.

If the net proceeds the Company receives are either more or less than expected (including due to the payment of any discretionary incentive fee), the Company will adjust the allocation of the net proceeds for the above purposes (except for the repayments of part of the amount drawn under the Refinancing Facility) on a pro rata basis.

To the extent the net proceeds are not used immediately by the Company for the above purposes, the net proceeds will be invested in short-term demand deposits with licensed banks and money market instruments.

HONG KONG UNDERWRITERS

BOCI Asia Limited
Credit Suisse (Hong Kong) Limited
J.P. Morgan Securities (Asia Pacific) Limited
The Hongkong and Shanghai Banking Corporation Limited
Citigroup Global Markets Asia Limited
BNP Paribas Securities (Asia) Limited
DBS Asia Capital Limited
Mizuho Securities Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 5 June 2013. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Offer Shares to be offered pursuant to the Global Offering and the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme on the Main Board of the Stock Exchange; and

(ii) certain other conditions set out in the Hong Kong Underwriting Agreement,

the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) in their sole and absolute discretion may, by giving a written notice to the Company and Hopewell, terminate the Hong Kong Underwriting Agreement with immediate effect:

(i) there develops, occurs, exists or comes into force:

(a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of

hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan or Singapore (the "**Relevant Jurisdictions**");

(b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range (other than in the case of the Shanghai Stock Exchange) or any lowering of minimum or maximum price limit or range (in the case of the Shanghai Stock Exchange)) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Tokyo Stock Exchange;

(d) any general moratorium on commercial banking activities in any Relevant Jurisdictions imposed by any competent governmental authority or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions;

(e) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any competent governmental authority in or affecting any of the Relevant Jurisdictions;

(f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

(g) a change or any official announcement by a competent governmental authority of a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar), or the implementation of any exchange control, in any of the Relevant Jurisdictions;

(h) any adverse change or development or any prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole;

(i) any actual litigation or claim instigated, or any litigation or claim being threatened against, any member of the Group; or

(j) any contravention by any member of the Group of the Listing Rules or Applicable Laws (save for the non-compliance event as set out in paragraph (ii)(j) below),

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, prospects, profits,

losses, results of operations, financial or trading position or condition, or performance of the Group as a whole, (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering, (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or (4) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Joint Global Coordinators after the date of the Hong Kong Underwriting Agreement:

(a) that any statement contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respects, or that any estimate, forecast, expression of opinion (other than those of the Joint Sponsors), intention or expectation contained in any of such documents is not fair and honest in any material respects and not based on reasonable assumptions;

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not been disclosed in this prospectus, constitute a material omission from this prospectus, the Application Forms, the formal notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);

(c) save in respect of any subsequent changes after the issuance of this prospectus to the number of Offer Shares and/or the Offer Price in this prospectus as mutually agreed between the Company, Hopewell and the Joint Global Coordinators, the issue of or the requirement by the Company to issue any supplementary prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

(d) any material breach of any of the obligations imposed upon the Company or Hopewell in the case of the Hong Kong Underwriting Agreement or the Company, Boyen Investments or Hopewell in the case of the International Underwriting Agreement (other than upon any of the Joint Global Coordinators, the Joint Sponsors or the Underwriters) or any material breach of, or any event rendered untrue or incorrect, any of the warranties given by the Company or Hopewell in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, in each case, which is material in the context of the Global Offering;

(e) any event, act or omission which gives or is likely to give rise to any material liability of the Company or Hopewell pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement;

(f) that the approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Offer Shares to be offered pursuant to the Global Offering and the Shares which may be

issued upon the exercise of the options which may be granted under the Share Option Scheme, is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(g) that the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

(h) that the experts referred to in "*Appendix VII - Statutory and General Information – Other Information – Consents of experts*" (other than any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus (and/or certain other documents issued in connection with the Global Offering) or to the issue of any of such documents;

(i) any prohibition on the Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering;

(j) any material non-compliance with the requirements under the Listing Rules or any other applicable laws in relation to this prospectus (or any other documents used in connection with the Global Offering) or the Global Offering; or

(k) any order or petition for the winding-up of any member of the Group or Hopewell (as the case may be) or any composition or arrangement made by any member of the Group or Hopewell (as the case may be) with its creditors or a scheme of arrangement entered into by any member of the Group or Hopewell (as the case may be) or any resolution for the winding-up of any member of the Group or Hopewell (as the case may be) or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or Hopewell (as the case may be) or anything analogous thereto occurring in respect of any member of the Group or Hopewell (as the case may be).

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including pursuant to the Capitalisation Issue and the granting of options, and the exercise of any options which may be granted, under the Share Option Scheme) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by Hopewell

Pursuant to Rule 10.07 of the Listing Rules, Hopewell has undertaken to the Stock Exchange and to the Company that, except pursuant to the Over-allotment Option and the Stock Borrowing Agreement, Hopewell shall not:

(i) in the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be beneficially owned by Hopewell; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Hopewell would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, Hopewell has undertaken to the Stock Exchange and to the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

(a) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

The Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date (the "**First Six-Month Period**"), the Company shall not, and shall procure that each other member of the Group shall not, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares);

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares);

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i) or (ii) above,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or such other equity securities of the Company, or in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the First Six-Month

Period), provided that the foregoing restrictions shall not apply to (a) the issue of Shares by the Company pursuant to the Capitalisation Issue and the Global Offering or (b) the granting by the Company of any options, and the issue by the Company of Shares pursuant to the exercise of any options granted, under the Share Option Scheme.

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction (for the avoidance of doubt, in each case, save as provided above), the Company shall take all reasonable steps to ensure that such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of the Company.

Undertakings by Hopewell

Hopewell has undertaken to each of the Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) it will not, and shall procure Novel Spring and Boyen Investments not to, at any time during the First Six-Month Period:

(a) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares) in respect of which it is shown in this prospectus to be the beneficial owner and for the avoidance of doubt, Hopewell confirms that it does not have any other interest which is not already disclosed in this prospectus (collectively, the "**Locked-up Securities**"); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Locked-up Securities; or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (i)(a) or (i)(b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i)(a), (i)(b) or (i)(c) above,

in each case, whether any of the transactions specified in paragraph (i)(a), (i)(b) or (i)(c) above is to be settled by delivery of Shares or any other equity securities of the Company, or in cash or otherwise, provided that the foregoing restrictions shall not apply to (1) any lending of Shares by Boyen Investments pursuant to the Stock Borrowing Agreement, (2) any sale of Shares by Boyen Investments pursuant to any exercise of the Over-allotment Option and (3) any pledge or charge of Shares by Boyen Investments as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan);

(ii) it will not, and shall procure Novel Spring and Boyen Investments not to, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (i)(a), (i)(b) or (i)(c)

above in respect of the Locked-up Securities or offer to or agree to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it, Novel Spring or Boyen Investments cease to be a controlling shareholder of the Company; and

(iii) until the expiry of the Second Six-Month Period, in the event it, Novel Spring or Boyen Investments (where applicable) enters into any of the transactions specified in paragraph (i)(a), (i)(b) or (i)(c) above in respect of the Locked-up Securities or offers to or agrees to or publicly announce any intention to effect any such transaction, it will take, and shall procure Novel Spring or Boyen Investments (where applicable) to take, all reasonable steps to ensure that such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of the Company.

Hopewell further undertakes to each of the Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

(i) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or other equity securities of the Company beneficially owned by it for a bona fide commercial loan, immediately inform the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other equity securities of the Company which are so pledged or charged; and

(ii) upon any indication, either verbal or written, received by it from any pledgee or chargee that any of the pledged or charged Shares or other equity securities of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications.

The Company agrees and undertakes to each of the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that, upon receiving such information in writing from Hopewell, it shall, as soon as possible, notify the Stock Exchange and make a public announcement in relation to such information in accordance with the Listing Rules.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in any Shares or other securities of the Company or any other member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or other securities of the Company or any other member of the Group.

Following the completion of the Global Offering and the Capitalisation Issue, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company and the Controlling Shareholder expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally to subscribe for, or procure subscribers for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. Please refer to *"Structure of the Global Offering — The International Offering"* for further details.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.50% (unless otherwise provided in the Underwriting Agreements) of the aggregate Offer Price of all the Offer Shares (including any Offer Shares issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Joint Global Coordinators may receive a discretionary incentive fee of up to 0.75% of the aggregate Offer Price of all the Offer Shares.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$198.7 million (assuming an Offer Price of HK$16.55 per Offer Share (which is the mid-point of the indicative Offer Price range), the Over-allotment Option is not exercised and taking into no account of any discretionary incentive fee) and will be paid by the Company.

Indemnity

Each of the Company and Hopewell has agreed to indemnify the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company or Hopewell of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE JOINT SPONSORS

Each of BOCI Asia Limited and Credit Suisse (Hong Kong) Limited (*in alphabetical order*) satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (collectively, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting

as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "*Structure of the Global Offering*". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BOCI Asia Limited and Credit Suisse (Hong Kong) Limited are the Joint Global Coordinators of the Global Offering.

The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 51,000,000 Offer Shares (subject to reallocation) in Hong Kong as further described in the *"— The Hong Kong Public Offering"* below; and

(ii) the International Offering of initially 289,000,000 Offer Shares (subject to reallocation and the Over-allotment Option) (a) in the United States to QIBs in reliance on Rule 144A under the US Securities Act, or another available exemption from, or in transactions not subject to, the registration requirements of the US Securities Act, or (b) outside the United States in offshore transactions in accordance with Regulation S to certain investors (including offering to professional investors in Hong Kong other than retail investors in Hong Kong), as further described in *"— The International Offering"* below.

Of the 51,000,000 Offer Shares initially being offered under the Hong Kong Public Offering, 3,400,000 Offer Shares are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering.

Of the 289,000,000 Offer Shares initially being offered under the International Offering, 35,006,100 Offer Shares are available for subscription by Qualifying Hopewell Shareholders under the Preferential Offering as Assured Entitlement.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

Eligible Directors (or their associates who are Eligible Employees) may apply for Employee Reserved Shares under the Employee Preferential Offering but may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering (other than an application to subscribe Reserved Shares under the Preferential Offering). Eligible Employees who are not Eligible Directors (or their associates) may make an application for Employee Reserved Shares either through the **Pink Form eIPO** service via **www.eipo.com.hk** or on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering (other than an application to subscribe Reserved Shares under the Preferential Offering), but may not do both.

Directors and/or their associates, who are Qualifying Hopewell Shareholders, may apply for Reserved Shares under the Preferential Offering but may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering (other than an application to subscribe for Reserved Shares under the Preferential Offering).

Qualifying Hopewell Shareholders may make an application for Reserved Shares either through the **Blue Form eIPO** service via **www.eipo.com.hk** on a **BLUE** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or an indicate an interest for International Offer Shares under the International Offering (other than an application to subscribe for Reserved Shares under the Preferential Offering).

The Offer Shares will represent approximately 18.5% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 21.3% of the issued share capital of the Company immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 51,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 15% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.8% of the issued share capital of the Company immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "*— Conditions of the Global Offering*" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below and after deducting the number of Hong Kong Offer Shares validly applied for under the Employee Preferential Offering) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable).

If the Hong Kong Offer Shares offered to Eligible Employees for subscription on a preferential basis are not fully taken up, any excess Hong Kong Offer Shares will be re-allocated to pool A and pool B in equal proportions.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to

satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 23,800,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the clawback requirements set out in paragraph 4.2 of Practice Note 18 to the Listing Rules on the following basis. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents:

(i) 10 times or more but less than 30 times;

(ii) 30 times or more but less than 65 times; and

(iii) 65 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering.

As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to:

102,000,000 Offer Shares (in the case of (i) above);

136,000,000 Offer Shares (in the case of (ii) above); and

170,000,000 Offer Shares (in the case of (iii) above),

representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B (after deducting the number of Hong Kong Offer Shares validly applied for under the Employee Preferential Offering) and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

The Preferential Offering and the Employee Preferential Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering). Such

applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Global Coordinators. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$17.80 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$3,595.89 for one board lot of 200 Shares.

If the Offer Price, as finally determined in the manner described in *"— Pricing and Allocation"* below, is less than the maximum Offer Price of HK$17.80 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in *"How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares"*.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable Hopewell Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and the Spin-off becoming unconditional, Qualifying Hopewell Shareholders are being invited to apply for an aggregate of 35,006,100 Reserved Shares in the Preferential Offering, representing approximately 12.1% and 10.3% of the Offer Shares available under the International Offering and Global Offering, respectively (assuming that the Over-allotment Option is not exercised) as Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation.

With a view to maximise the percentage of Shares held by the public immediately after the Global Offering and to increase the number of Reserved Shares available for subscription by other Qualifying Hopewell Shareholders, Sir Gordon Ying Sheung WU, Mr. Thomas Jefferson WU and Lady WU Ivy Sau Ping KWOK, each of them, a director of Hopewell, has indicated to Hopewell and the Company that they, and the companies controlled by them, will not take up any Reserved Shares to which they or the companies controlled by them would be entitled to apply for under the Preferential Offering. The Reserved Shares in which they or the companies controlled by them are entitled to apply for (representing approximately 30% of the expected number of Reserved Shares based on the number of Shares in issue as at the Latest Practicable Date) will be available for excess application by other Qualifying Hopewell Shareholders under the Preferential Offering. In view of this, all of these excess Reserved Shares will be available for subscription by other Qualifying Hopewell Shareholders. As such, the number of Reserved Shares that other Qualifying Hopewell Shareholders can apply for, if they so choose, will be more than the basis of one Reserved Share for every integral multiple of 25 Hopewell Shares held.

The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 25 Hopewell Shares held by Qualifying Hopewell Shareholders as at 4:30 p.m. on the Record Date.

The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to the reallocation as described in *"Structure of the Global Offering — The Hong Kong Public Offering — Reallocation"* above.

Qualifying Hopewell Shareholders should note that Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 200 Shares. Further, the Reserved Shares allocated to

the Qualifying Hopewell Shareholders will be rounded down to the closest whole number if required, and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

Assured Entitlement of Qualifying Hopewell Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Basis of allocation for applications for Reserved Shares

Qualifying Hopewell Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement under the Preferential Offering. A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Hopewell Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms or the **Blue Form eIPO** service via **www.eipo.com.hk** and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Hopewell Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Hopewell Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares (as defined below) resulting from other Qualifying Hopewell Shareholders declining to take up some or all of their Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Joint Global Coordinators, to other investors in the International Offering.

Qualifying Hopewell Shareholders who intend to apply for more than their Assured Entitlement should either apply for a number which is one of the numbers set out in the table of numbers in the **BLUE** Application Form and make a payment of the corresponding amount, otherwise the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the special formula set out in the **BLUE** Application Form.

To the extent that the excess applications for the Reserved Shares are:

(a) less than the Reserved Shares not taken up by the Qualifying Hopewell Shareholders' Assured Entitlement (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial Hopewell Shareholders (not being Non-Qualifying Hopewell Shareholders) whose Hopewell Shares are held by a nominee company should note that the Company will regard the nominee company as a single Hopewell Shareholder according to the register of members of Hopewell. Accordingly, such Beneficial Hopewell Shareholders whose Hopewell Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually.

Applications by Qualifying Hopewell Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form, Qualifying Hopewell Shareholders will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or through the **WHITE Form eIPO** service. Qualifying Hopewell Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **WHITE Form eIPO** service under the Hong Kong Public Offering. Qualifying Hopewell Shareholders who are also Eligible Employees, may also apply for Employee Reserved Shares under the Employee Preferential Offering either through the **Pink Form eIPO** service via **www.eipo.com.hk** or on **PINK** Application Forms.

Qualifying Hopewell Shareholders and Non-Qualifying Hopewell Shareholders

Only Hopewell Shareholders whose names appeared on the register of members of Hopewell on the Record Date and who are not Non-Qualifying Hopewell Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Hopewell Shareholders are those Hopewell Shareholders with registered addresses in, or who are otherwise known by Hopewell to be residents of, jurisdictions outside Hong Kong on the Record Date and in respect of whom the directors of Hopewell and the Company, based on enquiries made by the directors of Hopewell and the Company, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Hopewell Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Hopewell and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Hopewell Shareholders in the Specified Territories. Having considered the circumstances, the directors of Hopewell and the Company have formed the view that it is necessary or expedient to restrict the ability of Hopewell Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Hopewell Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Hopewell Shareholders are:

(a) Hopewell Shareholders whose names appeared in the register of members of Hopewell at 4:30 p.m. on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) Hopewell Shareholders or Beneficial Hopewell Shareholders at 4:30 p.m. on the Record Date who are otherwise known by Hopewell to be resident in any of the Specified Territories.

Distribution of this Prospectus and the BLUE Application Forms

A **BLUE** Application Form has been despatched to each Qualifying Hopewell Shareholder with an Assured Entitlement. In addition, Qualifying Hopewell Shareholders will receive a copy of this prospectus in the manner in which they have elected to receive corporate communications under Hopewell's corporate communications policy.

If a Qualifying Hopewell Shareholder has elected to receive corporate communications from Hopewell in printed form, a printed copy of this prospectus in the elected language version(s) and the **BLUE** Application Form will be despatched to such Qualifying Hopewell Shareholder.

If a Qualifying Hopewell Shareholder has (a) elected to receive an electronic version of corporate communications or (b) not made any election, such Qualifying Hopewell Shareholder will be deemed to have consented to receiving the electronic form of corporate communications from Hopewell. An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company and the Stock Exchange at **www.hopewellhkproperties.com** and **www.hkexnews.hk** under the section headed "*HKExnews* > *Listed Company Information* > *Latest Listed Company Information*", respectively.

A Qualifying Hopewell Shareholder who has elected to receive or is deemed to have consented to receiving the electronic form of this prospectus may at any time request for a printed copy of this prospectus by sending a request in writing to the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or by email to hopewellholdings@computershare.com.hk. The Hong Kong Share Registrar will promptly upon request send by ordinary post a printed copy of this prospectus to such Qualifying Hopewell Shareholder, free of charge, although such Qualifying Hopewell Shareholder may not receive such printed copy of this prospectus before the close of the Hong Kong Public Offering.

Qualifying Hopewell Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving banks and the designated offices of each of the Joint Global Coordinators as set out in "*How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares*".

Distribution of this prospectus and/or the **BLUE** Application Form(s) into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Form(s) come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. In particular, the prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Form(s), except to Qualifying Hopewell Shareholders as specified in this prospectus.

Receipt of this prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Form(s) should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of Hopewell and the Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents,

custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

Application procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in *"How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — Applications for Reserved Shares"* and on the **BLUE** Application Forms.

THE EMPLOYEE PREFERENTIAL OFFERING

Of the 51,000,000 Offer Shares initially being offered under the Hong Kong Public Offering, 3,400,000 Offer Shares (representing approximately 6.7% and 1.0% of the total number of Offer Shares initially being offered under the Hong Kong Public Offering and the Global Offering (assuming that the Over-allotment Option is not exercised), respectively) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

The Employee Reserved Shares are being offered out of the Hong Kong Offer Shares and are not subject to the clawback mechanism as set out in "— *The Hong Kong Public Offering — Reallocation*" in this section.

As at 31 March 2013, there were a total of 1,052 persons eligible to apply for Employee Reserved Shares under the Employee Preferential Offering.

Allocation of the Hong Kong Offer Shares under the Employee Preferential Offering will be based on the written guidelines distributed to the Eligible Employees which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Hong Kong Offer Shares under the Employee Preferential Offering will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. No preferential treatment will be given to the Eligible Directors (or their associates who are Eligible Employees). Eligible Directors (or their associates who are Eligible Employees) will not be offered Employee Reserved Shares on a preferential basis compared to the other Eligible Employees who apply for the same number of Shares. Eligible Employees applying for one board lot to five board lots of Shares will be allocated in full. Eligible Employees applying for the number of Shares exceeding five board lots of Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications.

Any Hong Kong Offer Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription by the public in Hong Kong under the Hong Kong Public Offering after the reallocation as described above in "— *The Hong Kong Public Offering*" in this section.

If you are an Eligible Director (or an associate of an Eligible Director), in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by the **Pink Form eIPO** service via **www.eipo.com.hk** or a **PINK** Application Form, you may **NOT**:

- apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering; or

- apply for or indicate an interest for International Offer Shares under the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering).

If you are an Eligible Employee (who is **NOT** an Eligible Director or an associate of an Eligible Director), in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by the **Pink Form eIPO** service via **www.eipo.com.hk** or a **PINK** Application Form, you may also:

- apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering; or

- apply for or indicate an interest for International Offer Shares under the International Offering,

but you may not do both (other than an application (if any) made a **BLUE** Application Form or through the **Blue Form eIPO** service via **www.eipo.com.hk** in your capacity as a Qualifying Hopewell Shareholder). Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Hong Kong Offer Shares or International Offer Shares.

Any Director who (or any of whose associates who are Eligible Employees) intends to apply for Offer Shares under the Employee Preferential Offering will not participate in any decision of the Company in relation to the allocation basis for the Employee Preferential Offering.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.03 of the Listing Rules in relation to the participation by the Eligible Directors (and their associates who are Eligible Employees) in the Employee Preferential Offering.

The **PINK** Application Forms include a condition that applications received from the Eligible Directors (or their associates who are Eligible Employees) may be reduced by the Company (but not less than five board lots) before allocation of Offer Shares to the Eligible Directors and the other Eligible Employees in the Employee Preferential Offering. This is intended to ensure that the number of Shares held by the public upon completion of the Global Offering would not be below the prescribed minimum required by the Stock Exchange. The reduction is intended to be on a pro-rata basis (subject to rounding to the nearest whole number of board lots). Such reduction (if any) will be performed by the Company and the Joint Global Coordinators.

NO OVERSEAS REGISTRATION

The documents issued and to be issued in connection with the Hong Kong Public Offering (including the Employee Preferential Offering) will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, no Employee Reserved Shares are being offered to Overseas Employees under the Employee Preferential Offering and no Application Forms will be sent to such persons. Applications will not be accepted from Overseas Employees or persons who are acting for the benefit of Overseas Employees.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 289,000,000 Offer Shares, representing 85% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a

sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in *"— Pricing and Allocation"* below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in *"— The Hong Kong Public Offering — Reallocation"* above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, Boyen Investments is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time during the 30-day period from the last day for lodging applications under the Hong Kong Public Offering, to require Boyen Investments to sell up to an aggregate of 51,000,000 Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among others, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and in

what the Stabilising Manager reasonably regards as the best interest of the Company, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilising Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on 11 July 2013, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through the stock borrowing arrangement as detailed below or a combination of these means. Any such purchases will be made in accordance with the laws, rules, and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended and supplemented to from time to time made under the SFO. The number of Shares which can be

over-allocated will not exceed 51,000,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager or any person acting for it may choose to borrow up to 51,000,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Boyen Investments pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or any person acting for it) and Boyen Investments on or about Wednesday, 12 June 2013, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such stock borrowing arrangement with Boyen Investments is entered into, it will only be effected by the Stabilising Manager or any person acting for it for the settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Boyen Investments or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Boyen Investments by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 12 June 2013 and, in any event, not later than Tuesday, 18 June 2013, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$17.80 per Offer Share and is expected to be not less than HK$15.30 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$17.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$3,595.89 for one board lot of 200 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in

respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the forecast of the consolidated profit after taxation of the Group for FY2013 and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocation of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in *"How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — Despatch/Collection of Share Certificates and Refund Monies"*.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in "*Underwriting*".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Offer Shares to be offered pursuant to the Global Offering and the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme on the Main Board of the Stock Exchange;

(ii) the Offer Price having been agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters);

(iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Tuesday, 18 June 2013, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.hopewellhkproperties.com** on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in *"How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares"*. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, 19 June 2013 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in *"Underwriting"* has not been exercised.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 19 June 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 19 June 2013.

The Shares will be traded in board lots of 200 Shares each. The stock code of the Shares will be 288.

IMPORTANT

The Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE**, **YELLOW**, **BLUE** and **PINK** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic form prospectus which can be accessed and downloaded from the websites of the Company at **www.hopewellhkproperties.com** and the Stock Exchange at **www.hkexnews.hk**, under the "*HKExnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public who wish to obtain a copy of the printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 6 June 2013 until 12:00 noon on Tuesday, 11 June 2013 at the following locations:

1. any of the following branches of the receiving banks for the Hong Kong Public Offering:

   (a) **Bank of China (Hong Kong) Limited**

   Bank of China Tower Branch, 3/F, 1 Garden Road;

   Wan Chai (Wu Chung House) Branch, 213 Queen's Road East, Wan Chai;

   Kwun Tong Branch, 20-24 Yue Man Square, Kwun Tong;

   Yau Ma Tei Branch, 471 Nathan Road, Yau Ma Tei;

   Lucky Plaza Branch, Lucky Plaza, Wang Pok Street, Sha Tin; and

   Tuen Mun San Hui Branch, G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun;

   (b) **The Bank of East Asia, Limited**

   Main Branch, 10 Des Voeux Road Central, HK;

   Queen's Road Central Branch, Shop A-C, G/F, Wah Ying Cheong Central Building, 158-164 Queen's Road Central;

   Mongkok North Branch, G/F, Kalok Building, 720-722 Nathan Road, Mongkok;

   Waterloo Road Branch, Shop A, G/F, Richland House, 77B & 77C Waterloo Road;

   East Point City Branch, Shop 217B, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O; and

   Tai Po Plaza Branch, Units 49-52, Level 1, Tai Po Plaza; and

   (c) **Hang Seng Bank Limited**

   Head Office, 83 Des Voeux Road Central;

   North Point Branch, 335 King's Road;

   Tsim Sha Tsui Branch, 18 Carnarvon Road;

   Kowloon Main Branch, 618 Nathan Road;

   Hung Hom Branch, 21 Ma Tau Wai Road; and

   Tsuen Wan Branch, 289 Sha Tsui Road, Tsuen Wan.

2. any of the following offices of the Joint Global Coordinators:

   (a) **BOCI Asia Limited**, 26th Floor, Bank of China Tower, 1 Garden Road, Hong Kong;

   (b) **Credit Suisse (Hong Kong) Limited**, Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; and

3. the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Details of where printed prospectus may be obtained will be displayed prominently at every branch of Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited and Hang Seng Bank Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Thursday, 6 June 2013 until 12:00 noon on Tuesday, 11 June 2013, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in "*How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — How to Apply for Hong Kong Offer Shares — Applying by Using an Application Form*".

A. APPLICATIONS FOR HONG KONG OFFER SHARES

You may either:

- apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for International Offer Shares under the International Offering,

but you may not do both.

You may apply for the Hong Kong Offer Shares by using one of the following three channels:

- using a **WHITE** or **YELLOW** Application Form;
- applying online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

If you do not follow the instructions detailed on the Application Form or on the **White Form eIPO** service designated website at **www.eipo.com.hk**, your application may be rejected.

The Company, the Joint Global Coordinators (on behalf of the Underwriters) or the White Form eIPO Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

1. HOW TO APPLY FOR HONG KONG OFFER SHARES

(a) Who can apply for Hong Kong Offer Shares

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States or are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above, you must also (i) have a valid Hong Kong identity card number and (ii) be willing to provide a valid e-mail address and a contact telephone number.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Global Coordinators (or its agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four. Joint applicants may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares or of shares of any of the subsidiaries of the Company, the Directors or their respective associates or any other connected persons of the Company or persons who will become connected persons of the Company immediately following the completion of the Global Offering (except the Directors and/or their associates who are Qualifying Hopewell Shareholders who may apply for Reserved Shares pursuant to the Preferential Offering) or are within the United States (within the meaning of Regulation S) (other than a person described in paragraph h(3) of Rule 902 of Regulation S) or persons who do not have a Hong Kong address or legal or natural persons of the PRC (except qualified domestic institutional investors).

(b) Applying by using an Application Form

Which Application Form to use

If you want the Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the designated website at **www.eipo.com.hk**.

If you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for crediting to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 6 June 2013 until 12:00 noon on Tuesday, 11 June 2013 from:

(1) any of the following offices of the Joint Global Coordinators:

BOCI Asia Limited	26th Floor, Bank of China Tower 1 Garden Road Hong Kong
Credit Suisse (Hong Kong) Limited	Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

(2) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
Kowloon	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
New Territories	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Sha Tin
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun

The Bank of East Asia, Limited	Branch	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, HK
	Queen's Road Central Branch	Shop A-C, G/F, Wah Ying Cheong Central Building, 158-164 Queen's Road Central
Kowloon	Mongkok North Branch	G/F, Kalok Building, 720-722 Nathan Road, Mongkok
	Waterloo Road Branch	Shop A, G/F, Richland House, 77B & 77C Waterloo Road
New Territories	East Point City Branch	Shop 217B, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O
	Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza

Hang Seng Bank Limited	Branch	Address
Hong Kong Island	Head Office	83 Des Voeux Road Central
	North Point Branch	335 King's Road
Kowloon	Tsim Sha Tsui Branch	18 Carnarvon Road
	Kowloon Main Branch	618 Nathan Road
	Hung Hom Branch	21 Ma Tau Wai Road
New Territories	Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 6 June 2013 until 12:00 noon on Tuesday, 11 June 2013 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

(c) Applying through the White Form eIPO service

General

If you are an individual and meet the criteria set out in "— *Who can Apply for Hong Kong Offer Shares*" above, you may apply through the **White Form eIPO** service by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through the **White Form eIPO** service, the Hong Kong Offer Shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the White Form eIPO Service Provider and may not be submitted to the Company.

If you give electronic application instructions through the designated website at **www.eipo.com.hk**, you will have authorised the White Form eIPO Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

No multiple applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the White Form eIPO service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Environmental protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "Hopewell Hong Kong Properties Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "'Source of Dongjiang — Hong Kong Forest' project initiated by Friends of the Earth (HK)".

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for you have applied, or if your application is otherwise rejected by the White Form eIPO Service Provider, the White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the White Form eIPO Service Provider on the designated website at **www.eipo.com.hk**.

(d) Applying by giving electronic application instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

(ii) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Hong Kong Offer Shares to be allotted shall be issued into the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

- undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number allocated to that person;

- undertakes and confirms that that person has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor otherwise participated in the International Offering;

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- understands that these declarations and representations will be relied upon by the Company, the Directors and the Joint Global Coordinators in deciding whether or not to make any allocation of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- authorises the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- confirms that that person has received and/or read a copy of this prospectus and has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf, save as set out in any supplement to this prospectus;

- agrees that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);

- agrees to disclose that person's personal data to the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents which they may require about that person;

- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the **electronic application instructions** and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by the Company;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;

- agrees with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and the Articles; and

- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have

done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- having instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for Hong Kong Offer Shares on your behalf;

- having instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Offer Price per Offer Share initially paid on application, to refund the application monies, in each case including brokerage, SFC transaction levy and the Stock Exchange trading fee, by crediting your designated bank account; and

- having instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form and in this prospectus.

Minimum subscription amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 200 Hong Kong Offer Shares. Such instructions in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning for electronic applications

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong

Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait till the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 11 June 2013.

2. WHEN MAY APPLICATIONS BE MADE

(a) Applications on WHITE and YELLOW Application Forms

Completed **WHITE** and **YELLOW** Application Forms, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Hopewell Public Offer" for the payment must be deposited by 12:00 noon on Tuesday, 11 June 2013 or, if the application lists are not open on that day, then by the time and date stated in "— *Effect of Bad Weather on the Opening of the Application Lists*" in this section.

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Hopewell Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed under "— *Applying by Using an Application Form — Where to Collect the Application Forms*" above, at the following times:

Thursday, 6 June 2013 — 9:00 a.m. to 5:00 p.m.

Friday, 7 June 2013 — 9:00 a.m. to 5:00 p.m.

Saturday, 8 June 2013 — 9:00 a.m. to 1:00 p.m.

Monday, 10 June 2013 — 9:00 a.m. to 5:00 p.m.

Tuesday, 11 June 2013 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 11 June 2013.

No proceedings will be taken on applications for Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the application lists. No allotment of any of the Hong Kong Offer Shares will be made pursuant to this prospectus later than 30 days after the day on which this prospectus is first issued.

(b) Terms and conditions of an application

There are detailed instructions on each Application Form. You should read and follow these instructions carefully. If you do not strictly follow the instructions, your application may be rejected.

You should note that by completing and submitting an Application Form or applying through the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service, among others, you:

(i) instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents on your behalf and to do on your behalf all things necessary to effect the registration of any Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares allocated to you in your name(s) or in the name of HKSCC Nominees (as the case may be) as required by the Articles, and otherwise to give effect to the arrangements described in this prospectus, the Application Forms and/or the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service designated website at **www.eipo.com.hk** (as the case may be);

(ii) undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees (as the case may be) to be registered as the holder of the Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares to be allocated to you, and as required by the Articles;

(iii) agree with the Company and each of the Shareholders, and the Company agrees with each of the Shareholders, to observe and comply with the Companies Ordinance and the Articles;

(iv) confirm that you have read the terms and conditions and application procedures set out in this prospectus (and, in the case of an application through the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service, additionally the terms and conditions of the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service designated website at **www.eipo.com.hk**) and agree to be bound by them;

(v) confirm that you have received and/or read a copy of this prospectus (and, in the case of an application through the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service, additionally the terms and conditions of the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service designated website at **www.eipo.com.hk**) and have only relied on the information and representations contained in this prospectus (and, in the case of an application through the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service, additionally, through the designated website at **www.eipo.com.hk**) in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;

(vi) confirm that you are aware of the restrictions on the Global Offering disclosed in this prospectus;

(vii) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);

(viii) undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor otherwise participated in the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering);

(ix) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(x) if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase the Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xi) agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xii) (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on the agent all necessary power and authority to make the application;

(xiii) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xiv) represent, warrant and undertake that you understand that the Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares have not been and will not be registered under the US Securities Act and you and any person for whose account or benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) when completing and submitting any Application Form or applying through the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xv) warrant the truth and accuracy of the information contained in the application;

(xvi) undertake and agree to accept the Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares applied for or any lesser number allocated to you under the application;

(xvii) authorise the Company to place your name(s) or the name of the HKSCC Nominees (as the case may be) on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares allocated to you, and the Company and/or its agents to despatch any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or (in case of joint applicants) the first-named applicant in the application by ordinary post at your own risk to the address stated on the application, except that if you have applied for 1,000,000 or more Hong Kong Offer Shares, 1,000,000 or more Reserved Shares and have indicated in the relevant application that you will collect the Share certificate(s) and/or refund cheque(s) in person (except if you have applied for Employee Reserved Shares, the Share certificate(s) (if any) will be despatched by the Company to the address stated in your application or as otherwise notified by you to the Company), you may do so in the manner as described in "— *Despatch/Collection of Share Certificates and Refund Monies*" below or on such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-refund payment instructions/refund cheques;

(xviii) authorise the Company to enter into a contract on your behalf with each of the Directors and officers of the Company whereby each such Director and officer of the Company undertakes to observe and comply with their obligations to the Shareholders as stipulated in the Articles; and

(xix) understand that these declarations and representations will be relied upon by the Company and the Joint Global Coordinators in deciding whether or not to allocate any Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares in response to this application and you may be prosecuted for making a false declaration.

(c) White Form eIPO/Pink Form eIPO/Blue Form eIPO

You may submit your application through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, 6 June 2013 until 11:30 a.m. on Tuesday, 11 June 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 11 June 2013 or such later time as described in *"— Effect of Bad Weather on the Opening of the Applications Lists"* below (24 hours daily, except on the last application day).

If you do not complete payment of the application monies (including any related fees) in time, the White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

(d) Electronic application instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 6 June 2013 — 9:00 a.m. to 8:30 p.m.(1)

Friday, 7 June 2013 — 8:00 a.m. to 8:30 p.m.(1)

Saturday, 8 June 2013 — 8:00 a.m. to 1:00 p.m.(1)

Monday, 10 June 2013 — 8:00 a.m. to 8:30 p.m.(1)

Tuesday, 11 June 2013 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 6 June 2013 until 12:00 noon on Tuesday, 11 June 2013 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 11 June 2013, the last application day or such later time as described in *"— Effect of Bad Weather on the Opening of the Application Lists"* below.

(e) Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 June 2013. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 11 June 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in "*Expected Timetable*", such dates mentioned in "*Expected Timetable*" may be affected. An announcement will be made in the event that such dates mentioned in "*Expected Timetable*" are affected.

3. HOW MANY APPLICATIONS CAN YOU MAKE

You may make more than one application for Hong Kong Offer Shares if and only if you are a nominee, in which case you may give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Hopewell Shareholder applying for Reserved Shares under the Preferential Offering either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the designated website at **www.eipo.com.hk**. However, in respect of any application for Hong Kong Offer Shares using the abovementioned methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in "*Structure of the Global Offering — The Preferential Offering*". If you submit applications both through the **Blue Form eIPO** service and by using a **BLUE** Application Form, only the application submitted via **Blue Form eIPO** will be accepted and the other will be rejected.

In addition, if you are an Eligible Employee you may also make an application for Employee Reserved Shares either through the **Pink Form eIPO** service via **www.eipo.com.hk** or by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. If you submit applications both through the **Pink Form eIPO** service and by using a **PINK** Application Form, only the application submitted via **Pink Form eIPO** will be accepted and the other will be rejected.

Otherwise, multiple applications for Hong Kong Offer Shares are not allowed.

If you are an Eligible Director (or an associate of an Eligible Director), in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by the **Pink Form eIPO** service via **www.eipo.com.hk** or a **PINK** Application Form, you may **NOT**:

- apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering; or
- apply for or indicate an interest for International Offer Shares under the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering).

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service at **www.eipo.com.hk** is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) (other than any application(s) made in respect of the Preferential Offering in your capacity as a Qualifying Hopewell Shareholder and/or any application(s) made in respect of the Employee Preferential Offering in your capacity as an Eligible Employee). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

It will be a term and condition of all applications for Hong Kong Offer Shares that by completing and delivering an Application Form or applying by giving **electronic application instructions** to HKSCC or to **White Form eIPO** service, you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the White Form eIPO Service; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions through the designated website at **www.eipo.com.hk** and completing payment in respect of such electronic application instructions or of submitting one application through the **White Form eIPO** service and one or more applications by any other means (other than any application(s) made in respect of the Preferential Offering in your capacity as a Qualifying Hopewell Shareholder and/or any application(s) made in respect of the Employee Preferential Offering in your capacity as an Eligible Employee), all of your applications are liable to be rejected.

4. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares are set out in this prospectus, in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf) and in the electronic application instructions on the **White Form eIPO** service, **Blue Form eIPO** service or the **Pink Form eIPO** service designated website at **www.eipo.com.hk** for applications made using the **White Form eIPO** service or the **Pink Form eIPO** service or the **Blue Form eIPO** service, and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares will not be allotted to you.

(i) If your application is revoked:

By completing and submitting an application or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked until after the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company and will become binding when you lodge your application or give your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they are required to confirm their applications. If applicant(s) have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will not be valid. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators (on behalf of the Underwriters), the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(iii) If the allotment of Hong Kong Offer Shares, Employee Reserved Shares and/or Reserved Shares is void:

The allotment of Hong Kong Offer Shares, Employee Reserved Shares and/or Reserved Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications as described in *"— How many applications can you make"* above;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by **giving electronic application instructions** to HKSCC or through the designated website at **www.eipo.com.hk**, you agree not to apply for International Offer Shares in the International Offering applications (other than an application (if any) made on a **BLUE / PINK** Application Form or through the **Blue Form eIPO** / **Pink Form eIPO** service(s) via **www.eipo.com.hk** in your capacity as a Qualifying Hopewell Shareholder / Eligible Employee (as the case may be)). Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering), and to identify and reject indications of interest in the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering) from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering (except in respect of Employee Reserved Shares applied for under the Employee Preferential Offering);
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your **electronic application instructions** through the **White Form eIPO** / **Pink Form eIPO / Blue Form eIPO** service via **www.eipo.com.hk** are not completed in accordance with the instructions and the terms and conditions set out in the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional;
- the Underwriting Agreements are terminated in accordance with their respective terms;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located; or
- your application is for more than 23,800,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering after deducting the 3,400,000 Hong Kong Offer Shares initially available for subscription by Eligible Employees under Employee Preferential Offering).

You should also note that you may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both (except in respect of Reserved Shares applied under the Preferential Offering).

B. APPLICATIONS FOR RESERVED SHARES

1. WHO CAN APPLY FOR RESERVED SHARES

Only Hopewell Shareholders whose names appeared on the register of members of Hopewell at 4:30 p.m. on the Record Date, and who are Qualifying Hopewell Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Hopewell Shareholders are those Hopewell Shareholders with registered addresses in, or who are otherwise known by Hopewell to be residents of, jurisdictions outside Hong Kong on the Record Date and in respect of whom the Hopewell directors and the Company, based on enquiries made by the Hopewell directors, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Hopewell Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Hopewell and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Hopewell Shareholders in the Specified Territories. Having considered the circumstances, the Hopewell directors and the Company have formed the view that, other than certain limited exceptions as described below, it is necessary or expedient to restrict the ability of Hopewell Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or compliance with relevant local legal or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Hopewell Shareholders are:

(i) Hopewell Shareholders whose names appeared in the register of members of Hopewell at 4:30 p.m. on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(ii) Hopewell Shareholders or Beneficial Hopewell Shareholders at 4:30 p.m. on the Record Date who are otherwise known by Hopewell to be resident in any of the Specified Territories.

With respect to the Specified Territories, Hopewell will send a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Specified Territories, to the extent they hold any Hopewell Shares on behalf of the Non-Qualifying Hopewell Shareholders, they are excluded from participating in the Preferential Offering.

Qualifying Hopewell Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every integral multiple of 25 Hopewell Shares held by them as at 4:30 p.m. on the Record Date. Any Qualifying Hopewell Shareholder holding less than 25 Hopewell Shares as at 4:30 p.m. on the Record Date will not be entitled to apply for the Reserved Shares.

If the applicant is a firm, the application must be in the names of the individual members, not in the name of the firm. If the applicant is a body corporate, the **BLUE** Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Company and the Joint Global Coordinators, as the Company's agents, may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney. The Company and the Joint Global Coordinators, as the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

2. CHANNEL FOR APPLYING FOR THE RESERVED SHARES

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying Hopewell Shareholders either through the **Blue Form eIPO** service via **www.eipo.com.hk** or using **BLUE** Application Forms which have been despatched to Qualifying Hopewell Shareholders. In addition, Qualifying Hopewell Shareholders will receive a copy of this prospectus in the manner in which they have elected to receive corporate communications under Hopewell's corporate communications policy.

If a Qualifying Hopewell Shareholder has elected to receive corporate communications from Hopewell in printed form, a printed copy of this prospectus in the elected language version(s) and the **BLUE** Application Form will be despatched to such Qualifying Hopewell Shareholder.

If a Qualifying Hopewell Shareholder has (a) elected to receive an electronic version of corporate communications or (b) not made any election, such Qualifying Hopewell Shareholder will be deemed to have consented to receiving the electronic form of corporate communications from Hopewell, and an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company and the Stock Exchange at **www.hopewellhkproperties.com** and **www.hkexnews.hk** under the section headed "*HKExnews > Listed Company Information > Latest Listed Company Information*", respectively.

A Qualifying Hopewell Shareholder who has elected to receive or is deemed to have consented to receiving the electronic form of this prospectus may at any time request for a printed copy of this prospectus by sending a request in writing to the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or by email to **hopewellholdings@computershare.com.hk**. The Hong Kong Share Registrar will promptly upon request send by ordinary post a printed copy of this prospectus to such Qualifying Hopewell Shareholder, free of charge, although such Qualifying Hopewell Shareholder may not receive such printed copy of this prospectus before the close of the Hong Kong Public Offering.

Qualifying Hopewell Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving banks and the designated offices of each of the Joint Global Coordinators as set out in "*How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares*".

Where a Qualifying Hopewell Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Hopewell Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares resulting from other Qualifying Hopewell Shareholders declining to take up some or all of their Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Joint Global Coordinators, to other investors in the International Offering.

Qualifying Hopewell Shareholders who intend to apply for more than their Assured Entitlement should either apply for a number of Shares which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form, otherwise the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the special formula set out in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Shares are:

(i) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;

(ii) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(iii) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying Hopewell Shareholders who have applied for Reserved Shares under the Preferential Offering either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying Hopewell Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **WHITE Form eIPO** service under the Hong Kong Public Offering.

3. DESPATCH OF THE PROSPECTUS AND THE BLUE APPLICATION FORMS

The **BLUE** Application Form has been despatched, if you are a Qualifying Hopewell Shareholder with an Assured Entitlement, to your address recorded on the register of members of Hopewell at 4:30 p.m. on the Record Date. In addition, Qualifying Hopewell Shareholders will receive a printed

copy of this prospectus if a Qualifying Hopewell Shareholder has elected to receive corporate communications from Hopewell in a printed form. An electronic copy of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at **www.hopewellhkproperties.com** and the Stock Exchange at **www.hkexnews.hk**.

Persons who held their Hopewell Shares in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Hopewell Shares in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instructions to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees.

Qualifying Hopewell Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or on its hotline at +852 2862 8555.

4. APPLYING THROUGH THE BLUE FORM eIPO SERVICE

If you apply for Reserved Shares online through the **Blue Form eIPO** service:

(a) detailed instructions for application through the **Blue Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the White Form eIPO Service Provider and may not be submitted to the Company;

(b) you must also be willing to provide a valid e-mail address; and

(c) once payment is completed via electronic application instructions given by you or for your benefit, an actual application is deemed to have been made. If you submit applications both via the **Blue Form eIPO** service and by using a **BLUE** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other will be rejected.

5. APPLYING BY USING BLUE APPLICATION FORM

(a) Complete the **BLUE** Application Form in English in ink, and sign it. There are detailed instructions on the **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the **BLUE** Application Form.

(b) The **BLUE** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

(c) Lodge the **BLUE** Application Form(s) in one of the collection boxes by the time and at one of the locations as described in "*— Applications for Reserved Shares — When may applications be made*" below.

(d) You may choose one of the four options on the **BLUE** Application Form when applying for Reserved Shares.

- **Option 1 — Apply for a number of Reserved Shares that is equal to your Assured Entitlement:**

  You need to complete and sign the **BLUE** Application Form and submit one cheque (or banker's cashier order) for the exact amount of remittance printed in Box B on the **BLUE** Application Form.

- **Option 2 — Apply for a number of Reserved Shares within your Assured Entitlement and excess Reserved Shares:**

  You should (i) write the number of Reserved Shares applied for under your Assured Entitlement and the amount payable (as set out in table in the **BLUE** Application Form) in Box C (ii) write the number of excess Reserved Shares applied for and the amount payable (as set out in the table in the **BLUE** Application Form) in Box D; (iii) add the number of Reserved Shares applied for under your Assured Entitlement and the excess Reserved Shares, together with the corresponding total amount payable (being the sum of the amount written in Box C and Box D) and write the total in Box E; and (iv) submit the total application monies in one cheque (or banker's cashier order).

  If the number of Reserved Shares that you apply for under your Assured Entitlement is less than your Assured Entitlement, you should apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form, otherwise you must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the special formula in the **BLUE** Application Form.

  The number of excess Reserved Shares that you intend to apply for should be one of the numbers set out in the table in the **BLUE** Application Form. If the number of excess Reserved Shares applied for is not one of the numbers set out in the table in the **BLUE** Application Form, such excess application will be rejected if the amount on the cheque/ banker's cashier order does not match with the amount payable calculated by using the special formula set out in the **BLUE** Application Form.

- **Option 3 — Apply for excess Reserved Shares only:**

  You should (i) write the number of excess Reserved Shares applied for and the amount payable (as set out in the table in the **BLUE** Application Form) in Box F, and (ii) submit one cheque (or banker's cashier order) for the same amount that you have written in Box F on the **BLUE** Application Form.

  The number of excess Reserved Shares that you intend to apply for should be one of the numbers set out in the table in the **BLUE** Application Form. If the number of excess Reserved Shares applied for is not one of the numbers set out in the table in the **BLUE** Application Form, the excess application will be rejected if the amount on the cheque/ banker's cashier order does not match with the amount payable calculated by using the special formula set out in the **BLUE** Application Form.

- **Option 4 — Apply for a number of Reserved Shares that is less than your Assured Entitlement:**

  You should (i) write the number of Reserved Shares applied for and the amount payable (as set out in the table in the **BLUE** Application Form) in Box G, and (ii) submit one

cheque (or banker's cashier order) for the same amount that you have written in Box G on the **BLUE** Application Form.

If your application is made for a number of Reserved Shares that is less than your Assured Entitlement as a Qualifying Hopewell Shareholder, you should either apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form, otherwise you must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the special formula set out in the **BLUE** Application Form.

(e) The **BLUE** Application Form will be rejected by the Company if:

- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the Application Form;
- the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
- in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorised officer or affixed with a company chop;
- the cheque/banker's cashier order/**BLUE** Application Form is defective;
- the **BLUE** Application Form is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order;
- the account name on cheque/banker's cashier order is not pre-printed or certified by the issuing bank;
- the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
- the name of the payee indicated on the cheque/banker's cashier order is not "Bank of China (Hong Kong) Nominees Limited — Hopewell Preferential Offer";
- the cheque has not be crossed "Account payee only";
- the cheque was post-dated;
- the applicant's payment is not made correctly or the applicant paid by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- the applicant's name / the first applicant's name on the joint application is not the same as the name pre-printed or certified / endorsed by the drawee bank on the cheque/ banker's cashier order;
- alteration(s) to the application details on the Application Form has not been authorised by the signature(s) of the applicant(s);
- the application is completed by pencil;
- the applicant does not fill in all the boxes in the option he/she/it chooses;

- the applicant chooses more than one option;

- the Company believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the application is received or where the applicant's address is located; or

- the Company and the Joint Global Coordinators, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(f) If you are applying for a number of Reserved Shares which is equal to your Assured Entitlement (**Option 1**):

- your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with the amount payable in Box B set out in the **BLUE** Application Form.

(g) If you are applying for a number of Reserved Shares within your Assured Entitlement and excess Reserved Shares (**Option 2**):

- Your application will be rejected if the amount on the cheque/banker's cashier order does not match and is less than the amount payable in relation to your Assured Entitlement applied for in your **BLUE** Application Form.

- Your application for your Assured Entitlement will be accepted in full but your application for Excess Reserved Shares will be rejected if the amount on the cheque/banker's cashier order does not match and is more than the amount payable in relation to your Assured Entitlement applied for but is less than the total amount payable in relation to both your Assured Entitlement applied for and the excess Reserved Shares applied for in your **BLUE** Application Form.

- Your application will be accepted in full if the amount on the cheque/banker's cashier order does not match and is more than the total amount payable in relation to both your Assured Entitlement applied for and the excess Reserved Share applied for in your **BLUE** Application Form.

(h) If you are applying for excess Reserved Shares only (**Option 3**):

- You should apply for one of the numbers set out in the payment table in the **BLUE** Application Form. When the number of Reserved Shares applied is one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with the corresponding amount payable set out in the table in the **BLUE** Application Form.

- When the numbers of Reserved Shares applied is **not** one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with the amount payable calculated by using the formula set out in the **BLUE** Application Form.

(i) If you are applying for a number of Reserved Shares which is less than your Assured Entitlement (**Option 4**):

- You should apply for one of the numbers set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied is one of the numbers set out in the

table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with the corresponding amount payable set out in the payment table in the **BLUE** Application Form.

- When the number of Reserved Shares applied is **not** one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with the amount payable calculated by using the formula set out in the **BLUE** Application Form.

Instead of using the **BLUE** Application Form, you may apply for Reserved Shares through the **Blue Form eIPO** service at **www.eipo.com.hk**.

6. WHEN MAY APPLICATIONS BE MADE

Application through the Blue Form eIPO service

You may submit your application via the **Blue Form eIPO** service through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, 6 June 2013 until 11:30 a.m. on Tuesday, 11 June 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 11 June 2013 or, if the application lists are not open on that day, then by the time and date stated in "*— Applications for Reserved Shares — When may applications be made — Effect of bad weather on the opening of the application lists*" below.

If you do not complete payment of the application monies (including any related fees) in time, the White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

Applications on BLUE Application Forms

Your completed **BLUE** Application Form, together with a cheque/banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Hopewell Preferential Offer", should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed in "*— Applications for Hong Kong Offer Shares — When may applications be made — Applications on WHITE and YELLOW Forms*" or at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at the specified times on the following dates:

Thursday, 6 June 2013 — 9:00 a.m. to 5:00 p.m.

Friday, 7 June 2013 — 9:00 a.m. to 5:00 p.m.

Saturday, 8 June 2013 — 9:00 a.m. to 1:00 p.m.

Monday, 10 June 2013 — 9:00 a.m. to 5:00 p.m.

Tuesday, 11 June 2013 — 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Tuesday, 11 June 2013 or, if the application lists are not open on that day, then by the time and date stated in "*— Applications for Reserved Shares — When may applications be made — Effect of bad weather on the opening of the application lists*" below.

If you submit applications both through the **Blue Form eIPO** service and by **Blue** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other will be rejected.

Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 11 June 2013, except as provided in "*— Applications for Reserved Shares — When may applications be made — Effect of bad weather on the opening of the application lists*" below.

No proceedings will be taken on applications for Reserved Shares and no allotment of any such Reserved Shares will be made until after the closing of the application lists.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 June 2013. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 11 June 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in "*Expected Timetable*", such dates mentioned in "*Expected Timetable*" may be affected. An announcement will be made in the event that such dates mentioned in "*Expected Timetable*" are affected.

How many applications may be made

You should refer to "*— Applications for Hong Kong Offer Shares — How many applications may you make*" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

C. APPLICATIONS FOR EMPLOYEE RESERVED SHARES

1. WHO CAN APPLY FOR EMPLOYEE RESERVED SHARES

For more information on who can apply for Employee Reserved Shares under the Employee Preferential Offering, please refer to "*Structure of the Global Offering*".

2. CHANNEL FOR APPLYING FOR THE EMPLOYEE RESERVED SHARES

An application for Employee Reserved Shares under the Employee Preferential Offering may only be made by Eligible Employees either through the **Pink Form eIPO** service via **www.eipo.com.hk** or using **PINK** Application Forms which have been despatched to Eligible Employees.

Eligible Employees applying for five board lots of Shares or less will be allocated in full. Eligible Employees applying for the number of Shares exceeding five board lots of Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be

determined by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of oversubscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications.

Save for the above, the Employee Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Employee Reserved Shares will be allotted to such applicant.

3. DESPATCH OF THE PINK APPLICATION FORMS

The **PINK** Application Form has been despatched to you if you are an Eligible Employee. An electronic copy of this prospectus can be accessed and downloaded from the websites of the Company at **www.hopewellhkproperties.com** and the Stock Exchange at **www.hkexnews.hk**. Eligible Employees who require a replacement **PINK** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or on its hotline 2862 8555. Additional printed copies of the prospectus can be collected from the Company's office at Room 63-01, 63rd Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

4. APPLYING THROUGH THE PINK FORM eIPO SERVICE

(a) Detailed instructions for application through the **Pink Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the White Form eIPO Service Provider and may not be submitted to the Company.

(b) If you apply for Employee Reserved Shares online through the **Pink Form eIPO** service, you must also be willing to provide a valid e-mail address.

(c) If you apply by means of the **Pink Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you submit applications both via **Pink Form eIPO** service and by **PINK** Application Form, only the application submitted via **Pink Form eIPO** service will be accepted and the other will be rejected.

5. APPLYING BY USING PINK APPLICATION FORM

(a) Complete the **PINK** Application Form in English in ink, and sign it. There are detailed instructions on the **PINK** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you at your own risk at the address stated in the **PINK** Application Form, or as otherwise notified by you to the Company.

(b) The **PINK** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

(c) Return the **PINK** Application Form with the attached payment to the company secretary at the Company's headquarters by 12:00 noon on Tuesday, 11 June 2013.

Instead of using the **PINK** Application Form, you may apply for Employee Reserved Shares through the **Pink Form eIPO** service at **www.eipo.com.hk**.

6. WHEN MAY APPLICATIONS BE MADE

Application through the Pink Form eIPO service

You may submit your application via the **Pink Form eIPO** service through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, 6 June 2013 until 11:30 a.m. on Tuesday, 11 June 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 11 June 2013 or, if the application lists are not open on that day, then by the time and date stated in "*— Applications for Employee Reserved Shares — When may applications be made — Effect of bad weather on the opening of the application lists*" below.

If you do not complete payment of the application monies (including any related fees) in time, the **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website **at www.eipo.com.hk**.

Applications on PINK Application Forms

Your completed **PINK** Application Form, together with a cheque/banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Hopewell Public Offer", should be returned to the company secretary at the Company's headquarters by 12:00 noon on Tuesday, 11 June 2013 or, if the application lists are not open on that day, then by the time and date stated in "*— Applications for Employee Reserved Shares — When may applications be made — Effect of bad weather on the opening of the application lists*" below.

If you submit applications both through the **Pink Form eIPO** service and by **PINK** Application Form, only the application submitted via the **Pink Form eIPO** service will be accepted and the other will be reject. You may not apply on behalf of other person(s) as a nominee.

Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 11 June 2013, except as provided in "*— Applications for Employee Reserved Shares — When may applications be made — Effect of bad weather on the opening of the application lists*" below.

No proceedings will be taken on applications for Employee Reserved Shares and no allotment of any such Employee Reserved Shares will be made until after the closing of the application lists.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 June 2013. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 11 June 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in "*Expected Timetable*", such dates mentioned in "*Expected Timetable*" may be affected. An announcement will be made in the event that such dates mentioned in "*Expected Timetable*" are affected.

How many applications may be made

You should refer to *"— Applications for Hong Kong Offer Shares — How many applications may you make*" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Employee Reserved Shares under the Employee Preferential Offering.

D. HOW MUCH ARE THE HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

The maximum Offer Price is HK$17.80 per Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. This means that for one board lot of 200 Shares, you will pay HK$3,595.89. The Application Forms have tables showing the exact amount payable for the number of Shares that may be applied for.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares, Reserved Shares or Employee Reserved Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms (if you apply by an Application Form) or this prospectus.

If your application is successful, brokerage is paid to participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see *"Structure of the Global Offering — Pricing and Allocation"*.

E. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the Employee Preferential Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares on Tuesday, 18 June 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.hopewellhkproperties.com** and the Stock Exchange's website at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering, Employee Preferential Offering and Preferential Offering will be available at the times and date and in the manner specified below:

- results of allocations for the Hong Kong Public Offering, the Employee Preferential Offering and the Preferential Offering can be found in the Company's announcement to be posted on the Company's website at **www.hopewellhkproperties.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 18 June 2013;

- results of allocations for the Hong Kong Public Offering, Preferential Offering and Employee Preferential Offering will be available from the designated results of allocations website at

www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Tuesday, 18 June 2013 to 12:00 midnight on Monday, 24 June 2013. Search by ID function will be available on the results of allocations website at **www.iporesults.com.hk** or via a hyperlink from the Company's website at **www.hopewellhkproperties.com** to the results of allocations website at **www.iporesults.com.hk**. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- results of allocations will be available from the Hong Kong Public Offering, Preferential Offering and Employee Preferential Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 18 June 2013 to Friday, 21 June 2013; and

- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, 18 June 2013 to Thursday, 20 June 2013 at all the receiving bank branches and sub-branches at the addresses set out in "*— Applying by Using an Application Form — Where to collect the Application Forms*" above.

The Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

If the Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares, Employee Reserved Shares or Reserved Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are set out in "*Structure of the Global Offering*".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

F. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all the Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one Share certificate for all of the Reserved Shares and/or one Share certificate for all of the Employee Reserved Shares sold to you under Preferential Offering or the Employee Preferential Offering (as the case may be).

No temporary documents of title will be issued in respect of the Shares. No receipts will be issued for sums paid on application.

If you apply by **WHITE**, **YELLOW**, **BLUE** or **PINK** Application Form(s), subject as mentioned below, in due course, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified in the Application Form (or, in the case of an application on a **PINK** Application Form as otherwise notified by you to the Company):

(i) (a) Share certificate(s) for all the Offer Shares, Reserved Shares and/or Employee Reserved Shares applied for, if the application is wholly successful or (b) Share certificate(s) for the number of Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares

successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms, Share certificates for the Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below); and

(ii) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (a) the surplus application monies for the Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares unsuccessfully applied for, if the application is partially unsuccessful or (b) all the application monies, if the application is wholly unsuccessful and/or (c) the difference between the final Offer Price and the maximum Offer Price per Hong Kong Offer Share, Reserved Share or Employee Reserved Share paid on application if the final Offer Price is less than the maximum Offer Price per Offer Share or Reserved Share initially paid on application, in each case including brokerage of 1.0%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the final Offer Price and the maximum Offer Price per Hong Kong Offer Share, Reserved Share and/or Employee Reserved Share initially paid on application (if any) under **WHITE**, **YELLOW**, **BLUE** or **PINK** Application Forms and Share certificates for wholly and partially successful applicants under **WHITE**, **BLUE** or **PINK** Application Forms or the **White Form eIPO** service, the **Blue Form eIPO** service or the **Pink Form eIPO** service are expected to be posted on or before Tuesday, 18 June 2013. The right is reserved to retain any Share certificate(s) and any surplus application pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 19 June 2013 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination described in *"Underwriting"* has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

1. IF YOU APPLY USING A WHITE OR BLUE APPLICATION FORM

If you apply for:

(a) 1,000,000 or more Offer Shares and have indicated on your **WHITE** Application Form; and/or

(b) 1,000,000 or more Reserved Shares and have indicated on your **BLUE** Application Form.

that you will collect your refund cheque(s) and/or Share certificate(s) (where applicable) in relation to your application in person and have provided all information required by your Application Form, you may collect the relevant refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 18 June 2013 or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/ e-Refund payment instructions/refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than:

(a) 1,000,000 Hong Kong Offer Shares;

(b) 1,000,000 Reserved Shares; and/or

you apply for 1,000,000 or more Hong Kong Offer Shares and/or Reserved Shares but have not indicated on your Application Form that you will collect your refund cheque(s) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on or before Tuesday, 18 June 2013, by ordinary post and at your own risk.

2. IF YOU APPLY USING A YELLOW APPLICATION FORM

If you apply for 1,000,000 or more Hong Kong Offer Shares and you have indicated on your **YELLOW** Application Form to collect your refund cheque(s) (if any) in person, please follow the same instructions as those for **WHITE** and **BLUE** Application Form applicants as described above. If you have applied for 1,000,000 or more Hong Kong Offer Shares and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on or before Tuesday, 18 June 2013, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, 18 June 2013 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

IF YOU APPLY THROUGH A DESIGNATED CCASS PARTICIPANT (OTHER THAN A CCASS INVESTOR PARTICIPANT):

For Hong Kong Offer Shares credited to the stock account of your designated CCASS participant (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS participant.

IF YOU APPLY AS A CCASS INVESTOR PARTICIPANT:

The Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Tuesday, 18 June 2013 in the manner described in *"— Publication of Results"* above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 18 June 2013 or

such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check the number of Hong Kong Offer Shares allocated to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

3. IF YOU APPLY USING A PINK APPLICATION FORM

If you apply for Employee Reserved Shares using a **PINK** Application Form, your refund cheques(s) (if any) will be sent to the Company on or before Tuesday, 18 June 2013. The Company will arrange for onward despatch of the refund cheques(s) (if any) to you.

If you apply for Employee Reserved Shares using a **PINK** Application Form and your application is wholly or partially successful, your Share certificate(s) will be despatched to the Company on or before Tuesday, 18 June 2013. The Company will arrange for onward despatch of the Share certificate(s) to you.

4. IF YOU APPLY THROUGH THE WHITE FORM EIPO SERVICE OR THE BLUE FORM EIPO SERVICE

If you apply for 1,000,000 or more Hong Kong Offer Shares or Reserved Shares through the **White Form eIPO** service or the **Blue Form eIPO** service (as the case may be) by submitting an electronic application through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 18 June 2013 or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the **White Form eIPO** service or the **Blue Form eIPO** service promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or Reserved Shares, your Share certificate(s) will be sent to the address specified in your application instructions to the **White Form eIPO** service or the **Blue Form eIPO** service (as the case may be) through the designated website at **www.eipo.com.hk** on Tuesday, 18 June 2013, by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service or the **Blue Form eIPO** service and pay the application monies from a single bank account, refund monies (if any) will be despatched to the application payment account in the form of e-Refund payment instructions on or before Tuesday, 18 June 2013. If you apply through the **White Form eIPO** service or the **Blue Form eIPO** service and pay the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified in your application instructions to the White Form eIPO Service Provider in the form of refund cheque(s) on or before Tuesday, 18 June 2013, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application monies underpaid or applications rejected by the White Form eIPO Service Provider set out in "— *Applying Through the White Form eIPO Service — Additional Information*" above.

5. IF YOU APPLY THROUGH THE PINK FORM EIPO SERVICE

If you apply for Employee Reserved Shares through the **Pink Form eIPO** service by submitting an electronic application to the **Pink Form eIPO** service through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, the Hong Kong Share Registrar will despatch your Share certificate(s) (where applicable) to the Company.

The Company will then arrange for onward despatch of your Share certificate(s) to you by ordinary post, at your own risk, to the address specified in your application instructions to the **Pink Form eIPO** service or as otherwise notified by you to the Company.

If you apply through the **Pink Form eIPO** service and pay the application monies from a single bank account, refund monies (if any) will be despatched to the application payment account in the form of e-Refund payment instructions on or before Tuesday, 18 June 2013. If you apply through the **Pink Form eIPO** service and pay the application monies from multiple bank accounts, refund monies (if any) will be sent by the Hong Kong Share Registrar to the Company on or before Tuesday, 18 June 2013 in the form of refund cheque(s). The Company will arrange for onward despatch to you at the address as specified on your Application Form or as otherwise notified by you to the Company, by ordinary post and at your own risk.

6. IF YOU APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Tuesday, 18 June 2013 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Offer Shares in the manner specified in "— *Publication of Results*". You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 18 June 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 18 June 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit

of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the final Offer Price and the maximum Offer Price per Offer Share initially paid on application, in each case including brokerage of 1.0%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 18 June 2013. No interest will be paid thereon.

G. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK$17.80 per Offer Share, Reserved Share and Employee Reserved Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Global Offering, Preferential Offering and Employee Preferential Offering are not fulfilled in accordance with "*Structure of the Global Offering — Conditions of the Global Offering*" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared (as the case may be). It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

Refund of your application monies (if any) will be made on or before Tuesday, 18 June 2013 in accordance with the various arrangements as described above.

H. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants approval for the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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6 June 2013

The Directors
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Dear Sirs,

We set out below our report on the financial information relating to Hopewell Hong Kong Properties Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for each of the three years ended 30 June 2012 and the six months ended 31 December 2012 (the "**Relevant Periods**") (the "**Financial Information**") for inclusion in the prospectus of the Company dated 6 June 2013 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company was incorporated on 23 January 2013 as an exempted company registered in the Cayman Islands with limited liability under the Companies Law (2012 Revision), Cap 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. Pursuant to a corporate reorganisation, as more fully explained in the section headed "*Reorganisation*" in the Prospectus ("**Group Reorganisation**"), the Company became the holding company of the Group in March 2013, which was effectively spun-off from Hopewell Holdings Limited ("**HHL**") together with its subsidiaries other than the companies comprising the Group (collectively referred to as the "**Remaining Group**").

At the date of this report, the Company has the following principal subsidiaries and jointly controlled entities:

Name of company	Date of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Group[1]					Principal activities
			At 30 June			At 31 December	At the date of this report	
			2010	2011	2012	2012		
Subsidiaries incorporated in Hong Kong								
Banbury Investments Limited	20/12/1977	HK$2	100%	100%	100%	100%	100%	Property investment
Broadwood Twelve Management Limited	20/08/2009	HK$1	100%	100%	100%	100%	100%	Property management
Exgratia Company Limited	01/04/1977	HK$2	100%	100%	100%	100%	100%	Property investment
GardenEast Limited	15/08/1972	HK$1,000,000	100%	100%	100%	100%	100%	Property investment
GardenEast Management Limited	20/03/2007	HK$300,000	100%	100%	100%	100%	100%	Property management
Hopewell Promotion and Entertainment Limited (formerly known as Happy Gain Resources Limited)	12/10/2001	HK$600,000	100%	100%	100%	100%	100%	Event organiser
Hopewell (Broadview Villa) Car Parks Management Limited	25/11/1993	HK$2	100%	100%	100%	100%	100%	Carpark management
Hopewell Asset Management Limited	07/04/2010	HK$1	100%	100%	100%	100%	100%	Asset management
Hopewell Centre Management Limited	15/08/1972	HK$20,920,000	100%	100%	100%	100%	100%	Property management
Hopewell Food Industries Limited	30/05/1980	HK$1,000,000	100%	100%	100%	100%	100%	Restaurant licence holder
Hopewell Hospitality Management Limited	29/12/2010	HK$1	—	100%	100%	100%	100%	Asset management
Hopewell Hotels Management Limited	06/10/1989	HK$3,000,000	100%	100%	100%	100%	100%	Hotel management
Hopewell Project Development Limited	20/03/2008	HK$1	100%	100%	100%	100%	100%	Project development and investment holding
Hopewell Property and Facility Management Limited	17/03/2011	HK$1	—	100%	100%	100%	100%	Property management
Hopewell Property Management Company Limited	09/02/1973	HK$200	100%	100%	100%	100%	100%	Property management
Hopewell Real Estate Agency Limited	20/02/1970	HK$3,000,000	100%	100%	100%	100%	100%	Leasing and marketing services
International Trademart Company Limited	10/11/1987	HK$10,002 (2 ordinary shares and 10,000 non-voting deferred shares)	100%	100%	100%	100%	100%	Property investment and investment holding
IT Catering and Services Limited	20/09/1994	HK$2	100%	100%	100%	100%	100%	Restaurant operations and provision of catering services
KITEC Management Limited	03/06/1987	HK$300,000	100%	100%	100%	100%	100%	Property management

Name of company	Date of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Group[1] At 30 June 2010	At 30 June 2011	At 30 June 2012	At 31 December 2012	At the date of this report	Principal activities
Kowloon Panda Hotel Limited	18/03/1969	HK$2,000,200 (2 ordinary shares and 20,000 non-voting deferred shares)	100%	100%	100%	100%	100%	Property investment, hotel ownership and operation
Panda Place Management Limited	13/08/1996	HK$300,000	100%	100%	100%	100%	100%	Property management
Parkgate Enterprises Limited	15/09/1972	HK$100,000	100%	100%	100%	100%	100%	Property investment
QRE Plaza Limited	15/08/1972	HK$100,000	100%	100%	100%	100%	100%	Property investment
QRE Plaza Management Limited	06/02/2008	HK$300,000	100%	100%	100%	100%	100%	Property management
Wetherall Investments Limited	20/10/1978	HK$4 (2 ordinary shares and 2 non-voting deferred shares)	100%	100%	100%	100%	100%	Property investment and investment holding
Subsidiaries incorporated in the British Virgin Islands ("**BVI**")								
Hopewell Hitec (B.V.I.) Limited	25/03/1992	US$1	100%	100%	100%	100%	100%	Investment holding
Kinghill Investment Limited ("**Kinghill**")	09/08/2004	US$1	100%	100%	100%	100%	100%	Investment holding
Kowloon Panda Hotel (B.V.I.) Limited	25/03/1992	US$1	100%	100%	100%	100%	100%	Investment holding
Linford Investments Limited	08/08/2008	US$1	100%	100%	100%	100%	100%	Investment holding
Procelain Properties Ltd.	19/01/1993	US$1	100%	100%	100%	100%	100%	Property holding
Singway (B.V.I.) Company Limited	25/03/1992	US$1	100%	100%	100%	100%	100%	Property investment
Vibo Limited	12/02/2002	US$1	100%	100%	100%	100%	100%	Investment holding
Wetherall Investments (B.V.I.) Limited	25/03/1992	US$1	100%	100%	100%	100%	100%	Investment holding
Jointly controlled entities incorporated in Hong Kong								
Grand Site Development Limited ("**Grand Site**")	03/09/2008	HK$2	50%	50%	50%	50%	50%	Property development and investment
Avenue Walk Management Company Limited (formerly known as Victory Base Management Limited)	08/12/2011	HK$2	—	—	50%	50%	50%	Property management
Wise Link Management Limited	24/08/2010	HK$2	—	50%	50%	50%	50%	Estate management

Note:

(1) The principal subsidiaries and jointly controlled entities above are indirectly held by the Company.

The Directors of the Company are of the opinion that a complete list of all subsidiaries and jointly controlled entities together with their particulars will be excessive length and therefore the above table contains only those subsidiaries and jointly controlled entities whose profits or assets make a significant contribution to the Financial Information of the Group.

The financial year end date of all the companies comprising the Group is 30 June.

The statutory financial statements of the above companies incorporated in Hong Kong and the financial statements of the above companies incorporated in BVI, except Kinghill, for each of the three years ended 30 June 2012 or since their respective dates of incorporation, where this is a shorter period, were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and were audited by us.

No statutory financial statements have been prepared for Kinghill since the date of its incorporation as there is no requirement in the BVI for statutory financial statements to be prepared and presented. For the purposes of this report, we have reviewed all the relevant transactions of Kinghill and carried out such procedures as we considered necessary in preparing our report for inclusion in the prospectus.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group which included the financial information for the three years ended 30 June 2012 and six months ended 31 December 2012 (the "**Underlying Financial Statements**") in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of Section A below. We have audited the Financial Information included in the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Financial Information included in the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements together with the notes thereon, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation of Financial Information set out in note 1 of Section A below, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the combined state of affairs of the Group as at 30 June 2010, 2011 and 2012 and 31 December 2012, and of its combined profits and cash flows for the Relevant Periods.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the six months ended 31 December 2011 together with the notes thereon (the "**December 2011 Financial Information**") have been extracted from the Group's unaudited combined financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the December 2011 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the December 2011 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the December 2011 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the December 2011 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 30 June			Six months ended 31 December	
		2010	2011	2012	2011	2012
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Turnover	5	947,207	1,056,236	1,202,506	591,337	628,726
Cost of sales and services		(418,961)	(448,666)	(482,309)	(234,042)	(227,367)
		528,246	607,570	720,197	357,295	401,359
Other income		11,458	10,207	15,460	11,218	11,413
Selling and distribution costs		(59,210)	(84,116)	(69,531)	(33,132)	(28,592)
Administrative expenses		(148,018)	(158,346)	(186,075)	(92,605)	(97,679)
Gain on disposal of investment properties	12(b)	—	46,440	18,839	14,867	8,354
Fair value gain of:						
Investment properties under development						
Broadwood Twelve	14	2,237,755	—	—	—	—
Commercial portion of HCII after land conversion	14	—	—	—	—	2,153,000
Completed investment properties	12	1,467,630	4,316,224	2,348,400	1,193,146	7,852,185
Investment properties held for sale	12	120,000	199,450	—	—	—
Finance costs	6	(20,146)	(20,050)	(17,257)	(8,766)	(7,172)
Share of profits (losses) of jointly controlled entities		71	115	2,108	977	(3,114)
Profit before taxation	7	4,137,786	4,917,494	2,832,141	1,443,000	10,289,754
Income tax expense	8	(75,130)	(105,687)	(87,658)	(48,015)	(52,512)
Profit for the year/period		4,062,656	4,811,807	2,744,483	1,394,985	10,237,242
Other comprehensive income:						
Items that will not be reclassified to profit or loss						
Gain arising from revaluation of other properties before reclassification to investment properties		—	45,049	119,022	102,230	—
Other comprehensive income for the year/period		—	45,049	119,022	102,230	—
Total comprehensive income for the year/period		4,062,656	4,856,856	2,863,505	1,497,215	10,237,242

COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 30 June			At 31 December
		2010	2011	2012	2012
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current Assets					
Completed investment properties	12	10,807,200	15,290,690	17,862,300	25,729,400
Property, plant and equipment ("**PPE**")	13	688,615	666,507	612,363	594,669
Properties under development	14				
Commercial portion of HCII (investment properties)		—	—	—	4,270,000
Hotel portion of HCII (PPE)		—	—	—	2,117,362
Properties for development	14	796,323	864,163	963,951	571,882
Interests in jointly controlled entities	15	11,818	11,933	14,041	10,927
Amount due from a jointly controlled entity	16	1,670,448	1,753,225	2,116,788	2,211,136
		13,974,404	18,586,518	21,569,443	35,505,376
Current Assets					
Inventories	17	5,413	6,820	7,235	9,035
Amounts due from the Remaining Group	18	196,328	1,716,587	1,315,877	—
Trade receivables	19	21,565	18,065	19,569	26,468
Deposits and prepayments		12,636	21,166	24,390	30,669
Bank balances and cash	20	40,922	44,159	14,451	15,310
		276,864	1,806,797	1,381,522	81,482
Assets classified as held for sale	12(b)	3,050,000	1,835,000	1,202,200	982,300
		3,326,864	3,641,797	2,583,722	1,063,782
Total Assets		17,301,268	22,228,315	24,153,165	36,569,158
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	24	—	—	—	—
Reserves	25	5,943,800	10,491,437	12,108,774	21,618,263
Total Equity		5,943,800	10,491,437	12,108,774	21,618,263
Non-current Liabilities					
Deferred tax liabilities	26	99,710	153,418	174,139	188,508
Amounts due to the Remaining Group	27	1,861,772	861,772	—	—
Bank borrowings through the Remaining Group	23	—	580,000	1,380,000	3,700,000
		1,961,482	1,595,190	1,554,139	3,888,508
Current Liabilities					
Trade and other payables	21	234,565	227,769	201,487	177,217
Rental and other deposits		157,464	199,657	216,327	217,506
Amounts due to the Remaining Group	18	8,946,428	9,629,542	9,962,870	10,606,017
Amount due to a jointly controlled entity	22	4,700	6,848	10,061	11,856
Tax liabilities		29,228	49,627	92,310	47,791
		9,372,385	10,113,443	10,483,055	11,060,387
Liabilities associated with assets classified as held for sale	12(b)	23,601	28,245	7,197	2,000
		9,395,986	10,141,688	10,490,252	11,062,387
Total Liabilities		11,357,468	11,736,878	12,044,391	14,950,895
Total Equity and Liabilities		17,301,268	22,228,315	24,153,165	36,569,158

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Property revaluation reserve	Special reserve	Retained profits	Total
	HK$'000	HK$'000 (note 25)	HK$'000 (note 25)	HK$'000	HK$'000
At 1 July 2009	**—**	**13,024**	**264,837**	**1,745,060**	**2,022,921**
Profit and total comprehensive income for the year	—	—	—	4,062,656	4,062,656
Dividends recognised as distribution during the year (note 9)	—	—	—	(157,500)	(157,500)
Deemed contribution from the Remaining Group	—	—	15,723	—	15,723
At 30 June 2010	**—**	**13,024**	**280,560**	**5,650,216**	**5,943,800**
Profit for the year	—	—	—	4,811,807	4,811,807
Other comprehensive income for the year	—	45,049	—	—	45,049
Total comprehensive income for the year	—	45,049	—	4,811,807	4,856,856
Dividends recognised as distribution during the year (note 9)	—	—	—	(323,900)	(323,900)
Deemed contribution from the Remaining Group	—	—	14,681	—	14,681
At 30 June 2011	**—**	**58,073**	**295,241**	**10,138,123**	**10,491,437**
Profit for the year	—	—	—	2,744,483	2,744,483
Other comprehensive income for the year	—	119,022	—	—	119,022
Total comprehensive income for the year	—	119,022	—	2,744,483	2,863,505
Dividends recognised as distribution during the year (note 9)	—	—	—	(1,256,900)	(1,256,900)
Deemed contribution from the Remaining Group	—	—	10,732	—	10,732
At 30 June 2012	**—**	**177,095**	**305,973**	**11,625,706**	**12,108,774**
Profit and total comprehensive income for the period	—	—	—	10,237,242	10,237,242
Dividends recognised as distribution during the period (note 9)	—	—	—	(744,000)	(744,000)
Deemed contribution from the Remaining Group	—	—	16,247	—	16,247
At 31 December 2012	**—**	**177,095**	**322,220**	**21,118,948**	**21,618,263**
Unaudited:					
At 1 July 2011	**—**	**58,073**	**295,241**	**10,138,123**	**10,491,437**
Profit for the period	—	—	—	1,394,985	1,394,985
Other comprehensive income for the period	—	102,230	—	—	102,230
Total comprehensive income for the period	—	102,230	—	1,394,985	1,497,215
Deemed contribution from the Remaining Group	—	—	5,589	—	5,589
At 31 December 2011	**—**	**160,303**	**300,830**	**11,533,108**	**11,994,241**

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
OPERATING ACTIVITIES					
Profit before taxation	4,137,786	4,917,494	2,832,141	1,443,000	10,289,754
Adjustments for:					
Depreciation of property, plant and equipment	38,040	42,551	48,266	24,354	22,518
Finance costs	20,146	20,050	17,257	8,766	7,172
Gain on disposal of investment properties	—	(46,440)	(18,839)	(14,867)	(8,354)
Fair value gain of:					
Investment properties under development Broadwood Twelve	(2,237,755)	—	—	—	—
Commercial portion of HCII after land conversion	—	—	—	—	(2,153,000)
Completed investment properties	(1,467,630)	(4,316,224)	(2,348,400)	(1,193,146)	(7,852,185)
Investment properties held for sale	(120,000)	(199,450)	—	—	—
Loss (gain) on disposal of property, plant and equipment	78	367	4,307	(13)	175
Share of (profits) losses of jointly controlled entities	(71)	(115)	(2,108)	(977)	3,114
Recognition (reversal) of impairment losses	465	(53)	(428)	53	299
Operating cash flows before movements in working capital	371,059	418,180	532,196	267,170	309,493
Increase in inventories	(184)	(1,407)	(415)	(2,208)	(1,800)
Increase in trade receivables, and deposits and prepayments	(7,982)	(4,977)	(4,300)	(10,515)	(13,477)
Increase (decrease) in trade and other payables, and rental and other deposits	71,946	67,688	30,925	18,528	(6,775)
Cash generated from operations	434,839	479,484	558,406	272,975	287,441
Hong Kong Profits Tax paid	(20,864)	(31,580)	(24,254)	(24,242)	(49,568)
NET CASH FROM OPERATING ACTIVITIES	413,975	447,904	534,152	248,733	237,873
INVESTING ACTIVITIES					
Additions to investment properties	(244,002)	(144,596)	(107,559)	(41,900)	(21,941)
Additions to property, plant and equipment	(36,266)	(41,366)	(22,081)	(11,506)	(12,251)
Additions to properties for/under development	(35,313)	(70,993)	(100,881)	(23,865)	(3,838,293)
Advances to jointly controlled entities	(1,645,448)	(82,777)	(363,563)	(304,218)	(94,348)
Proceeds from disposal of property, plant and equipment	31	95	46	22	20
Proceeds and deposit received from disposal of investment properties (net)	23,601	1,479,175	617,984	378,147	221,199
Advance to the Remaining Group	(102,662)	(1,522,659)	(667,553)	(364,276)	(195,068)
Tax paid in Hong Kong for disposal of investment properties held for sale	—	—	—	—	(33,094)
NET CASH USED IN INVESTING ACTIVITIES	(2,040,059)	(383,121)	(643,607)	(367,596)	(3,973,776)
FINANCING ACTIVITIES					
New bank borrowings raised through the Remaining Group	—	580,000	800,000	800,000	2,320,000
Advance from a jointly controlled entity	2,457	2,148	3,213	988	1,795
Advance from the Remaining Group	1,849,764	154,627	455,106	328,432	3,933,108
Repayment to the Remaining Group	(204,535)	(778,332)	(1,161,455)	(987,891)	(2,506,769)
Finance costs paid	(20,146)	(19,989)	(17,117)	(5,998)	(11,372)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,627,540	(61,546)	79,747	135,531	3,736,762
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,456	3,237	(29,708)	16,668	859
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	39,466	40,922	44,159	44,159	14,451
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	40,922	44,159	14,451	60,827	15,310

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Group reorganisation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 January 2013. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the Prospectus. The Company's immediate holding company is Boyen Investments Limited, a limited liability company incorporated in the BVI whereas the Directors of the Company (the "**Directors**") consider that the Company's ultimate holding company is HHL, a limited liability company incorporated in Hong Kong with its shares listed on the Stock Exchange.

Pursuant to the Group Reorganisation to rationalise the group structure to prepare for the listing of the shares of the Company, the Company acquired the entire equity interests in the companies comprising the Group from certain subsidiaries of HHL. The Group effectively controlled the companies comprising the Group by the end of March 2013, and since then, the Company became the holding company of the companies comprising the Group (the "**Combined Entities**"). The Combined Entities and the Company are under common control of HHL before and after the Group Reorganisation. Therefore, the acquisition of the Combined Entities are accounted for as business combination under common control by applying the principles of merger accounting.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods include the results, changes in equity and cash flows of the Combined Entities as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation or establishment, whichever period is shorter.

The combined statements of financial position of the Group as at 30 June 2010, 2011, 2012 and 31 December 2012 have been prepared to present the assets and liabilities of the Combined Entities as if the current group structure had been in existence as at those dates.

The Financial Information is presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. APPLICATION OF HKFRSs

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied all HKFRSs which are effective for the Group's accounting period beginning on 1 July 2012 and throughout the Relevant Periods except for the accounting policy on investment properties as stated below. An amendment to Hong Kong Accounting Standard ("**HKAS**") 40 *Investment Property* and HKAS 16 *Property, Plant and Equipment* was published by the HKICPA in May 2009, which requires investment property under development to be held at fair value rather than at cost where fair value model is adopted for investment properties. The amendment to HKAS 40/HKAS 16 is effective for accounting periods beginning on or after 1 July 2009 and is applied prospectively. The amendment may only be early adopted if the fair values of the investment properties under development can be determined at the relevant earlier dates. In determining those fair values, the standards do not permit the use of hindsight. The Group considers hindsight would have to be used in order to determine the valuation of investment properties under development at 1 July 2009. This is because certain information is unavailable and of the lack of opportunity to make a site inspection on that date. As a result of the amendment to HKAS 40/HKAS 16, the Group has recognised a fair value gain of HK$2,237,755,000 in profit or loss for the year ended 30 June 2010 upon completion of the investment properties which were under development at 1 July 2009.

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

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

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

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 for the Group's annual period beginning 1 July 2015 is not expected to have material impact on the Financial Information of the Group.

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) — Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

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

In June 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these HKFRSs for the first time.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 were issued in October 2012 for providing an exception to the consolidation requirement in HKFRS 10 and requiring "investment entities" to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. Disclosure requirements for investment entities are set out in HKFRS 12.

These five standards are effective for the annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted for the Group's annual period beginning on 1 July 2013 and that the application of the new standards is not expected to have material impact on the Financial Information of the Group but may result in more extensive disclosures.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example,

quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted for the Group's annual period beginning on 1 July 2013 and that the application of the new standard may result in more extensive disclosures of the valuation basis of investment properties in the Financial Information of the Group.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates the financial information of the entities controlled by the Company or its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the Combining Entities in which the common control combination occurs as if they had been combined from the date when the Combining Entities first came under the control of HHL.

The net assets of the Combining Entities are consolidated using the existing book values from HHL's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of HHL's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the Combining Entities from the earliest date presented or since the date when the Combining Entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the Financial Information using the equity method of accounting. Under the equity method, interests in jointly controlled entities are initially recognised in the combined statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses.

Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

When a group entity transacts with a jointly controlled entity of the Group, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Financial Information only to the extent of interest in the jointly controlled entity that are not related to the Group.

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. In circumstances where the fair value of an investment property under development is not reliably measurable but the fair value of the property is expected to be reliably measurable when construction is completed, such investment properties under development are measured at cost less impairment, if any, until either its fair value becomes reliably determinable or construction is completed, whichever is the earlier. Once the fair value of an investment property under development that has previously been measured at cost is able to measure reliably, the property is measured at fair value. Any difference between the fair value of the property at that time and its previous carrying amount is recognised in profit or loss. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference

between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

If an investment property becomes a property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, any difference between the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the changes, the property is stated at deemed cost, equivalent to the fair value at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.

Property, plant and equipment

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

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

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

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

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Properties for development

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

Impairment losses on assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Non-current assets held for sale

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets represent loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate

that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Loans and receivables

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

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

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

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including amounts due to the Remaining Group and a jointly controlled entity, bank borrowings through the Remaining Group, trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. The aggregate cost of incentives is recognised as a reduction of rental income on a straightline basis over the term of the relevant lease.

Leasehold land and building

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

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as investment properties, property, plant and equipment or properties for development.

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*, such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business

objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Other than deferred tax liabilities related to investment properties which are presumed to be recovered from sale, the measurement of other deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

Revenue recognition

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

Lease of properties

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

Property agency and management

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

Property development

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed at which the relevant completion certificates are issued by the respective government authorities and the properties have been delivered to the purchasers.

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

Hotel operation and management

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

Restaurant operations and food catering

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

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the key assumptions concerning the future, and other key sources of estimation of uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months from the end of each reporting period.

Investment properties

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

Income taxes

No deferred tax asset has been recognised on the tax losses of HK$217 million, HK$227 million, and HK$224 million and HK$237 million as at 30 June 2010, 2011, 2012 and 31 December 2012 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, additional deferred tax assets or a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such an event takes place.

5. TURNOVER AND SEGMENT INFORMATION

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

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

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

Property investment	—	property letting, agency and management
Hotel, restaurant and catering operation	—	hotel ownership and management, restaurant operations and food catering
Property development	—	development and/or sale of properties, property under development and project management

Information regarding the above segments is reported below.

Segment revenue

	Property investment	Hotel, restaurant and catering operation	Property development	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 30 June 2010				
External	627,462	326,911	—	954,373
Inter-segment	24,634	—	—	24,634
Combined	652,096	326,911	—	979,007
Year ended 30 June 2011				
External	675,148	388,412	1,519,290	2,582,850
Inter-segment	34,227	—	—	34,227
Combined	709,375	388,412	1,519,290	2,617,077
Year ended 30 June 2012				
External	751,021	461,228	676,700	1,888,949
Inter-segment	29,802	—	—	29,802
Combined	780,823	461,228	676,700	1,918,751
Six months ended 31 December 2011 (Unaudited)				
External	368,838	227,676	403,600	1,000,114
Inter-segment	11,239	—	—	11,239
Combined	380,077	227,676	403,600	1,011,353
Six months ended 31 December 2012				
External	403,383	230,232	239,300	872,915
Inter-segment	8,997	16	—	9,013
Combined	412,380	230,248	239,300	881,928

Segment revenue includes turnover as presented in combined statements of profit or loss and other comprehensive income, share of revenue of jointly controlled entities and gross proceeds from sale of investment properties held for sale.

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

The total segment revenue can be reconciled to the turnover as presented in combined statements of profit or loss and other comprehensive income as follows:

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Total segment revenue from external customers	954,373	2,582,850	1,888,949	1,000,114	872,915
Less:					
Sale of completed investment properties held for sale included in the segment revenue of property development	—	(1,519,290)	(676,700)	(403,600)	(239,300)
Share of revenue of jointly controlled entities	(7,166)	(7,324)	(9,743)	(5,177)	(4,889)
Turnover as presented in combined statements of profit or loss and other comprehensive income	947,207	1,056,236	1,202,506	591,337	628,726

Segment results

	Property investment	Hotel, restaurant and catering operation	Property development	Total segment results
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 30 June 2010				
Subsidiaries	378,745	54,122	2,323,176	2,756,043
Jointly controlled entities	125	—	(54)	71
Total	378,870	54,122	2,323,122	2,756,114
Year ended 30 June 2011				
Subsidiaries	400,104	93,609	195,002	688,715
Jointly controlled entities	202	—	(87)	115
Total	400,306	93,609	194,915	688,830
Year ended 30 June 2012				
Subsidiaries	447,016	129,925	(7,532)	569,409
Jointly controlled entities	2,205	—	(97)	2,108
Total	449,221	129,925	(7,629)	571,517
Six months ended 31 December 2011 (Unaudited)				
Subsidiaries	220,969	71,811	11	292,791
Jointly controlled entities	1,006	—	(29)	977
Total	221,975	71,811	(18)	293,768
Six months ended 31 December 2012				
Subsidiaries	250,335	81,314	2,151,359	2,483,008
Jointly controlled entities	1,313	—	(4,427)	(3,114)
Total	251,648	81,314	2,146,932	2,479,894

Fair value gain on investment properties under development and investment properties held for sale form part of the segment result of property development.

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

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Segment results	2,756,114	688,830	571,517	293,768	2,479,894
Unallocated corporate expenses	(65,812)	(67,510)	(70,519)	(35,148)	(35,153)
	2,690,302	621,320	500,998	258,620	2,444,741
Fair value gain of completed investment properties	1,467,630	4,316,224	2,348,400	1,193,146	7,852,185
Finance costs	(20,146)	(20,050)	(17,257)	(8,766)	(7,172)
Profit before taxation	4,137,786	4,917,494	2,832,141	1,443,000	10,289,754

Segment assets and liabilities

Segment assets and liabilities are not disclosed in the Financial Information as they are not regularly provided to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Geographical information

All of the Group's business are carried out in Hong Kong and all non-current assets of the Group are located in Hong Kong.

6. FINANCE COSTS

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interests on bank borrowings through the Remaining Group wholly repayable within 5 years	79	1,194	7,631	3,078	10,069
Loan commitment fees and others	20,067	18,856	9,626	5,688	1,103
	20,146	20,050	17,257	8,766	11,172
Less: interests capitalised in properties under development	—	—	—	—	(4,000)
	20,146	20,050	17,257	8,766	7,172

7. PROFIT BEFORE TAXATION

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit before taxation has been arrived at after charging (crediting):					
Auditor's remuneration	1,373	1,996	1,931	1,058	1,036
Depreciation of property, plant and equipment	38,040	42,551	48,266	24,354	22,518
Loss (gain) on disposal of property, plant and equipment	78	367	4,307	(13)	175
Gross rental income from investment properties	(566,430)	(611,784)	(681,833)	(335,204)	(368,692)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year/period	170,536	183,385	195,013	101,740	94,191
	(395,894)	(428,399)	(486,820)	(233,464)	(274,501)
Share of tax of jointly controlled entities (included in share of profits of jointly controlled entities)	25	40	436	374	(554)
Staff costs	209,888	226,774	257,806	129,220	129,732
Recognition (reversal) of impairment losses	465	(53)	(428)	53	299

8. INCOME TAX EXPENSE

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Hong Kong Profits Tax					
Current year/period	22,099	51,701	66,933	40,077	39,891
Under (over) provision in respect of prior years	115	278	4	41	(1,748)
	22,214	51,979	66,937	40,118	38,143
Deferred tax (note 26)	52,916	53,708	20,721	7,897	14,369
	75,130	105,687	87,658	48,015	52,512

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit over the Relevant Periods.

Details of deferred taxation are set out in note 26.

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

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit before taxation	4,137,786	4,917,494	2,832,141	1,443,000	10,289,754
Tax at Hong Kong Profits Tax rate of 16.5%	682,735	811,387	467,303	238,095	1,697,809
Tax effect of expenses not deductible for tax purposes	5,818	5,132	4,536	2,268	2,016
Tax effect of income not taxable for tax purposes	(611,393)	(712,180)	(387,487)	(196,869)	(1,650,856)
Tax effect of tax losses not recognised	342	4,919	3,757	4,228	3,656
Tax effect of utilisation of, and recognition of deferred tax on, tax losses not previously recognised	(5,224)	(3,312)	(4,333)	(3,293)	(1,500)
Tax effect of share of (profits) losses of jointly controlled entities	(12)	(19)	(348)	(161)	514
Under (over) provision in respect of prior years/periods	115	278	4	41	(1,748)
Others	2,749	(518)	4,226	3,706	2,621
Income tax expense for the year/ periods	75,130	105,687	87,658	48,015	52,512

9. DIVIDEND

No dividend has been declared or paid by the Company since its date of incorporation. However, during the Relevant Periods, certain subsidiaries of the Group made distributions to their then immediate holding companies, which are not part of the Group.

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Dividends declared	157,500	323,900	1,256,900	—	744,000

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report. Such dividends declared by the subsidiaries were recorded in the current account with the Remaining Group.

On 29 April 2013, dividends of HK$100 million were declared by the companies now comprising the Group to the Remaining Group.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Group Reorganisation and the preparation of the results of the Group for the Relevant Periods on combined basis as disclosed in note 1.

11. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

(a) Emoluments of the Directors for the years ended 30 June 2010, 2011, 2012 and for the six months ended 31 December 2011 and 2012 were borne by the Remaining Group.

(b) Highest paid employees' emoluments

The five individuals whose emoluments were the highest in the Group for the years ended 30 June 2010, 2011, 2012 and for the six months ended 31 December 2011 and 2012 are not Directors of the Group. Details of emoluments paid to these individuals are as follows:

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Salary, allowance and other benefits	5,008	5,966	6,502	3,382	3,471
Discretionary bonus	830	1,002	1,567	—	—
Employer's MPF contributions	60	60	61	30	36
	5,898	7,028	8,130	3,412	3,507

The emoluments of the above individuals fell within the following bands:

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
				(unaudited)	
Number of individuals					
Below HK$1,000,000	—	—	—	4	4
HK$1,000,001 — HK$1,500,000	5	4	3	1	1
HK$1,500,001 — HK$2,000,000	—	1	1	—	—
HK$2,000,001 — HK$2,500,000	—	—	1	—	—
	5	5	5	5	5

12. COMPLETED INVESTMENT PROPERTIES

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Completed Investment properties at fair value:				
At beginning of the year/period	9,456,900	13,857,200	17,125,690	19,064,500
Additions on subsequent expenditure	231,111	104,787	82,436	15,047
Disposals of assets classified as held for sale	—	(1,417,371)	(634,926)	(220,032)
Transfer (to) from property, plant and equipment	(109,000)	65,400	142,900	—
Transfer from properties under development (note 14)	2,690,559	—	—	—
Fair value gain of:				
Completed investment properties	1,467,630	4,316,224	2,348,400	7,852,185
Investment properties held for sale	120,000	199,450	—	—
At end of the year/period	13,857,200	17,125,690	19,064,500	26,711,700
Included in assets classified as held for sale(2)	(3,050,000)	(1,835,000)	(1,202,200)	(982,300)
	10,807,200	15,290,690	17,862,300	25,729,400

The Group's investment properties comprise:

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Land and buildings in Hong Kong on				
Long leases	9,189,100	10,636,400	11,912,000	15,826,400
Medium-term leases	4,668,100	6,489,290	7,152,500	10,885,300
	13,857,200	17,125,690	19,064,500	26,711,700

Notes:

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

(2) On 24 May 2010, the Group decided to sell Broadwood Twelve instead of holding them for rental as originally planned. The Group had initiated active marketing plan for sale of such properties. Accordingly, the Group had reclassified Broadwood Twelve as "**Assets classified as held for sale**" for the compliance of the relevant accounting standard, namely HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. After the reclassification, the measurement of Broadwood Twelve will continue to follow the fair value model in accordance with HKAS 40 *Investment Property*. Deposits received on the sale of such properties amounting to HK$23.6 million, HK$28.2 million, HK$7.2 million and HK$2.0 million as at 30 June 2010, 2011, 2012 and 31 December 2012, respectively, have been classified as "Liabilities associated with assets classified as held for sale" at the end of each reporting period.

During the years ended 30 June 2010, 2011, 2012 and for the six months ended 31 December 2011 and 2012, gain on disposal of assets classified as held for sale amounting to nil, HK$46 million, HK$19 million, HK$15 million (unaudited) and HK$8 million has been recognised in profit or loss. Such gain is included in the segment result of property development in note 5.

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

(3) The fair value of the Group's investment properties as at 30 June 2010, 2011, 2012 and 31 December 2012 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited ("**DTZ**"), an independent firm of professional property valuers, registered professional surveyor (M.R.I.C.S. and M.H.K.I.S.) not connected to the Group. The correspondence address of DTZ is 16/F., 1063 King's Road, Quarry Bay, Hong Kong. For office premises, serviced apartments, car parks and retail outlets, the valuation is arrived at by capitalising the rental and other income derived from the existing tenancies with due provision for the reversionary income potential of the properties or, where appropriate, by using direct comparison method by making reference to comparable sales transactions as available in the relevant market.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong			
	Hotel property	Other properties	Other assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 July 2009	496,039	248,019	308,226	1,052,284
Additions	—	1,127	35,318	36,445
Transfer from investment properties	—	109,000	—	109,000
Disposals	—	—	(2,694)	(2,694)
At 30 June 2010	496,039	358,146	340,850	1,195,035
Additions	—	1,951	39,305	41,256
Transfer to investment properties (Note)	—	(29,160)	—	(29,160)
Disposals	—	—	(9,462)	(9,462)
At 30 June 2011	496,039	330,937	370,693	1,197,669
Additions	—	1,846	20,106	21,952
Transfer to investment properties (Note)	—	(30,755)	—	(30,755)
Disposals	—	—	(8,675)	(8,675)
At 30 June 2012	496,039	302,028	382,124	1,180,191
Additions	—	128	4,891	5,019
Disposals	—	—	(340)	(340)
At 31 December 2012	496,039	302,156	386,675	1,184,870
DEPRECIATION				
At 1 July 2009	174,355	92,033	204,577	470,965
Provided for the year	9,687	5,082	23,271	38,040
Eliminated on disposals	—	—	(2,585)	(2,585)
At 30 June 2010	184,042	97,115	225,263	506,420
Provided for the year	9,687	8,358	24,506	42,551
Eliminated on transfer (Note)	—	(8,809)	—	(8,809)
Eliminated on disposals	—	—	(9,000)	(9,000)
At 30 June 2011	193,729	96,664	240,769	531,162
Provided for the year	9,687	10,064	28,515	48,266
Eliminated on transfer (Note)	—	(6,877)	—	(6,877)
Eliminated on disposals	—	—	(4,723)	(4,723)
At 30 June 2012	203,416	99,851	264,561	567,828
Provided for the period	4,841	4,779	12,898	22,518
Eliminated on disposals	—	—	(145)	(145)
At 31 December 2012	208,257	104,630	277,314	590,201
CARRYING VALUES				
At 30 June 2010	311,997	261,031	115,587	688,615
At 30 June 2011	302,310	234,273	129,924	666,507
At 30 June 2012	292,623	202,177	117,563	612,363
At 31 December 2012	287,782	197,526	109,361	594,669

Note: During the years ended 30 June 2011 and 2012, other properties with an aggregate fair value of HK$65.4 million and HK$142.9 million respectively were transferred from property, plant and equipment to investment properties. The difference between the fair value of these properties and their carrying value at dates of transfer amounting to HK$45 million and HK$119 million has been dealt with in property revaluation reserve for the years ended 30 June 2011 and 2012 respectively.

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

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Hotel property on land under medium-term leases	311,997	302,310	292,623	287,782
Other properties on land under				
Long leases	169,444	165,653	135,576	131,934
Medium-term leases	91,587	68,620	66,601	65,592
	261,031	234,273	202,177	197,526

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

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

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

14. PROPERTIES FOR DEVELOPMENT AND PROPERTIES UNDER DEVELOPMENT

Properties for development

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At beginning of the year/period	756,739	796,323	864,163	963,951
Additions	39,584	67,840	99,788	108,402
Transfer to properties under development	—	—	—	(500,471)
At end of the year/period	796,323	864,163	963,951	571,882

Properties under development

	Broadwood Twelve (investment properties)	Commercial portion of HCII (investment properties)	Hotel portion of HCII (PPE)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2009	452,804	—	—	452,804
Fair value gain on investment properties	2,237,755	—	—	2,237,755
Transfer to completed investment properties (note 12)	(2,690,559)	—	—	(2,690,559)
At 30 June 2010, 2011 and 2012	—	—	—	—
Additions		1,866,945	1,866,946	3,733,891
Transfer from properties for development	—	250,055	250,416	500,471
Fair value gain on investment properties	—	2,153,000	—	2,153,000
At 31 December 2012	—	4,270,000	2,117,362	6,387,362

On 1 July 2009, a property of the Group, namely Broadwood Twelve, was carried at cost of approximately HK$0.4 billion. Its fair value cannot be reliably measured as the Group was incapable to carry out a proper valuation in its then existing condition. The development of such property was completed during the year ended 30 June 2010. Gain arising from changes in fair value up to completion of development amounting to HK$2,238 million had been recognised in profit or loss during the year ended 30 June 2010.

On 26 June 2012, the Group received from the Hong Kong Government an offer of the amount of land premium for the land conversion in respect of the development of HCII. HCII is expected to comprise a conference hotel to be accounted for as properties, plant and equipment (hotel portion) and a retail podium, office spaces and car parking spaces to be accounted for as investment properties (collectively referred to as "**commercial portion**"). Prior to the land conversion as defined in the announcement of HHL dated 26 June 2012, the development plan of HCII had not been approved by the Hong Kong Government. Therefore, the cost of HCII could not be reliably allocated to the hotel and commercial portion and the fair value of commercial portion could not be reliably measurable. The carrying amount of HCII comprising development expenditure and other directly attributable expenses, carried at cost less any recognised impairment loss of HCII amounting to HK$452,315,000, HK$483,316,000 and HK$486,860,000 as at 30 June 2010, 2011 and 2012, respectively, was included in properties for development.

Subsequent to the acceptance of the land conversion offer of approximately HK$3,726 million for the development site to develop HCII and the approval of development plan by the Hong Kong Government, the Group obtained possession of the additional portion of the land for the development of HCII project in October 2012 and transferred the carrying amount of HCII to properties under development. With the information of the land premium and the approved development plan, the respective hotel and commercial portion can be reliably determined and the fair value of commercial portion of HCII can be reliably measured during the period ended 31 December 2012. Accordingly, total cost of approximately HK$500 million in respect of HCII have been allocated to commercial portion of HCII (investment properties) for an amount of HK$250 million and hotel portion of HCII (PPE) for an amount of HK$250 million based on their relative fair value. Fair value gain of HK$2.2 billion relating to the commercial portion is recognised in profit or loss during the period.

The hotel portion of HCII is carried at cost less any recognised impairment loss. The amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Depreciation of buildings commences when they are available for use.

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

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

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

15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Unlisted investments	11,818	11,933	14,041	10,927

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

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	1,511,385	1,672,820	3,346,940	3,487,049
Non-current assets	172,484	123,196	241,792	247,878
Current liabilities	(1,672,051)	(1,784,083)	(2,130,191)	(2,231,500)
Non-current liabilities	—	—	(1,444,500)	(1,492,500)

	Year ended 30 June			Six months ended 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Income	7,400	7,587	10,025	5,029
Expenses	(7,329)	(7,472)	(7,917)	(8,143)

16. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from a jointly controlled entity represents advances to Grand Site, a joint venture company holding the 200 Queen's Road East Project. The balance is subordinated which shall not be repaid until the loan and all amounts owing under the banking facilities that have been granted to Grand Site have been paid. The balance is unsecured, interest-free and has no fixed repayment terms.

17. INVENTORIES

Inventories mainly represents the foods, beverages and general supplies of the Group's hotel, restaurant and catering operation.

The cost of inventories recognised as an expense during the year ended 30 June 2010, 2011, 2012 and the six months ended 31 December 2011 and 2012 amounted to HK$66,005,000, HK$66,907,000, HK$75,882,000, HK$36,509,000 (unaudited) and HK$32,987,000 respectively.

18. AMOUNTS DUE FROM/TO THE REMAINING GROUP

The amounts due from the Remaining Group are unsecured, interest-free and repayable within one year.

The amounts due to the Remaining Group are unsecured, interest-free and repayable on demand, except for the amount of approximately HK$1,000 million, HK$862 million and HK$399 million as at 30 June 2011, 30 June 2012 and 31 December 2012, respectively, which are repayable within one year.

19. TRADE RECEIVABLES

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

The following is an analysis of trade receivables net of allowances for doubtful debts by age, presented based on the invoice date:

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Receivables aged				
0 — 30 days	18,015	14,580	16,339	20,502
31 — 60 days	1,817	1,819	1,775	2,459
Over 60 days	2,276	2,156	1,517	3,868
	22,108	18,555	19,631	26,829
Less: Allowance for doubtful debts	(543)	(490)	(62)	(361)
	21,565	18,065	19,569	26,468

The Group has made allowance for all trade receivables where, based on historical experience, it is not probable that such receivables are recoverable.

Included in the Group's trade receivable balance are debtors with carrying amount of HK$8,611,000, HK$12,709,000, HK$8,721,000 and HK$10,975,000 which are past due as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively, for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired, presented based on the due date:

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
0 — 30 days	6,642	10,711	7,469	7,404
31 — 60 days	1,324	1,339	1,235	2,466
Over 60 days	645	659	17	1,105
Total	8,611	12,709	8,721	10,975

Movement in the allowance for doubtful debts:

	Year ended 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at beginning of the year/period	78	543	490	62
Recognition (reversal) of impairment losses	465	(53)	(428)	299
Balance at end of the year/period	543	490	62	361

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances which carry interest at market rates.

21. TRADE AND OTHER PAYABLES

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

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Payables aged				
0 — 30 days	78,377	79,304	66,416	39,167
31 — 60 days	949	6,469	3,219	9,273
Over 60 days	6,559	16,959	22,654	36,834
	85,885	102,732	92,289	85,274
Retentions payable	15,463	12,109	5,013	4,799
Accrued costs for properties	113,091	94,713	85,108	58,399
Accrued staff costs	20,126	18,215	19,077	28,745
	234,565	227,769	201,487	177,217

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

Of the retentions payable, an amount of HK$13,001,000, HK$1,966,000, HK$2,635,000 and HK$1,142,000 is due beyond twelve months as at 30 June 2010, 2011, 2012 and 31 December 2012 respectively.

22. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

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

23. BANK BORROWINGS THROUGH THE REMAINING GROUP

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings through the Remaining Group, unsecured	—	580,000	1,380,000	3,700,000
Carrying amount repayable:				
Within one year	—	—	—	—
In the second to fifth years inclusive	—	580,000	1,380,000	3,700,000
Amounts due for settlement after one year	—	580,000	1,380,000	3,700,000

As at 30 June 2011, 2012 and 31 December 2012, an aggregate principal amount of approximately HK$580 million, HK$1,380 million and HK$3,700 million were drawn down by the Group, through a subsidiary of the Remaining Group, which was guaranteed by HHL as set out in note 31.

As at 30 June 2011, 2012 and 31 December 2012, all bank borrowings through the Remaining Group carry interest at floating rates of 0.52%, 0.62% and 0.60% per annum.

24. SHARE CAPITAL

The Company was incorporated on 23 January 2013 and therefore there was no issued share capital shown at the end of each reporting period during the Relevant Periods.

25. RESERVES

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

Property revaluation reserve

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

Special reserve

Special reserve includes the deemed capital contributions on interest-free loans from Remaining Group and the combined share capital of certain subsidiaries before Group Reorganisation.

26. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	Fair value adjustments on investment properties	Tax losses	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2009	211,139	—	(162,922)	(1,423)	46,794
Charge (credit) to profit or loss	25,233	19,800	7,936	(53)	52,916
At 30 June 2010	236,372	19,800	(154,986)	(1,476)	99,710
Charge to profit or loss	27,711	16,030	9,245	722	53,708
At 30 June 2011	264,083	35,830	(145,741)	(754)	153,418
Charge (credit) to profit or loss	30,671	(12,705)	2,721	34	20,721
At 30 June 2012	294,754	23,125	(143,020)	(720)	174,139
Charge (credit) to profit or loss	15,072	(3,960)	3,275	(18)	14,369
At 31 December 2012	309,826	19,165	(139,745)	(738)	188,508

The deferred tax assets and liabilities have been offset for the purpose of presentation in the combined statement of financial position.

As at 30 June 2010, 2011, 2012 and 31 December 2012, the Group had available unused tax losses of HK$1,157 million, HK$1,110 million, HK$1,090 million and HK$1,084 million to offset against future profits. A deferred tax asset of HK$155 million, HK$146 million, HK$143 million and HK$140 million in respect of tax losses of HK$940 million, HK$883 million, HK$866 million and HK$847 million has been recognised as at 30 June 2010, 2011, 2012 and 31 December 2012 respectively. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$217 million, HK$227 million, HK$224 million and HK$237 million as at 30 June 2010, 2011,

2012 and 31 December 2012 respectively due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

27. AMOUNTS DUE TO THE REMAINING GROUP

The amounts due to the Remaining Group included in non-current liabilities are unsecured, interest-free and repayable in June 2013 except for an amount of HK$1,000 million as at 30 June 2010 which was repayable in June 2012.

28. PROJECT COMMITMENTS

(a) Hopewell Centre II

Hopewell Centre II is one of the new major property projects of the Group. On 26 June 2012, the Group received a land premium offer for Hopewell Centre II and accepted such offer on 25 July 2012. The land premium of approximately HK$3,726 million was paid by the Group to the Hong Kong Government in October 2012. Under the current plan, the estimated total investment cost (including land premium) for the development will be around HK$9 billion, which has taken into account the estimated investment cost for a road improvement scheme, a green park open to the public, and an extensive tree-planting plan.

(b) 200 Queen's Road East Project

The Group and a joint venture partner jointly hold and are developing the 200 Queen's Road East Project in Wan Chai through their shareholdings of 50% each in a joint venture company. The Group's total commitment to the project was approximately HK$4.5 billion as at 30 June 2010, 2011, 2012 and 31 December 2012. This represented 50% of its total budgeted development and related costs. As at 30 June 2010, 2011, 2012 and 31 December 2012, a total of approximately HK$1.7 billion, HK$1.8 billion, HK$2.1 billion and HK$2.2 billion had been advanced by the Group to the joint venture company to finance project development costs, respectively. The remaining development costs of the joint venture company is expected to be funded by bank borrowings of the joint venture company.

(c) Property renovation

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Authorised but not contracted for	—	—	—	5,827
Contracted for but not provided	518	4,591	11,499	23,080
	518	4,591	11,499	28,907

29. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the years ended 30 June 2010, 2011, 2012 and for the six months ended 31 December 2011 and 2012 approximately HK$566 million, HK$612 million, HK$682 million, HK$335 million (unaudited) and HK$369 million respectively. At 30 June 2010, 2011, 2012 and 31 December 2012, the investment properties of the Group with an aggregate carrying amount of approximately HK$9,742 million, HK$13,744 million, HK$16,727 million and HK$23,528 million were rented out under operating leases. These properties have committed tenants for the next one to ten years without termination options granted to the tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum payments under non-cancellable operating leases:

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	385,240	375,527	457,160	464,597
In the second to fifth years inclusive	355,819	403,299	564,908	558,225
After five years	1,284	147,222	133,584	124,940
	742,343	926,048	1,155,652	1,147,762

30. RETIREMENT BENEFIT SCHEME

The Group has established a Mandatory Provident Fund Scheme for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$20,000 per month (increases to HK$25,000 per month effective 1 June 2012).

The total costs charged to profit or loss for the years ended 30 June 2010, 2011, 2012 and for the six months ended 31 December 2011 and 2012 amounted to HK$7,034,000, HK$7,172,000, HK$7,802,000, HK$3,762,000 (unaudited) and HK$3,827,000 respectively represent contributions paid or payable to the scheme by the Group in respect of the Relevant Periods.

31. RELATED PARTY TRANSACTIONS

In addition to the balances of the Group with related parties disclosed above, the Group has the following significant transactions with the Remaining Group:

Nature of transactions	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$000	HK$000	HK$000	HK$'000 (unaudited)	HK$'000
Income					
Rental income, air conditioning charges and property management income received	19,611	18,808	22,022	10,880	11,114
Carpark income	433	648	1,015	495	503
Design fee	—	—	3,666	3,666	5,490
Expenses					
Corporate management fee	66,400	66,400	70,200	35,100	35,100

At 30 June 2010, 2011, 2012 and 31 December 2012, credit facilities of a fellow subsidiary to the aggregate extent of HK$13,364 million, HK$8,032 million, HK$7,484 million and HK$7,484 million, respectively, were guaranteed by HHL. Certain facilities were utilised by the Remaining Group for the purpose of providing finance to the Group (see note 23) and providing utility deposit guarantee to the Group to the extent of HK$13 million, HK$601 million, HK$1,401 million and HK$5,301 million as at 30 June 2010, 2011, 2012 and 31 December 2012 respectively.

At 30 June 2012 and 31 December 2012, HHL acted as the guarantor of bank loan facilities of Grand Site to the extent of HK$2,500 million, of which HK$1,445 million and HK$1,493 million had been utilised as at 30 June 2012 and 31 December 2012, respectively. The Group's equity interest in Grand Site has been pledged to banks concerned to secure the banking facilities that have been granted to Grand Site. The carrying amount of the pledged equity interest as at

30 June 2012 was insignificant to the Group. As at 30 June 2010 and 30 June 2011, no such facilities were granted.

In addition, HHL also provided corporate guarantee of up to HK$1,031 million for Grand Site to a bank in August 2012 in respect of a letter of undertaking issued by the bank to the Hong Kong Government for the purpose of facilitating the application of Grand Site to the Government for pre-sale consent of the 200 Queen's Road East Project.

At 30 June 2010, 2011, 2012 and 31 December 2012, the Group had contracted with the Remaining Group for future minimum payments under non-cancellable operating leases, in aggregate, of HK$35,379,000, HK$13,645,000, HK$25,458,000 and HK$13,177,000 respectively.

Compensation of key management personnel

For the years ended 30 June 2010, 2011, 2012 and for the six months ended 31 December 2011 and 2012, the remuneration of the Company's executive directors and company secretary were borne by the Remaining Group while the remuneration of other key management personnel were borne by the Group as set out below. Such remunerations are determined by the Board of respective subsidiaries having regard to the performance of individuals and market trends.

	Year ended 30 June			Six months ended 31 December	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Salaries, allowance and other benefits	5,799	7,583	8,562	4,300	5,275
Discretionary bonus	966	1,272	1,881	—	—
Employer's MPF contributions	74	84	90	42	62
	6,839	8,939	10,533	4,342	5,337

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of bank borrowings through the Remaining Group and equity attributable to equity holders of the Company, comprising share capital, retained profits and other reserves.

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

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 30 June			At 31 December
	2010	2011	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Loans and receivables at amortised cost (including bank balances and cash)	1,929,263	3,532,036	3,466,685	2,252,914
Financial liabilities				
Liabilities at amortised cost	10,914,248	11,193,003	11,450,233	14,407,946

(b) Financial risk management objectives and policies

The Group's major financial instruments include amounts due from a jointly controlled entity and the Remaining Group, trade receivables, bank balances and cash, trade and other payables, amounts due to a jointly controlled entity and the Remaining Group, and bank borrowings through the Remaining Group. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

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

Market risks

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amount due from a jointly controlled entity and current account with the Remaining Group which are interest-free. It is the Group policy to keep these balances at interest-free.

The Group is exposed to cash flow interest rate risk in relation to certain bank borrowings through the Remaining Group which are subject to changes in Hong Kong Interbank Offered rate ("**HIBOR**"). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR.

The Group considers the interest rate risk in relation to bank balances is insignificant.

Interest rate risk sensitivity analysis

As the prevailing market interest rates have limited fluctuation during each of the reporting periods, the Directors expected the market interest rate will have limited fluctuation in the next twelve months from the end of each reporting period and are of the opinion that the Group's exposures to cash flow interest rate risk is minimal. Accordingly, no sensitivity analysis is presented.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the combined statements of financial positions.

The Group's credit risk is primarily attributable to its amounts due from a jointly controlled entity and the Remaining Group, trade receivables, and bank balances. In order to minimise the credit risk of trade receivables, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

The credit risk on amounts due from the Remaining Group is limited as the Remaining Group is at a good financial position.

Other than the amounts due from the Remaining Group and a jointly controlled entity, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risks of the Group on liquid funds are limited because the counterparties are banks with good reputation.

Liquidity risk

As at 30 June 2010, 2011, 2012 and 31 December 2012, the Group's total assets less current liabilities is amounted to HK$7,905 million, HK$12,087 million, HK$13,663 million and HK$25,507 million respectively. As at 30 June 2010, 2011, 2012 and 31 December 2012, the Group's net current liabilities is amounted to HK$6,069 million, HK$6,500 million, HK$7,907 million and HK$9,999 million respectively.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of the borrowing facilities from the Remaining Group.

As at 30 June 2011, 2012 and 31 December 2012, the bank borrowings through the Remaining Group of approximately HK$580 million, HK$1,380 million and HK$3,700 million, respectively, is due within one year for which the Group expects, and has discretion to request the Remaining Group, to roll over the amount for at least twelve months after the end of the reporting period under its existing loan facility with the same lenders and on similar term. Accordingly, the amount is classified as non-current liabilities and presented in the time band of "1-5 years" in the liquidity risk table.

The following tables detail the contractual maturity of the Group for their financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity tables

	Weighted average interest rate	Repayable on demand or less than 1 month	1-2 months	Over 2 months but not more than 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
30 June 2010								
Trade and other payables	—	84,500	768	3,079	13,001	—	101,348	101,348
Rental deposits	—	5,153	8,327	38,913	77,706	1,260	131,359	131,359
Amount due to a jointly controlled entity	—	4,700	—	—	—	—	4,700	4,700
Amounts due to the Remaining Group	—	8,946,428	—	—	2,067,998	—	11,014,426	10,808,200
		9,040,781	9,095	41,992	2,158,705	1,260	11,251,833	11,045,607
30 June 2011								
Trade and other payables	—	99,785	8,424	4,666	1,966	—	114,841	114,841
Rental deposits	—	11,568	8,902	38,172	89,374	254	148,270	148,270
Amount due to a jointly controlled entity	—	6,848	—	—	—	—	6,848	6,848
Amounts due to the Remaining Group	—	9,629,542	—	—	1,067,998	—	10,697,540	10,491,314
Bank borrowings through the Remaining Group	0.52	251	251	2,513	583,016	—	586,031	580,000
		9,747,994	17,577	45,351	1,742,354	254	11,553,530	11,341,273
30 June 2012								
Trade and other payables	—	89,484	2,288	2,895	2,635	—	97,302	97,302
Rental deposits	—	13,125	9,450	40,848	103,943	1,660	169,026	169,026
Amount due to a jointly controlled entity	—	10,061	—	—	—	—	10,061	10,061
Amounts due to the Remaining Group	—	9,101,098	—	1,067,998	—	—	10,169,096	9,962,870
Bank borrowings through the Remaining Group	0.62	722	722	7,157	1,388,588	—	1,397,189	1,380,000
		9,214,490	12,460	1,118,898	1,495,166	1,660	11,842,674	11,619,259
31 December 2012								
Trade and other payables	—	85,352	96	3,483	1,142	—	90,073	90,073
Rental deposits	—	17,101	8,110	41,012	101,169	3,805	171,197	171,197
Amount due to a jointly controlled entity	—	11,856	—	—	—	—	11,856	11,856
Amounts due to the Remaining Group	—	10,207,006	—	605,238	—	—	10,812,244	10,606,017
Bank borrowings through the Remaining Group	0.60	1,842	1,842	18,422	3,722,106	—	3,744,212	3,700,000
		10,323,157	10,048	668,155	3,824,417	3,805	14,829,582	14,579,143

(c) Fair value

The fair value of financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the Financial Information approximate their fair values.

34. EVENTS AFTER THE REPORTING PERIOD

On 29 April 2013, The Company increased its authorised share capital to an aggregate of HK$1,000 million and US$50,000 by the creation of an additional 10,000 million shares of HK$0.10 par value each.

At the same time, the Company allotted and issued 1,000 million shares of HK$0.10 par value each as fully paid to Boyen Investments Limited, the existing sole shareholder, by way of capitalisation of an aggregate amount of HK$19,000 million owing by the Company to Boyen Investments Limited (representing the total consideration payable for the acquisition by the Group of the entire shareholding interest in Wetherall Investments (B.V.I.) Limited and Hopewell Hitec (B.V.I.) Limited in March 2013).

Simultaneously, the company repurchased and cancelled the one issued share with a nominal value of US$1 in the capital of the Company for the consideration of US$1, and the authorised share capital of the Company was reduced by the cancellation of all the 50,000 authorised but unissued shares of US$1 par value each, such that the authorised share capital of the Company became HK$1,000 million divided into 10,000 million shares of HK$0.10 par value each.

Subject to and simultaneous with the completion of the Global Offering as set out in "Structure of the Global Offering" of the Prospectus, the Company will allot and issue 500 million shares of HK$0.10 par value each to Boyen Investments Limited credited as fully paid by way of capitalisation of the entire amount of the net outstanding intra-group loans owing by the Group to the Remaining Group as at the date of such issue, such shares ranking *pari passu* in all respects with the existing shares then in issue.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2012 up to the date of this report.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in "Appendix I — Accountants' Report", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in "Appendix I — Accountants' Report".

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to the combined net tangible assets of the Group attributable to the equity holders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 as if the Global Offering had taken place on that date.

The statement of unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 or as at any subsequent dates, including following the Global Offering.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share[3][4][5]
	HK$ (in millions)	HK$ (in millions)	HK$ (in millions)	HK$
Before Capitalisation Issue				
Based on an Offer Price of HK$15.30 per Offer Share	**21,618**	**5,014**	**26,632**	**19.87**
Based on an Offer Price of HK$17.80 per Offer Share	**21,618**	**5,843**	**27,461**	**20.49**

Notes:

(1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 is extracted from the Accountants' Report set out in "*Appendix I — Accountants' Report*", which is based on the audited combined net assets of the Group attributable to the equity holders of the Company.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$15.30 and HK$17.80 per Offer Share, respectively, after deduction of underwriting commissions and fees (assuming no payment of the discretionary incentive fee) and other related expenses payable by the Company and without taking into account, (i) any Shares which may be issued pursuant to the issue mandate and (ii) any Shares which may be repurchased pursuant to the repurchase mandate.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at on the basis that 1,340,000,000 Shares were in issue, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group and 340,000,000 Shares to be issued pursuant to the Global Offering, assuming that the Global Offering had been completed on 31 December 2012 and without taking into account (i) Shares to be issued pursuant to the Capitalisation Issue, (ii) any Shares which may be issued pursuant to the issue mandate and (iii) any Shares which may be repurchased pursuant to the repurchase mandate.

(4) No adjustment has been made to audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2012. In particular, the unaudited pro forma adjusted combined net tangible assets in the table above has not been adjusted to show the effect of the Capitalisation Issue. Subject to and simultaneous with the completion of the Global Offering, the Company will issue 500,000,000 Shares to Boyen Investments. These Shares will be credited as fully paid up by way of capitalisation of the entire amount of the net outstanding intra-group loans owed by the Group to the Remaining Group as at the date of such issue. A sum of HK$10,606.0 million representing the amount due from the Group to the Remaining Group as at 31 December 2012 has been adjusted in the table below for illustrative purposes, taking into account the impact of the Capitalisation Issue. The unaudited pro forma adjusted net tangible assets after the Capitalisation Issue per Share is arrived at on the basis that 1,840,000,000 Shares were in issue, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the

companies comprising the Group from the Remaining Group, 340,000,000 Shares to be issued pursuant to the Global Offering and 500,000,000 Shares to be issued pursuant to the Capitalisation Issue, assuming that both the Global Offering (see note (2) above for an explanation of the estimated net proceeds from the Global Offering) and the Capitalisation Issue had been completed on 31 December 2012. The actual amounts to be capitalised will be based on the outstanding balances as at the date when the Capitalisation Issue actually takes place.

	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company after the Capitalisation Issue	Unaudited pro forma adjusted net tangible assets after the Capitalisation Issue per Share
	HK$ (in millions)	HK$
After Capitalisation Issue		
Based on an Offer Price of HK$15.30 per Offer Share . .	**37,238**	**20.24**
Based on an Offer Price of HK$17.80 per Offer Share . .	**38,067**	**20.69**

(5) Based on the property valuation reports as at 31 March 2013 as set out in *"Appendix IV — Property Valuation"*, the property interests attributable to the Group had a revaluation surplus up to 31 March 2013 of approximately HK$8,131.4 million (please refer to "*Financial Information — Property Interest And Property Valuation*" for more information), representing the excess of the market value of these properties over their book value. The unaudited pro forma adjusted combined net tangible assets has not taken into account of the revaluation surplus of properties held for own use and hotel properties, nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 31 March 2013 is to be incorporated in the Group's future financial statements, additional annual depreciation of approximately HK$136.1 million would be charged to profit or loss.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE[1]

The following unaudited pro forma forecast earnings per Share have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 July 2012. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 30 June 2013 or any future periods.

Forecast consolidated net profit attributable to equity holders of the Company before fair value gains of investment properties	**not less than HK$420 million**
Fair value gains of investment properties	**HK$11,143 million**
Forecast consolidated net profit attributable to equity holders of the Company after fair value gains of investment properties	**not less than HK$11,563 million**
Unaudited pro forma forecast earnings per Share before the Capitalisation Issue[2]	
— Forecast profit before fair value gains of investment properties	**not less than HK$0.31 per Share**
— Forecast profit after fair value gains of investment properties	**not less than HK$8.63 per Share**

Notes:

(1) The bases and assumptions on which the above profit forecast has been prepared are summarised in "*Appendix III — Profit Forecast*". The Directors have prepared the above profit forecast based on the audited results of the Group for the 6 months ended 31 December 2012, the unaudited results based on the management accounts of the Group for the 3 months ended 31 March 2013 and a forecast of the results of the Group for the remaining 3 months ending 30 June 2013. The above profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of the Accountants' Report, the text of which is set out in "*Appendix I — Accountants' Report*".

(2) The unaudited forecast earnings per Share on a pro forma basis (before the Capitalisation Issue) is calculated by dividing the forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 by 1,340,000,000 Shares comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group and 340,000,000 Shares to be issued pursuant to the Global Offering as if such Shares had been in issue on 1 July 2012. The number of Shares used in this calculation includes the Shares in issue as at the date of this prospectus and the Shares to be issued pursuant to the Global Offering but excludes (i) Shares to be issued pursuant to the Capitalisation Issue, (ii) any Shares which may be issued pursuant to the issue mandate and (iii) any Shares which may be repurchased pursuant to the repurchase mandate.

(3) For illustrative purposes, had the Capitalisation Issue been taken into account, the number of Shares used in this calculation would be increased to 1,840,000,000 Shares, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group, 340,000,000 Shares to be issued pursuant to the Global Offering and 500,000,000 Shares to be issued pursuant to the Capitalisation Issue, as if the Global Offering and the Capitalisation Issue had been completed on 1 July 2012. The unaudited forecast earnings per Share on a pro forma basis (after the Capitalisation Issue) is calculated by dividing the forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 by 1,840,000,000 Shares as set out in the table below.

Unaudited pro forma forecast earnings per Share after the Capitalisation Issue	
— Forecast profit before fair value gains of investment properties	not less than HK$0.23 per Share
— Forecast profit after fair value gains of investment properties	not less than HK$6.28 per Share

C. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF HOPEWELL HONG KONG PROPERTIES LIMITED

We report on the unaudited pro forma financial information of Hopewell Hong Kong Properties Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed global offering might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated 6 June 2013 (the "**Prospectus**"). The basis of preparation of the unaudited pro forma financial information is set out on page II-1 to II-3 to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance of indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 31 December 2012 or any future date; or
- the earnings per share of the Group for the year ending 30 June 2013 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly complied by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 6 June 2013

A. BASES AND ASSUMPTIONS

The Directors have prepared the forecast consolidated profit attributable to the equity holders of the Company for the year ending 30 June 2013 (the "**Profit Forecast Period**") based on the audited results of the Group for the six months ended 31 December 2012, the unaudited results based on the management accounts of the Group for the three months ended 31 March 2013 and a forecast of the results of the Group for the remaining three months ending 30 June 2013.

The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of the Accountants' Report, the text of which is set out in "*Appendix I — Accountants' Report*", and is based on the following principal assumptions:

The Directors have adopted the following principal assumptions in the preparation of the profit forecast:

(i) There will be no material changes in the existing political, legal, fiscal, market or economic conditions in Hong Kong;

(ii) There will be no changes in legislation, regulations or rule in Hong Kong, or any other country or territory which may materially adversely affect the business of the Company;

(iii) There will be no material changes, including government regulations and policies, in the property sector and the hospitality industry in Hong Kong, which may materially adversely affect the Group's business or operations;

(iv) The Group's operation and business will not be severely interrupted by any force majeure events, unforeseeable factors, or unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters, catastrophes (such as floods and typhoons), epidemics or serious accidents;

(v) Exchange rates and interest rates will not differ materially from those presently prevailing;

(vi) There will be no material changes in the bases or applicable rates of taxation in Hong Kong;

(vii) Rental income is estimated based on leases in effect as of 31 March 2013, or signed before 31 March 2013 and come into effect thereafter. Rental income on new leases and rental reversions on any rent review within the Profit Forecast Period are estimated by the Directors based on market conditions and market rates as of March 2013, taking into consideration the spot rent of similar units in the property as well as the rental rates under the expired leases;

(viii) It has been assumed that all leases will be performed in line with their agreed terms and major tenancy agreements will not be cancelled or terminated early; and

(ix) The Directors believe that the Group is able to develop its projects on schedule during the Forecast Period.

B. PROFIT FORECAST

Forecast consolidated net profit attributable to equity holders of the Company before fair value gains of investment properties	**not less than HK$420 million**
Fair value gains of investment properties	**HK$11,143 million**
Forecast consolidated net profit attributable to equity holders of the Company after fair value gains of investment properties	**not less than HK$11,563 million**

Notes:

(1) The Directors have prepared the above profit forecast based on the audited results of the Group for the 6 months ended 31 December 2012, the unaudited results based on the management accounts of the Group for the 3 months ended 31 March 2013 and a forecast of the results of the Group for the remaining 3 months ending 30 June 2013. The above profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of the Accountants' Report, the text of which is set out in "*Appendix I — Accountants' Report*".

(2) For the 3 months ending 30 June 2013, it is estimated that there will be no material change in the market value of investment properties, as it is expected that there will be no material change in the Group's operations or the market conditions during such period.

(3) The forecast consolidated net profit attributable to equity holders of the Company before fair value gains of investment properties of not less than HK$420 million has taken into account an estimated listing expense of HK$20.0 million which will be a one-time charge to profit or loss.

SENSITIVITY ANALYSIS

The following table is for illustrative purposes and sets out the sensitivity of the forecast consolidated net profit attributable to our equity holders to different levels of increase/(decrease) in fair value of the investment properties (excluding investment properties held for sale) for the year ending 30 June 2013:

% change in fair value of investment properties(1)	**-5%**	**-10%**	**5%**	**10%**
Impact on forecast net profit to our equity holders targeted for the year ending 30 June 2013 (HK$ in million)	(1,581)	(3,163)	1,581	3,163
The Group's net profit for the year ending 30 June 2013 will be (HK$ in million)	9,982	8,400	13,144	14,726
% (decrease) increase in net profit	(13.7%)	(27.4%)	13.7%	27.4%

Note:

(1) Excludes investment properties classified as held for sale.

We adopt a 5% and 10% range of increment/decrement to the base case in the sensitivity analysis above in respect of (i) the change in fair value of the Group's completed investment properties, including Hopewell Centre, QRE Plaza, GardenEast, Wu Chung House (six retail shops and 80 car parking spaces only), KITEC and Panda Place; (ii) the change in fair value of the commercial portion of Hopewell Centre II, which is accounted for as investment property; and (iii) the share of the change in fair value of the commercial portion of 200 Queen's Road East Project, which is accounted for as investment property, during FY2013.

For the purposes of the sensitivity analysis, we have excluded the impact from the change in fair value of the Group's investment properties held for sale, namely Broadwood Twelve. Taking into account the relatively stable nature of the luxury residential market which is consistent with recent historical periods, it is estimated that there will be no material change in fair value of Broadwood Twelve.

You should refer to "*Risk Factors — Gains or losses arising from changes in fair value of our investment properties are likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability and financial position*" for additional information.

The above illustrations are intended to be for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value changes of investment properties for the year ending 30 June 2013, the fair value changes of investment properties as at the relevant time may differ materially from our estimate and are dependent on market conditions and other factors which are beyond our control.

C. LETTERS

Set forth below are the texts of the letters received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, and from the Joint Sponsors in connection with the profit forecast for the purpose of incorporation in this prospectus.

(1) LETTER FROM THE REPORTING ACCOUNTANTS

Deloitte.
德勤

德勤．關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

6 June 2013

The Directors
Hopewell Hong Kong Properties Limited
Room 63-01, 63rd Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of Hopewell Hong Kong Properties Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ending 30 June 2013 attributable to equity holders of the Company (the "**Forecast**"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 6 June 2013 issued by the Company (the "**Prospectus**"). The Forecast is prepared based on the audited results of the Group for the six months ended 31 December 2012, the results shown in the unaudited management accounts of the Group for the three months ended 31 March 2013, and a forecast of the results for the remaining three months ending 30 June 2013.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the bases and assumptions made by the directors of the Company as set out in part A of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the financial information of the Group for the three years ended 30 June 2012 and the six months ended 31 December 2012 as set out in Appendix I to the Prospectus.

Without qualifying our opinion above, we draw to your attention that the directors of the Company have disclosed in the section B in Appendix III to the Prospectus that in preparing the

Forecast, the directors of the Company have assumed that there will be fair value gains of investment properties amounting to approximately HK$11,143 million and it is estimated that there will be no material change in the market value of investment properties during the three months ending 30 June 2013, as it is expected that there will be no material change in the Group's operations and the market conditions during such period. While the directors of the Company believe that this is the best estimate of the fair value of the investment properties as at 30 June 2013, the fair value of the investment properties and/or any fair value increase or decrease on investment properties as at the relevant time may differ materially from their estimate. Should the actual increase or decrease in fair value of the investment properties differ from the amount estimated by the directors of the Company, such difference would have the effect of increasing or decreasing the forecast profit attributable to equity holders of the Company for the year ending 30 June 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(2) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter prepared by the Joint Sponsors, for the purpose of incorporation in this prospectus, in connection with the forecast of the consolidated profit attributable to equity holders of the Company for the year ending 30 June 2013.

BOC INTERNATIONAL CREDIT SUISSE

(in alphabetical order)

6 June 2013

The Directors
Hopewell Hong Kong Properties Limited
Room 63-01, 63rd Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Dear Sirs

We refer to the forecast consolidated profit attributable to the equity holders of Hopewell Hong Kong Properties Limited (the "**Company**") for the year ending 30 June 2013 (the "**Forecast**") as set out in the prospectus issued by the Company dated 6 June 2013 (the "**Prospectus**").

We understand that the Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2012, the unaudited results based on the management accounts of the Group for the three months ended 31 March 2013 and a forecast of the results of the Group for the remaining three months ending 30 June 2013.

We have discussed with you the bases and assumptions made by the Directors of the Company as set out in "*Appendix III — Profit Forecast*" to the Prospectus upon which the Forecast has been made. We have also considered, and relied upon, the letter dated 6 June 2013 addressed to you and us from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Forecast has been based.

On the basis of the information comprising the Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
BOCI Asia Limited

Raymond Leung
Managing Director, Head of Corporate Finance

Andy Wai
Director

Yours faithfully,
For and on behalf of
Credit Suisse (Hong Kong) Limited

Kevin Rumjahn
Director

The following is the text of a letter with the summary of valuations and valuation certificates received from DTZ Debenham Tie Leung Limited, the independent property valuer, in connection with its valuation of the properties of the Group as at 31 March 2013, for the purpose of incorporation in this prospectus.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

6 June 2013

The Directors
Hopewell Hong Kong Properties Limited
Room 63-01, 63rd Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Dear Sirs,

Instruction, Purpose & Date of Valuation

We refer to your instructions for us to carry out market valuations of the properties in which Hopewell Hong Kong Properties Limited (the "**Company**") or its subsidiaries (together referred to as the "**Group**") have interests. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the values of those properties as at 31 March 2013 (the "**Date of Valuation**").

Basis of Valuation

Our valuation of each property represents its market value which in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors (HKIS) is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Assumptions

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuation

In valuing properties nos. 1 and 3 to 9 in Group I, we have adopted Income Capitalisation Approach. We have valued each of them by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential. In determining the market rent to be used in valuations, we have made reference to the recent lettings in the subject properties and other similar properties. We have also considered and made due adjustments for differences in key factors including but not limited to floor levels, areas, orientations, frontages and time of letting. Regarding the capitalisation rates, they are estimated with reference to the yield generally expected by the market for comparable properties, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. Our key assumptions for valuations of the properties are set out in the notes of the valuation certificates of the properties. For cross-checking purpose, we have also adopted the Direct Comparison Approach by making reference to comparable sales evidence.

For property no. 2 in Group I, which is a hotel under operation, we have valued it by the Direct Comparison Approach and Discounted Cash Flow ("**DCF**"). We have valued it assuming all relevant statutory and/or mandatory permissions, permits, approvals and licences which are necessary for hotel operation in Hong Kong are properly in place. In the DCF, we have assumed an investment holding period of 10 years and the details of our key assumptions are set out in the valuation certificate.

In valuing properties nos. 10 to 13 in Group II which are held for development, we have adopted Direct Comparison Approach by making reference to comparable sales transactions as available in the market and have taken into account their development potential.

The valuation methodology used in the valuation of each property is commonly adopted in valuing similar type of property.

In addition, for property no. 11, we have valued it on the basis that it will be developed in accordance with the copies of general building plans and have allowed for the estimated outstanding construction costs provided to us by the Group.

In valuing the properties, we have complied with requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) issued by the Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as statutory notices, orders, easements, tenure, lettings, licences, particulars of occupancy, identification of properties, trading accounts, site and floor plans, site and floor areas, number of parking spaces, number of guest rooms, development schemes, approximate costs estimates, cost expended, development time schedule and all other relevant matters.

Land Tenure

In valuing the properties, the Government Leases of which expired before 30 June 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance under which such leases have been extended without premium until 30 June 2047 and that rents of 3% of the rateable values are charged per annum from the date of extension.

Title Investigation

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our valuers, Ms Amy Ho who is a member of the HKIS and Ms Angelina Kwok who is a probationer of the HKIS, inspected the exterior and wherever possible, the interior of the properties in December 2012 and March 2013. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the building services. For those properties which are held for development, we have not carried out any soil investigations to determine the suitability of soil conditions and building services for any development. Moreover we have not undertaken any environmental survey for the properties. Our valuations are prepared on the assumptions that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
MHKIS, MRICS, RPS (GP)
Senior Director

Note: Mr. K.B. Wong is a Registered Professional Surveyor (General Practice) who has over 25 years' experience in valuation of properties in Hong Kong.

SUMMARY OF VALUATIONS

Group I — Properties held by the Group for investment in Hong Kong

	Property	Capital value in existing state as at 31 March 2013 HK$	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2013 HK$
1.	Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong.	12,720,000,000	100%	12,720,000,000
2.	Hotel Portion, Panda Hotel, No. 3 Tsuen Wah Street, Tsuen Wan, New Territories.	3,390,000,000	100%	3,390,000,000
3.	Commercial Portion and various Car Parking Spaces of Panda Hotel, No. 3 Tsuen Wah Street, Tsuen Wan, New Territories.	1,895,000,000	100%	1,895,000,000
4.	Kowloonbay International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon.	9,345,000,000	100%	9,345,000,000
5.	QRE Plaza, No. 202 Queen's Road East, Wan Chai, Hong Kong.	1,152,000,000	100%	1,152,000,000
6.	Commercial Units G03 and G04 on Ground Floor, Commercial Units 201, 202 and Restaurant on 2nd Floor, Wu Chung House, No. 213 Queen's Road East, Wan Chai, Hong Kong.	457,000,000	100%	457,000,000
7.	10 Lorry Parking Spaces on the 3rd Floor, 39 Car Parking Spaces on the 4th Floor, 31 Car Parking Spaces on the 5th Floor and the Remaining Portion of Reserved Areas, Wu Chung House, No. 213 Queen's Road East, Wan Chai, Hong Kong.	73,600,000	100%	73,600,000

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 31 March 2013 HK$	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2013 HK$
8.	GardenEast, No. 222 Queen's Road East, Wan Chai, Hong Kong.	1,862,000,000	100%	1,862,000,000
9.	Various units, Broadwood Twelve, No. 12 Broadwood Road, Happy Valley, Hong Kong.	808,750,000	100%	808,750,000
	Sub-total of Group I:	31,703,350,000	100%	31,703,350,000
Group II — Properties held by the Group for development in Hong Kong				
10.	Hopewell Centre II, Kennedy Road, Wan Chai, Hong Kong.	8,945,000,000	100%	8,945,000,000
11.	200 Queen's Road East Project, Lee Tung Street / McGregor Street, Wan Chai, Hong Kong.	8,835,000,000	50%	4,417,500,000
12.	Nos. 155, 157 and 159 Queen's Road East, Wan Chai, Hong Kong.	217,000,000	100%	217,000,000
13.	Various units, Nos. 161, 163, 165 and 167 Queen's Road East, Wan Chai, Hong Kong.	325,000,000	100%	325,000,000
	Sub-total of Group II:	18,322,000,000		13,904,500,000
	Grand Total:	50,025,350,000		45,607,850,000

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
1.	Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong. Inland Lot No. 8551.	The property comprises a 66-storey (including a basement and a mezzanine above the 17th floor) commercial building. There are a total of 250 car parking spaces and 50 loading and unloading spaces within the building. The property was completed in 1983. The basement to the 3rd, 6th to 8th, 17th and 61st to 62nd floors are for commercial use. The car parking spaces and loading and unloading spaces are located on the 4th, 5th and 9th to 15th floors. The refuge areas are located on the 32nd and 45th floors. The remaining floors are designated for office use. The total gross floor area of the property is approximately 840,692 sq. ft. (78,102.19 sq. m.), excluding the area of car parking spaces and loading and unloading spaces. The locality of the property is characterised by a mixture of commercial and residential developments of various ages.	Except for a total area of approximately 87,863 sq. ft. (8,162.67 sq. m.) which is vacant, the shops and offices are let to various tenants for terms of mostly 1 to 6 years with the latest tenancy due to expire in March 2018 at a total rent of about HK$25,100,000 per month, exclusive of rates, management fees and air-conditioning charges. The car parking spaces are licensed on monthly and hourly basis. The average car park income received in the period from July 2012 to February 2013 was about HK$1,240,000 per month.	HK$12,720,000,000 (100% interest attributable to the Group: HK$12,720,000,000)

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
	The property is held from the Government under Conditions of Exchange No. UB11834 for a term of 75 years from 23 May 1985 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.		

Notes:

(1) The registered owner of the property is Singway (B.V.I.) Company Limited which is a wholly-owned subsidiary of the Group.

(2) The property is subject to a No-Objection Letter from District Lands Office/ Hong Kong West vide Memorial No. UB6591354 dated 29 March 1996.

(3) The property is subject to a Modification Letter from District Lands Office/ Hong Kong East vide Memorial No. 12102501960011 dated 24 October 2012.

(4) The property is subject to a Consent Letter as to revised car park layout plan from Lands Department vide Memorial No. 12110600570135 dated 11 May 2012.

(5) The property is subject to a Deed of Grant of Right of Way vide Memorial No. 12110702320022 dated 24 October 2012.

(6) The property is zoned for "Commercial (5)" use under Wan Chai Outline Zoning Plan No. S/H15/27.

(7) Our key assumptions in the Income Capitalisation Approach are:

	Market Monthly Rent (per sq. ft.)	Capitalisation Rate
Retail	HK$33.5 – HK$240	3.5%
Office	HK$42 – HK$57	3.75%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The rental levels of those major retail lettings range from approximately HK$30 per sq. ft. to HK$150 per sq. ft. and the rental levels of those major office lettings range from approximately HK$30 per sq. ft. to HK$48 per sq. ft.

Hopewell Centre is a well-known and one of the tallest buildings in Wan Chai. Office units, especially those on high floors with open views, can fetch rents higher than other comparable office premises in the same district. Both the office and retail spaces available at Hopewell Centre are of excellent building specifications. The property has been subject to on-going renovation, with the lobby being extensively modernised in recent years. The available floor plans are both spacious and flexible, with the retail portion containing a large-scale layout. Additionally, the building's column free design results in high efficiency. Excellent customer and concierge services are available at Hopewell Centre, and its access at Kennedy Road, coupled with the large number of offices located in the building, result in both a selection of major chain stores and a high flow of traffic comprising higher income retail customers. Retail shops in the property, in particular, those with street frontages have very positive trading potential and can fetch rents higher than other retail shops in other similar buildings. Furthermore, ample car parking spaces are available and Wan Chai MTR Station is within a close distance. Upward adjustments to the recent lettings for arriving at the key assumptions are necessary to reflect these factors.

We have gathered and analysed various recent sales transactions of shops and offices and noted that the yields implied in those transactions are generally within the range of 3% to 3.7% for retail premises and in the approximate range of 3% for office premises.

The capitalisation rates are reasonable having regard to the yields analysed from sales of comparable properties, particularly those of larger sizes, which we have collected. When determining the capitalisation rate, we have taken into account that Wan Chai is a key business area and is a key retail and office hub with convenient transportation access. The property is one of the largest office properties in Wan Chai and can be regarded as one of the iconic developments in the district.

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
2.	Hotel Portion, Panda Hotel, No. 3 Tsuen Wah Street, Tsuen Wan, New Territories. Situated within Tsuen Wan Town Lot No. 312.	The property comprises the hotel portion of a 33-storey (including a 3-level basement) hotel/ commercial complex completed in 1991. The hotel accommodates 911 guest rooms. Facilities such as swimming pool, gymnasium, function rooms, bars, Chinese and Western restaurants, coffee shop and business centre etc. are provided within the hotel. The total gross floor area of the property is approximately 424,717 sq. ft. (39,457.17 sq. m.) The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under New Grant No. 6598 for a term of 99 years less the last 3 days from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently operated and managed by the Group as a licensed hotel.	HK$3,390,000,000 (100% interest attributable to the Group: HK$3,390,000,000)

Notes:

(1) The registered owner of the property is Kowloon Panda Hotel Limited which is a wholly-owned subsidiary of the Group.

(2) The property is subject to a Modification Letter vide Memorial No. TW651459 dated 20 March 1990.

(3) The property is zoned for "Residential (Group A)" use under Tsuen Wan Outline Zoning Plan No. S/TW/29.

(4) Transactions of hotels are very few and there are no recent sales transactions in Tsuen Wan district. In the course of our valuation, we have taken note of sales of hotels of qualities similar to high tariff B or medium tariff categories in other areas of Hong Kong. The more recent ones which we can find and verify from public records are as follows:

Property	Date of Sale	Price	Number of Rooms	Price per room	Year of Completion
Novotel Nathan Road Kowloon Hong Kong and Nathan Square, 348 Nathan Road, Kowloon.	April 2012	HK$2,368,000,000	389	HK$6,087,404 (including value of the commercial portion)	1992 (Renovated in 2008)
Dorsett Regency Hotel, Hong Kong, 12-22 Davis Street, Kennedy Town	May 2012	HK$800,000,000	209	HK$3,827,751	2011
H1 Hotel, 423 Reclamation Street, Mong Kok	June 2012	HK$250,000,000	50	HK$5,000,000	2011
A hotel at 129-131 Temple Street, Yaumatei	February 2013	HK$150,000,000	37	HK$4,054,054	2013

Novotel Nathan Road Kowloon Hong Kong is a 389-room hotel with shops/commercial space from Basement 2 to 3rd Floors which are rented out to other third parties. It is situated at Nathan Road in Yaumatei where pedestrian flow is moderately heavy. In terms of scale, it is smaller but it has a more central location in the urban area than the property. As this sale relates to a hotel/commercial complex, the average price per room has to be adjusted to reflect the underlying value attributable to the hotel portion only.

Dorsett Regency Hotel, Hong Kong is a 209-room hotel provided with a lounge and a swimming pool. It was completed in 2011. The size of the typical guest room is about 200 sq. ft. net. It is situated in Kennedy Town on Hong Kong Island with good accessibility.

H1 Hotel is a 50-room hotel provided with a shop on ground floor. It was completed in 2011. The size of the typical guest room is about 140 sq. ft. net. It is located close to the major mall of Langham Place in Mongkok and in close proximity to the Mong Kok MTR station.

129-131 Temple Street is a 37-room hotel. It was completed in 2013. The size of the typical guest room is about 100 sq. ft. net. It is situated in Yaumatei where there is a high concentration of small hotels which cater for mainland individual travellers.

When compared with the comparable properties, the property is of a larger scale and equipped with better facilities and amenities. It however is of almost 22 years old though well maintained. In terms of location, it is located in Tsuen Wan, New Territories and close to some aged industrial buildings. Whereas, all the comparable premises are situated in the urban area and mainly surrounded by more compatible domestic and commercial developments. In arriving at our valuation, we have considered the above comparables for reference and accounted for the differences between them and the property regarding location, quality, facilities and other factors affecting value.

(5) We have assumed an investment holding period of 10 years in the DCF valuation and the other key assumptions used are summarised as follows:

(i) Average daily room rate ("**ADR**"): 1st year-HK$820.

The hotel has a long trading history and is in a mature state of business operation. In reaching this assumption, the average daily room rates of the hotel for the past two financial years were taken into consideration. The average daily room rate achieved by the hotel in the 2012 financial year was HK$700. For the 1st half of the 2013 financial year (i.e. July to December 2012), the average daily room rate grew to HK$752, an increase of 7.4%. Additionally, the average daily room rates of comparable hotels in the area and industry statistics were also taken into account. According to the statistics of Hong Kong Tourism Board, the average daily room rate of High Tariff B hotels has grown by 8.8% in 2012. We are of the view that the short term outlook for the hotel industry in Hong Kong as a whole will remain positive in the absence of unforeseen and uncontrollable external factors.

(ii) Annual growth in ADR: Stabilised at 4.5%.

Assumptions regarding annual growth rate in ADR were based upon the hotel's historical growth and performance. Based on sustained industry growth of the past few years, it is believed that the hotel will continue to follow historical trends and will generate additional revenue in the future, assuming no policy changes or unforeseen events impacting Hong Kong's economy will occur.

(iii) Occupancy rate: 1st year-89%.

In arriving at our assumptions regarding the future occupancy rate of the hotel, industry statistics, data for the past two years and the performance of Panda Hotel were analysed and reviewed. Its average occupancy rates for the financial years of 2010, 2011 and 2012 were 84.3%, 89.5% and 89.9% respectively. We expect that increasing travellers and visitors to Hong Kong will allow the occupancy rate at the hotel to remain at stable levels for some time. Additionally, we do not anticipate or foresee any material or substantial changes in competition in the near future. We have also assumed there will be no material change in the political or economic conditions in Hong Kong and that no government policies or regulations affecting the number of visitors to Hong Kong or the travel or hotel industries generally will be implemented.

(iv) Discount rate: 8%.

The discount rate reflects the inherent risk associated with investment in the hotel and takes into consideration compensation for risks inherent in future cash flows as well as inflation. It is considered a reasonable assumption based on our understanding of the return expected by investors for similar properties and is consistent with the level of discount rate used in valuation of similar types of properties.

(v) Terminal yield: 4.5%.

The terminal yield is analysed from sales transactions of hotels of which we are aware.

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
3.	Commercial Portion and various Car Parking Spaces of Panda Hotel, No. 3 Tsuen Wah Street, Tsuen Wan, New Territories. Situated within Tsuen Wan Town Lot No. 312.	The property comprises all the commercial units on the basement levels 1 to 3, ground, 2nd, 3rd and 4th floors and 402 car parking spaces on the 3rd, 4th, 5th, 6th and 7th floors of a 33-storey (including a 3-level basement) hotel/ commercial complex. The building was completed in 1991. The total gross floor area of the property is approximately 244,716 sq. ft. (22,734.67 sq. m.) (excluding the area of car parking spaces). The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under New Grant No. 6598 for a term of 99 years less the last 3 days from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	Except for a total area of approximately 16,274 sq. ft. (1,511.89 sq. m.) which is vacant, the commercial units are let to various tenants for terms of mostly 1 to 3 years with the latest tenancy due to expire in August 2024 at a total rent of about HK$4,492,000 per month, mostly exclusive of rates, management fees and air-conditioning charges. The car parking spaces are licensed on monthly or hourly basis. The average car park income received in the period from July 2012 to February 2013 was about HK$625,000 per month.	HK$1,895,000,000 (100% interest attributable to the Group: HK$1,895,000,000)

Notes:

(1) The registered owner of the property is Kowloon Panda Hotel Limited which is a wholly-owned subsidiary of the Group.

(2) The property is subject to a Modification Letter vide Memorial No. TW651459 dated 20 March 1990.

(3) The property is zoned for "Residential (Group A)" use under Tsuen Wan Outline Zoning Plan No. S/TW/29.

(4) Our key assumptions in the Income Capitalisation Approach are:

Market Monthly Rent (per sq. ft.)	Capitalisation Rate
HK$14.5 – HK$70	4%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The rental levels of those major retail lettings range from approximately HK$15 per sq. ft. to HK$100 per sq. ft.

We have gathered and analysed various recent sales transactions of shops and noted that the yields implied in those transactions are generally within the range of 3.6% to 4.4% for retail premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rate is reasonable having regard to the yields analysed from sales of comparable properties, particularly those of larger sizes, which we have collected. When determining the capitalisation rate, we have taken into account that the property is a commercial arcade beneath one of the largest hotels in Hong Kong (in terms of number of rooms) which can enhance its retail potential. It was designed and built in the 1990's but a major revamp to modernise the arcade has already been carried out in 2005 and an extensive renovation programme was completed in September 2012.

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
4.	Kowloonbay International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon. New Kowloon Inland Lot No. 6032.	The property comprises an 18-storey (including a 4-level basement) commercial building which accommodates shopping arcade, convention and exhibition facilities and offices. It also comprises a total of 763 car parking spaces and various loading and unloading areas. The property was completed in 1996. In addition, an Occupation Permit was issued on 11 October 2007 in respect of a multi-purpose hall which is an extension built on the 3rd floor of the building. The total gross floor area of the property is approximately 1,774,555 sq. ft. (164,860.18 sq. m.) (excluding the area of car parking spaces). The locality of the property is characterised by commercial and industrial buildings of various ages.	Except for a total area of approximately 112,699 sq. ft. (10,469.99 sq. m.) which is vacant, the shops and offices are let to various tenants for terms of mostly 1 to 4 years with the latest tenancy due to expire in February 2016 at a total rent of about HK$12,892,000 per month, exclusive of rates, management fees and air-conditioning charges. The average monthly gross income received from the convention and exhibition facilities in the period from July 2012 to February 2013 was about HK$4,293,000 per month. The car parking spaces were licensed on monthly or hourly basis. The average car park income received in the period from July 2012 to February 2013 was about HK$842,000 per month.	HK$9,345,000,000 (100% interest attributable to the Group: HK$9,345,000,000)

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
	The property is held from the Government under Conditions of Sale No. UB11985 for a term from 27 November 1987 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

(1) The registered owner of the property is International Trademart Company Limited which is a wholly-owned subsidiary of the Group.

(2) The property is subject to 3 modification letters vide Memorial Nos. UB4240050, UB4922357 and UB9476552 dated 24 October 1989, 23 July 1991 and 20 January 2005 respectively.

(3) The property is zoned for "Other Specified Uses (Trade Mart and Commercial Development)" use under Kai Tak Outline Zoning Plan No. S/K22/4.

(4) Our key assumptions in the Income Capitalisation Approach are:

	Market Monthly Rent (per sq. ft.)	Capitalisation Rate
Retail	HK$12 – HK$28.5	3.5%
Office and convention and exhibition facilities	HK$13.6 – HK$18.5	3.5%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The rental levels of those major retail lettings range from approximately HK$12 per sq. ft. to HK$30 per sq. ft. and the rental levels of those major office lettings range from approximately HK$10 per sq. ft. to HK$22 per sq. ft.

We have gathered and analysed various recent sales transactions of shops and offices and noted that the yields implied in those transactions are generally within the range of 3% to 3.7% for retail premises and in the approximate range of 3% for office premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rates are reasonable having regard to the yields analysed from sales of comparable properties, particularly those of larger sizes, which we have collected. When determining the capitalisation rate, we have taken into account that Kowloon Bay is part of Kowloon East which has been earmarked by the Hong Kong government to be transformed into the second CBD. There will be substantial improvements in infrastructure and other developments including construction of a cruise terminal. Kowloonbay International Trade & Exhibition Centre is an integrated high quality and large scale multi-purpose building well recognised in the area.

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
5.	QRE Plaza, No. 202 Queen's Road East, Wan Chai, Hong Kong. The Remaining Portion of Inland Lot No. 7781.	The property comprises a 25-storey commercial building. The property was completed in 2007. The total gross floor area of the property is approximately 77,033 sq. ft. (7,156.54 sq. m.). The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under a Government Lease for a term of 978 years commencing on 25 June 1863. The government rent payable for the lot is HK$96 per annum.	Except for a total area of approximately 3,292 sq. ft. (305.83 sq. m.) which is vacant, the property is let to various tenants for terms of mostly 1 to 3 years with the latest tenancy due to expire in June 2019 at a total rent of about HK$2,625,000 per month, exclusive of rates, management fees and air-conditioning charges.	HK$1,152,000,000 (100% interest attributable to the Group: HK$1,152,000,000)

Notes:

(1) The registered owner of the property is QRE Plaza Limited which is a wholly-owned subsidiary of the Group.

(2) The property is subject to a Deed of Dedication vide Memorial No. 07110901900021 dated 6 November 2007.

(3) The property is subject to two Modification Letters by the District Lands Office/ Hong Kong East vide Memorial Nos. 07110901900034 and 08040202600019 dated 6 November 2007 and 1 April 2008 respectively.

(4) The property is subject to a Licence for Offensive Trades vide Memorial No. 09070300640192 dated 23 June 2009.

(5) The property is zoned for "Commercial (3)" use under Wan Chai Outline Zoning Plan No. S/H15/27.

(6) Our key assumptions in the Income Capitalisation Approach are:

Market Monthly Rent (per sq. ft.)	Capitalisation Rate
HK$36 – HK$150	3.5% – 3.75%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The rental levels of those major retail lettings range from approximately HK$100 per sq. ft. to HK$153 per sq. ft.

We have gathered and analysed various recent sales transactions of shops and noted that the yields implied in those transactions are generally within the range of 3% to 3.7% for retail premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rates are reasonable having regard to the yields analysed from sales of comparable properties, particularly those of larger sizes, which we have collected. When determining the capitalisation rate, we have taken into account that the property is a good quality building offering a wide range of dining establishments and lifestyle outlets with high occupancy rate. It also has the advantage of being within easy walking distance of Wan Chai MTR Station.

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
6.	Commercial Units G03 and G04 on Ground Floor, Commercial Units 201, 202 and Restaurant on 2nd Floor, Wu Chung House, No. 213 Queen's Road East, Wan Chai, Hong Kong. 1641/80110th shares of and in Inland Lot No. 8766.	The property comprises various retail units on ground and 2nd floors of a 38-storey commercial building. The ground and 2nd floors of the building are designated for retail purpose. Its 3rd to 6th floors are designated for car parking spaces and its upper floors accommodate office units. The building was completed in 1993. The total gross floor area of the property is approximately 17,674 sq. ft. (1,641.95 sq. m.). The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under Conditions of Exchange No. UB12210 from 25 May 1992 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is let to various tenants for terms of mostly 1 to 3 years with the latest tenancy due to expire in June 2015 at a total rent of about HK$1,211,000 per month, exclusive of rates, management fees and air-conditioning charges.	HK$457,000,000 (100% interest attributable to the Group: HK$457,000,000)

Notes:

(1) The registered owner of the property is Procelain Properties Ltd. which is a wholly-owned subsidiary of the Group.

(2) The property is zoned for "Commercial (1)" use under Wan Chai Outline Zoning Plan No. S/H15/27.

(3) Our key assumptions in the Income Capitalisation Approach are:

Market Monthly Rent (per sq. ft.)	Capitalisation Rate
HK$55 – HK$140	3.5% – 3.75%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The rental levels of those major retail lettings range from approximately HK$53 per sq. ft. to HK$150 per sq. ft.

We have gathered and analysed various recent sales transactions of shops and noted that the yields implied in those transactions are generally within the range of 3% to 3.7% for retail premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rates are reasonable having regard to the yields analysed from sales of comparable properties, particularly those of larger sizes, which we have collected. When determining the capitalisation rate, we have taken into account that the property has good retail potential. Some of the units are on the ground floor with frontages to Queen's Road East and some are on the 2nd floor which are connected to Hopewell Centre through a pedestrian bridge.

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
7.	10 Lorry Parking Spaces on the 3rd Floor, 39 Car Parking Spaces on the 4th Floor, 31 Car Parking Spaces on the 5th Floor and the Remaining Portion of Reserved Areas, Wu Chung House, No. 213 Queen's Road East, Wan Chai, Hong Kong. 858/80110th shares of and in Inland Lot No. 8766.	The property comprises 10 lorry parking spaces on the 3rd floor, 39 private car parking spaces on the 4th floor, 31 private car parking spaces on the 5th floor and the remaining portion of reserved areas in a 38-storey commercial building. The ground and 2nd floors of the building are designated for retail purpose. Its 3rd to 6th floors are designated for car parking spaces and its upper floors accommodate office units. The building was completed in 1993. The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under Conditions of Exchange No. UB12210 from 25 May 1992 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The car parking spaces are licensed on monthly or hourly basis. The average car park income received in the period from July 2012 to February 2013 was about HK$486,000 per month. The reserved areas are subject to various licences at a total monthly licence fee of about HK$21,500.	HK$73,600,000 (100% interest attributable to the Group: HK$73,600,000)

Notes:

(1) The property comprises the followings:

	Property
Lorry parking spaces	Lorry parking spaces nos. L1 to L3, 1 to 4 and 8 to 10 on the 3rd Floor.
Car parking spaces	Car parks nos. 1 to 39 on the 4th Floor and Car parks nos. 1 to 12 and 21 to 39 on the 5th Floor.
The Remaining Portion of Reserved Areas	The Remaining Portion of Reserved Areas includes such portion of the Reserved Areas of Wu Chung House as shown and coloured orange on the Plans annexed to Deed Poll Memorial No. UB5412978 and the external walls enclosing the Ground Floor to the Sixth Floor of Wu Chung House and all areas within Inland Lot No. 8766 not covered by any building or buildings and all open spaces in or under Wu Chung House (if any) (which are not Units included in the specific reservations contained in Clause 1(i) of the Agreement for Sale and Purchase Memorial No. UB5708448) save and except such areas (if any) as may be designated as Common Areas, in the Deed of Mutual Covenant or as intended for common use.

(2) The registered owner of the property is Procelain Properties Ltd. which is a wholly-owned subsidiary of the Group.

(3) The property is zoned for "Commercial (1)" use under Wan Chai Outline Zoning Plan No. S/H15/27.

(4) Our key assumptions in the Income Capitalisation Approach are:

Market Monthly Rent (per car parking space)	**Capitalisation Rate**
HK$4,400	5.5%

In undertaking our valuation, we have made reference to various recent lettings within the property which are in the range of HK$3,000 per lot to HK$5,000 per lot.

We have gathered and analysed various recent sales transactions of car parks and noted that the yields implied in those transactions are generally in the approximate range of around 5%.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rate is reasonable having regard to the yields analysed from sales of comparable properties which we have collected.

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
8.	GardenEast, No. 222 Queen's Road East, Wan Chai, Hong Kong. The Remaining Portion of Sub-section 2 of Section C, the Remaining Portion of Section C, Sub-section 1 of Section D, the Remaining Portion of Section D and Section G all of Inland Lot No. 427.	The property comprises a 28-storey composite building. Its ground and 2nd floors are devoted to commercial purpose, the 3rd and 5th floors are devoted to podium garden/ residents' recreation facilities and the remainder of the property is currently operated as serviced apartment. The building was completed in 2008. The property has a total gross floor area of approximately 96,576 sq. ft. (8,972.13 sq. m.). The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under a Government Lease for a term of 999 years from 29 July 1855. The government rents payable for the lots are as follows: Lots — Government rent (HK$ per annum) IL 427 s.C ss.2 — 26 IL 427 s.C. R.P. — 122 IL 427 s.D. ss.1 — 14 IL 427 s.D R.P. — 14 IL 427 s.G — 54	Except for a total area of approximately 2,591 sq. ft. (240.71 sq. m.) which is vacant, the property is let to various tenants on monthly basis or for longer terms of mostly 1 to 2 years with the latest tenancy due to expire in January 2015 at a total rent of about HK$5,978,000 per month, mostly inclusive of rates, management fees, air-conditioning charges and other outgoings.	HK$1,862,000,000 (100% interest attributable to the Group: HK$1,862,000,000)

Notes:

(1) The registered owner of the property is GardenEast Limited which is a wholly-owned subsidiary of the Group.

(2) The property is subject to an offensive trade licence vide Memorial No. 12031201060011 dated 3 August 2010.

(3) The property is zoned for "Residential (Group A)" and "Open Space" uses under Wan Chai Outline Zoning Plan No. S/H15/27.

(4) Our key assumptions in the Income Capitalisation Approach are:

	Market Monthly Rent (per sq. ft.)	Capitalisation Rate
Retail	HK$55 – HK$90	3.5% – 4%
Serviced apartments	HK$37.5 – HK$44.5	3%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The rental levels of those major retail lettings range from approximately HK$55 per sq. ft. to HK$150 per sq. ft. and the rental levels of those major serviced apartment lettings range from approximately HK$50 per sq. ft. to HK$60 per sq. ft. inclusive of rates, management fees and outgoings.

We have gathered and analysed various recent sales transactions of shops and serviced apartments and noted that the yields implied in those transactions are generally within the range of 3% to 3.7% for retail premises and in the approximate range of 3% for serviced apartment premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rates are reasonable having regard to the yields analysed from sales of comparable properties, particularly those of larger sizes, which we have collected. When determining the capitalisation rate, we have taken into account that the property stands in good condition, commands good accessibility and is within easy reach of Wan Chai MTR Station, shopping facilities and other community amenities.

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
9.	Various units, Broadwood Twelve, No. 12 Broadwood Road, Happy Valley, Hong Kong. Situated on Sections A, C, D and The Remaining Portion of Inland Lot No. 2132.	The property comprises 18 domestic units and 11 car parking spaces of a 40-storey residential tower (including refuge floor) on top of a 5-storey car park/ recreation podium completed in June 2010. According to the information provided by the Group, the total saleable area of the property is approximately 24,265 sq. ft. (2,254.27 sq. m.) (excluding the area of the car parking spaces). The locality of the property is characterised by residential developments of low or medium density. The property is held from the Government under a Government Lease for a term of 75 years from 7 April 1913 renewed for a further term of 75 years. The current Government rent payable for the property is HK$460,836 per annum.	Except for 11 units which are vacant, the property is let to various tenants for terms of 2 years with the latest tenancy due to expire in April 2015 at a total rent of about HK$629,000 per month, inclusive of rates and management fees. The car parking spaces are subject to various licences on monthly basis at a total licence fee of HK$15,000.	HK$808,750,000 (100% interest attributable to the Group: HK$808,750,000)

Notes:

(1) The property comprises the followings:-

Domestic Units

Unit	Floor
A	22nd, 23rd, 25th, 27th, 28th, 41st, 43rd and 45th
B	8th, 18th, 22nd, 23rd, 25th, 26th, 27th, 41st and 47th
Duplex B	50th and 51st

Car Parking Spaces

Floor	Car Park Nos.
5th	512, 515, 525 and 526
3rd	315, 320, 321, 328 and 329
2nd	213 and 216

(2) The registered owners of the property are Banbury Investments Limited which is a wholly-owned subsidiary of the Group and Exgratia Company Limited which is a wholly-owned subsidiary of the Group.

(3) According to the information from the Group, a Sale and Purchase Agreement ("**SPA**") in respect of Duplex B on the 50th and 51st Floors and the Car Parking Spaces Nos. 320 and 321 on the 3rd Floor was signed on 26 April 2013 whereby such unit and car parking spaces were agreed to be sold at an aggregate price of HK$123,000,000 and according to such SPA, completion of the sale and purchase of such unit and car parking spaces is scheduled to take place on 28 June 2013 (which is later than the date of the Prospectus and the Listing Date as currently expected).

(4) The property is zoned for "Residential (Group C)1" use under Wong Nai Chung Outline Zoning Plan No. S/H7/16.

(5) Our key assumptions in the Income Capitalisation Approach are:

Market Monthly Rent (per sq. ft.)	Capitalisation Rate
HK$53 – HK$80	2.25%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The rental levels of those major residential lettings range from approximately HK$52 per sq. ft. to HK$60 per sq. ft.

The property is one of the newest developments in the district. It comprises typical apartment units and a duplex unit. We consider that the market rent for the units on very high floors with attractive views and the duplex unit, being of special design, can fetch market rents higher than other residential units in the same district. Additionally, while the property is located in the exclusive and secluded area of Happy Valley where property supplies are limited and new properties are rarely developed, travel time to Causeway Bay is still only 10 to 15 minutes. Upward adjustments to the recent lettings have been made to reflect the special merits of these units in arriving at the key assumptions.

We have gathered and analysed various recent sales transactions of residential properties and noted that the yields implied in those transactions are generally in the approximate range of 2% for residential premises.

The capitalisation rate is reasonable having regard to the yields analysed from sales of comparable properties, particularly those of larger sizes, which we have collected. When determining the capitalisation rate, we have taken into account that the property comprises high-end residential units of good quality and is situated at a location much sought after by high income group.

VALUATION CERTIFICATE

Group II — Properties held by the Group for development in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
10.	Hopewell Centre II, Kennedy Road, Wan Chai, Hong Kong. Inland Lot No. 8715.	The property comprises a piece of land with a registered site area of about 105,918 sq. ft. (9,840 sq. m.) upon which a 55-storey conference hotel building is proposed to be developed. Upon completion, the property will comprise a shopping mall and a block of office and hotel. The hotel will provide 1,024 guestrooms. The property is scheduled to be completed in 2018. According to the building plans provided by the Group, upon completion, the total gross floor area of the property will be approximately 1,094,343 sq. ft. (101,666.95 sq. m.) The property will also provide 168 private car parking spaces and 14 motor cycle spaces. The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under Conditions of Exchange No. 20175 for a term of 50 years from 24 October 2012. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.	Site preparation works are in progress.	HK$8,945,000,000 (100% interest attributable to the Group: HK$8,945,000,000)

Notes:

(1) The registered owner of the property is Wetherall Investments Limited which is a wholly-owned subsidiary of the Group.

(2) The property is subject to a Deed of Grant of Right of Way vide Memorial No. 12110702320022 dated 24 October 2012.

(3) The breakdown values for different portions of the property are as follows:-

		Attributable capital value in existing state as at 31 March 2013
Hotel Portion	:	HK$4,621,000,000
The Remaining Portion (ie. retail, office and car parking spaces)	:	HK$4,324,000,000

(4) The capital value of the property if completed as at 31 March 2013 is as follows:

		Attributable capital value if completed as at 31 March 2013
Hotel Portion	:	HK$10,378,000,000
The Remaining Portion (ie. retail, office and car parking spaces)	:	HK$7,453,000,000
Total	:	HK$17,831,000,000

The capital value if completed represents our opinion of the aggregate value of the development assuming it were fully completed as at the date of valuation, no allowance for any development cost necessary for carrying out the proposed development has been made in assessing such value.

(5) The property is zoned for "Other Specified Uses (Comprehensive Redevelopment Area)" use under Wan Chai Outline Zoning Plan No. S/H15/27.

(6) In our valuation, we have assumed an accommodation value of about HK$8,170 per sq. ft.

(7) In undertaking our valuation of the property which is now a piece of vacant land planned for a hotel/commercial complex development, we have made reference to the most recent sales transaction of a government site which is restricted to uses of hotel with ancillary accommodation.

Property	**Date of Sale**	**Site Area**	**Maximum Gross Floor Area**	**Sale Price**	***Accommodation Value**
IL 9020 North Point Estate Lane and Shu Kuk Street	March 2013	57,792 sq. ft.	387,504 sq. ft.	HK$2,722,000,000	HK$7,024 p.s.f.

* *Accommodation Value is the value of the sale price analysed on basis of per sq. ft. of the maximum gross floor area and is a common way of analysis of land sale transaction.*

When compared with this comparable site, the property has a distinct advantage of being situated at a more prominent and prime location. It is situated in close proximity to Admiralty and Central and various high quality hotels and convention facilities on Hong Kong Island. Wan Chai is a key business area on Hong Kong Island. It is a district with good accessibility. Various redevelopments of old buildings into new residential and commercial buildings have taken place in recent years. In undertaking our valuation, we have made upward adjustments to the comparable to reflect the advantages enjoyed by the property.

VALUATION CERTIFICATE

Group II — Properties held by the Group for development in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
11.	200 Queen's Road East Project, Lee Tung Street / McGregor Street, Wan Chai, Hong Kong. Inland Lot No. 9018	The property comprises the development right in respect of two sites situated at Lee Tung Street (Site A) and McGregor Street (Site B). The total registered site area of the property is about 88,652 sq. ft. (8,235.97 sq. m.). The site at Lee Tung Street (Site A) is being developed into three residential towers with 28 to 37 storeys erected upon a commercial/ carpark podium. The site at McGregor Street (Site B) is being developed into a 23-storey residential tower erected upon a commercial podium. According to the building plans provided by the Group, the gross floor areas of the planned development are as follows:	Superstructure works of the property are in progress.	HK$8,835,000,000 (50% interest attributable to the Group: HK$4,417,500,000)

	Planned Gross Floor Area	
Site A:		
	sq. ft.	sq. m.
Domestic	617,494	(57,366.56)
Non-domestic	95,022	(8,827.72)
Public facilities	2,692	(250.07)
Site B:		
	sq. ft.	sq. m.
Domestic	113,806	(10,572.86)
Non-domestic	6,257	(581.29)
Public facilities	25,170	(2,338.38)

The above gross floor areas exclude the area of car parking spaces. The property is scheduled to be completed in 2015. — —

The locality of the property is characterised by a mixture of commercial and residential developments of various ages.

The property is held from the Government under Conditions of Exchange No. 20099 for a term of 50 years from 25 February 2010. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

(1) The registered owner of the property is Urban Renewal Authority ("**URA**"). URA entered into a development agreement (the "**Development Agreement**") with Grand Site Development Limited ("**Grand Site**"), a joint venture project company which is held in equal shares by Linford Investments Limited, an indirect wholly-owned subsidiary of the Group, and a third party for development of the property. According to the information provided by the Group, for the residential portion, the portion of sale proceeds up to HK$6.2 billion will be totally entitled to Grand Site but the portion of the sale proceeds exceeding HK$6.2 billion will have to be shared between URA and Grand Site equally. For the commercial portion, the income and sales proceeds derived from the commercial portion will have to be shared between URA and Grand Site at a sharing ratio of 40:60. In the course of our valuation, we have taken into account such profit sharing arrangement.

(2) The property is subject to a Modification Letter from the District Lands Office/ Hong Kong East vide Memorial No. 11090201480075 dated 29 August 2011.

(3) As advised by the Group, the construction cost expended up to 31 March 2013 was about HK$589,000,000. The total estimated construction cost of the property as at 31 March 2013 was about HK$2,648,000,000.

(4) The capital value of the property if completed as at 31 March 2013 attributable to Grand Site is about HK$12,644,000,000 (50% attributable to the Group is about HK$6,322,000,000). The capital value if completed represents our opinion of the aggregate value of the development assuming it were fully completed as at the date of valuation, no allowance for any development cost necessary for carrying out the proposed development has been made in assessing such value.

(5) The property is zoned for "Land Development Corporation Development Scheme Plan Area" use under Wan Chai Outline Zoning Plan No. S/H15/27.

(6) In valuing the property if completed attributable to Grand Site, we have assumed about HK$17,900 per sq. ft. for the retail portion and about HK$15,100 per sq. ft. for the residential portion. These rates represent the effective unit value after adjustment for sharing of income and sale proceeds to URA. The unit rate for retail portion is the average of the commercial space on basement, ground and 1st floor of the proposed development.

(7) In undertaking our valuation of the property if completed, we have made reference to various recent sales transactions of shops at Queen's Road East and recently completed domestic premises within the same district which have characteristics comparable to the property. On the basis of marketing gross floor area, the prices of those sales transactions of domestic premises range from about HK$15,500 to HK$17,500 per sq. ft. The unit rates assumed by us are consistent with the sales transactions of domestic premises within the same district. On the basis of saleable area, the prices of those sales transactions of shops range from about HK$104,500 per sq. ft. to HK$113,500 per sq. ft. The unit rates we assumed in our valuation for the respective portions of the property upon completion are consistent with those sales transactions after adjustments for sharing of income/sales proceeds to Urban Renewal Authority. Due adjustments to the unit rates of those sales transactions have been made to reflect those factors like area efficiency, location, floor level, frontages and other relevant factors in arriving at the key assumptions.

VALUATION CERTIFICATE

Group II – Properties held by the Group for development in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
12.	Nos. 155, 157 and 159 Queen's Road East, Wan Chai, Hong Kong. Inland Lot Nos. 5251, 5252 and 5253.	The property comprises a block of 6-storey tenement building (Nos. 155 and 157 Queen's Road East) completed in 1959 and a block of 7-storey (including mezzanine floor) tenement building completed in 1968 (No. 159 Queen's Road East). The total saleable area of the property is approximately 8,656 sq. ft. (804.16 sq. m.) plus yard area of approximately 183 sq. ft. (17 sq. m.), flat roof area of approximately 185 sq. ft. (17.19 sq. m.) and roof area of approximately 848 sq. ft. (78.78 sq. m.). In addition, there is a mezzanine floor in the building at No. 159 Queen's Road East with an area of approximately 152 sq. ft. (14.12 sq. m.). The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under three Government Leases all for terms of 999 years from 9 July 1844. The current government rent payable for the property is HK$44 per annum.	Except for 4 units which are vacant, the property is let to various tenants for terms of mostly 6 months to 1 year with the latest tenancy due to expire in September 2013 at a total rent of about HK$140,530 per month.	HK$217,000,000 (100% interest attributable to the Group: HK$217,000,000)

Notes:

(1) The property comprises the followings and the respective registered owners are as follows:-

Property	Registered owners
No. 155 Queen's Road East	
Ground Floor	Onfu Limited, a wholly owned subsidiary of the Group
1st Floor	Pineway Resources Limited, a wholly owned subsidiary of the Group
2nd Floor	Loza Limited, a wholly owned subsidiary of the Group
3rd Floor	Wayco Resources Limited, a wholly owned subsidiary of the Group
4th Floor	Enson Resources Limited, a wholly owned subsidiary of the Group
5th Floor and Roof	Kenetic Limited, a wholly owned subsidiary of the Group
No. 157 Queen's Road East	
Ground Floor	Evergold Venture Limited, a wholly owned subsidiary of the Group
1st Floor	Homark Investment Limited, a wholly owned subsidiary of the Group
2nd Floor	Sanho Investment Limited, a wholly owned subsidiary of the Group
3rd Floor	Rasna Investment Limited, a wholly owned subsidiary of the Group
4th Floor	Kingbon Investment Limited, a wholly owned subsidiary of the Group
5th Floor	Taishing Investment Limited, a wholly owned subsidiary of the Group
No. 159 Queen's Road East	
Ground, Mezzanine Floors and Flat Roof,	Grandam Investment Limited, a wholly owned subsidiary of the Group
1st Floor and Flat Roof	Pona International Limited, a wholly owned subsidiary of the Group
2nd Floor	Pona International Limited, a wholly owned subsidiary of the Group
3rd Floor	Pona International Limited, a wholly owned subsidiary of the Group
4th Floor	Milla Limited, a wholly owned subsidiary of the Group
5th Floor and Roof	Rondon Investment Limited, a wholly owned subsidiary of the Group

(2) 1st Floor, No. 155 Queen's Road East is subject to an Order No. C/TB/10205/02/HK by the Building Authority under Section 24(1) of the Buildings Ordinance.

(3) Ground, Mezzanine Floors and Flat Roof, No. 159 Queen's Road East are subject to a Notice No. WNZ/U08-28/0001/08 by the Building Authority under Section 24C(1) of the Buildings Ordinance.

(4) Ground, Mezzanine Floors and Flat Roof, 4/F, 5/F and Roof, No. 159 Queen's Road East are subject to an Order No. UBZ/U08-28/0007/08 by the Building Authority under Section 24(1) of the Buildings Ordinance.

(5) 4th Floor, No. 159 Queen's Road East is subject to an Order No. UBZ/U08-28/0005/08 by the Building Authority under Section 24(1) of the Buildings Ordinance.

(6) 5th Floor and Roof, No. 159 Queen's Road East is subject to an Order No. UBZ/U08-28/0006/08 by the Building Authority under Section 24(1) of the Buildings Ordinance.

(7) The property is zoned for "Residential (Group A)" use under Wan Chai Outline Zoning Plan No. S/H5/27.

(8) In our valuation, we have assumed about HK$88,700 per sq. ft. for the retail portion and about HK$11,600 per sq. ft. for the residential portion.

(9) In undertaking our valuation of the property, we have made reference to various recent sales transactions of shops at Queen's Road East and low-rise old domestic premises within the same district which have characteristics comparable to the property. The prices of those sales transactions of domestic premises range from about HK$10,500 per sq. ft. to HK$13,000 per sq. ft. The unit rates assumed by us are consistent with the sales transactions of domestic premises within the same district. The prices of those sales transactions of shops range from about HK$104,500 per sq. ft. to HK$113,500 per sq. ft. Due adjustment to the unit rates of those sales transactions have been made to reflect these factors including but not limited to age, location, size and frontages in arriving at the key assumptions.

VALUATION CERTIFICATE

Group II – Properties held by the Group for development in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2013
13.	Various units, Nos. 161, 163, 165 and 167 Queen's Road East, Wan Chai, Hong Kong. Situated on Inland Lot Nos. 7975 and the Remaining Portion of Inland Lot Nos. 5256 and 5257.	The property comprises 32 domestic units, 4 shops units and the external wall of a 10-storey tenement building completed in 1965. The total saleable area of the property is approximately 14,823 sq. ft. (1,377.09 sq. m.) plus yard area of approximately 288 sq. ft. (26.76 sq. m.), flat roof area of approximately 94 sq. ft. (8.73 sq. m.) and roof area of approximately 1,004 sq. ft. (93.27 sq. m.). The locality of the property is characterised by a mixture of commercial and residential developments of various ages. The property is held from the Government under two Government Leases and a Conditions of Exchange No. UB8576 all for terms of 999 years from 9 July 1844. The current government rent payable for the property is HK$114 per annum.	Except for 10 units which are vacant, the property is let to various tenants for terms of mostly 6 months to 1 year with the latest tenancy due to expire in April 2014 at a total rent of about HK$162,850 per month.	HK$325,000,000 (100% interest attributable to the Group: HK$325,000,000)

Notes:

(1) The property comprises the followings and the respective registered owners are as follows:-

Property	Registered owners
Nos. 161-165 Queen's Road East	
Flat A, Ground Floor	Longbo Enterprises Limited, a wholly owned subsidiary of the Group
Flat A, 2nd Floor	Boomtex Investment Limited, a wholly owned subsidiary of the Group
Flat A, 5th Floor	Wedmedia Limited, a wholly owned subsidiary of the Group
Flat A, 6th Floor	Holmax Limited, a wholly owned subsidiary of the Group
Flat A, 7th Floor	Hamper Investment Limited, a wholly owned subsidiary of the Group
Flat A, 8th Floor	Felway Limited, a wholly owned subsidiary of the Group
9th Floor and Main Roof, No. 161 Queen's Road East	Bedo Investment Limited, a wholly owned subsidiary of the Group
Ground Floor, No. 163 Queen's Road East	Takfull Limited, a wholly owned subsidiary of the Group
Flat B, 1st Floor	Reca Enterprises Limited, a wholly owned subsidiary of the Group
Flat B, 2nd Floor	Lancool Investment Limited, a wholly owned subsidiary of the Group
Flat B, 3rd Floor	Sobon Limited, a wholly owned subsidiary of the Group
Flat B, 4th Floor	Lancool Investment Limited, a wholly owned subsidiary of the Group
Flat B, 5th Floor	UPO Investment Limited, a wholly owned subsidiary of the Group
Flat B, 6th Floor	Luxboy Limited, a wholly owned subsidiary of the Group
Flat B, 7th Floor	Rancorp Limited, a wholly owned subsidiary of the Group
Flat B, 8th Floor	Foxda Limited, a wholly owned subsidiary of the Group
Flat B, 9th Floor & Portion of Main Roofs immediately above	Gokey Limited, a wholly owned subsidiary of the Group
Flat C, Ground Floor	Onwa Venture Limited, a wholly owned subsidiary of the Group
Flat C,1st Floor	Skytone Investment Limited, a wholly owned subsidiary of the Group
Flat C, 2nd Floor	Tenny Investment Limited, a wholly owned subsidiary of the Group
Flat C, 4th Floor	Contas Investment Limited, a wholly owned subsidiary of the Group
Flat C, 5th Floor	Temfat Limited, a wholly owned subsidiary of the Group
Flat C, 6th Floor	Toycity Investment Limited, a wholly owned subsidiary of the Group
Flat C, 7th Floor	Camays Limited, a wholly owned subsidiary of the Group
Flat C, 8th Floor	Temfat Limited, a wholly owned subsidiary of the Group
Flat C, 9th Floor & Roof	Yotech Investment Limited, a wholly owned subsidiary of the Group
No. 167 Queen's Road East	
Ground Floor	Grandam Investment Limited, a wholly owned subsidiary of the Group
1st Floor and the Flat Roof adjacent thereto	Dowin Investment Limited, a wholly owned subsidiary of the Group
2nd Floor	Castron Investment Limited, a wholly owned subsidiary of the Group
3rd Floor	UPO Investment Limited, a wholly owned subsidiary of the Group
4th Floor	Miko Resources Limited, a wholly owned subsidiary of the Group
5th Floor	Hamcon Enterprises Limited, a wholly owned subsidiary of the Group
6th Floor	Conkey Investment Limited, a wholly owned subsidiary of the Group
7th Floor	Emron Investment Limited, a wholly owned subsidiary of the Group
8th Floor	Elite Will Enterprises Limited, a wholly owned subsidiary of the Group
9th Floor and the Main Roof over 9th Floor	Kamme Limited, a wholly owned subsidiary of the Group
The Whole of the External Wall on the East Side of Main Entrance	Parkgate Enterprises Limited, a wholly owned subsidiary of the Group

(2) Ground Floor, No. 161 Queen's Road East is subject to a Notice No. WNZ/U08-29/0005/08 by the Building Authority under Section 24C(1) of the Buildings Ordinance.

(3) 9th Floor and Main Roof, No. 161 Queen's Road East are subject to a Notice No. WNZ/U08-29/0001/08 by the Building Authority under Section 24C(1) of the Buildings Ordinance.

(4) Ground Floor, No. 163 Queen's Road East is subject to a Notice No. WNZ/U08-29/0006/08 by the Building Authority under Section 24C(1) of the Buildings Ordinance.

(5) 9th Floor and Portion of Main Roofs immediately above, No. 163 Queen's Road East are subject to a Notice No. WNZ/U08-29/0002/08 by the Building Authority under Section 24C(1) of the Buildings Ordinance.

(6) Ground Floor, No. 165 Queen's Road East is subject to a Notice No. WNZ/U08-29/0007/08 by the Building Authority under Section 24C(1) of the Buildings Ordinance.

(7) Ground Floor, No. 167 Queen's Road East is subject to a Notice No. WNZ/U08-29/0008/08 by the Building Authority under Section 24C(1) of the Buildings Ordinance.

(8) 9th Floor and the Main Roof over 9/F, No. 167 Queen's Road East are subject to a Notice No. WNZ/U08-29/0004/08 by the Building Authority under Section 24C(1) of the Buildings Ordinance.

(9) The Whole of the External Wall on the East Side of Main Entrance, No. 167 Queen's Road East is subject to a Superseding Order No. DR02129/HK/03/TCW/HK by the Building Authority under Section 28(3) of the Buildings Ordinance.

(10) The Whole of the External Wall on the East Side of Main Entrance, No. 167 Queen's Road East is subject to an Order No. UBZ/U08-29/0007/08 by the Building Authority under Section 24(1) of the Buildings Ordinance.

(11) The property is zoned for "Residential (Group A)" use under Wan Chai Outline Zoning Plan No. S/H5/27.

(12) In our valuation, we have assumed about HK$92,400 per sq. ft. for the retail portion and about HK$11,200 per sq. ft. for the residential portion.

(13) In undertaking our valuation of the property, we have made reference to various recent sales transactions of shops at Queen's Road East and low-rise old domestic premises within the same district which have characteristics comparable to the property. The prices of those sales transactions of domestic premises range from about HK$10,500 per sq. ft. to HK$13,000 per sq. ft. The unit rates assumed by us are consistent with the sales transactions of domestic premises within the same district. The prices of those sales transactions of shops range from about HK$104,500 per sq. ft. to HK$113,500 per sq. ft. Due adjustments to the unit rates of those sales transactions have been made to reflect these factors including but not limited to age, location, size and frontages in arriving at the key assumptions.

*In connection with the Global Offering, the Company has engaged Savills (Hong Kong) Limited to conduct a detailed analysis of the property market in Hong Kong. Savills (Hong Kong) Limited prepared a market research report dated 6 June 2013 (the **"Market Research Report"**) for the purpose of incorporation in this prospectus, the text of which is set out below.*

Savills is a global real estate services provider listed on the London Stock Exchange. It has an international network of over 500 offices and associates and over 25,000 staff throughout the Americas, the United Kingdom, Continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

The Company has included the Market Research Report in this prospectus because the Company believes such information would facilitate investors' understanding of the property market in Hong Kong where the Group's principal business operations and properties are located. The Company was charged a total of HK$650,000 for the services provided by Savills.

6 June 2013

The Directors
Hopewell Hong Kong Properties Limited

BOCI Asia Limited
Credit Suisse (Hong Kong) Limited

Savills (Hong Kong) Limited
23/F Two Exchange Square
Central, Hong Kong

EA LICENCE: C-002450
T: (852) 2842 4400
savills.com

Dear Sir,

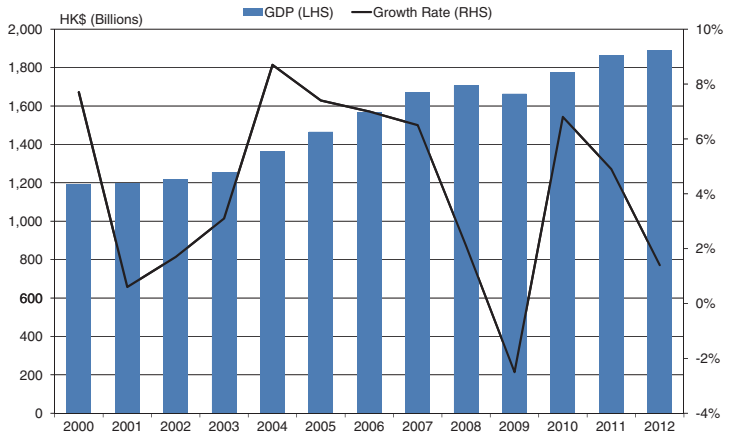
As requested we have prepared a property market overview to be inserted into the prospectus for the listing of Hopewell Hong Kong Properties Limited (the "Company"). The report includes an overview of the office, retail, hotel, serviced apartment and residential sectors, and the meetings, incentives, conventions and exhibitions ("MICE") market in Hong Kong.

1.0 HONG KONG ECONOMIC OVERVIEW

1.1 Hong Kong's key economic and demographic indicators

Having posted a relatively slow real GDP growth of 2.1% in 2008 and a 2.5% contraction in 2009, as a result of quantitative easing ("QE") measures introduced by many global economies, particularly mainland China, the economy rebounded thereafter, with GDP registering a 6.8% growth in 2010, followed by a 4.9% growth in 2011. However, due to the deteriorating euro sovereign debt problem and the slowing pace of economic growth in the US, the export market has weakened. With uncertain external demand, GDP growth softened to 1.4% in 2012.

Hong Kong real GDP and growth rate, 2000–2012



Source: Census and Statistics Department, Savills Research & Consultancy

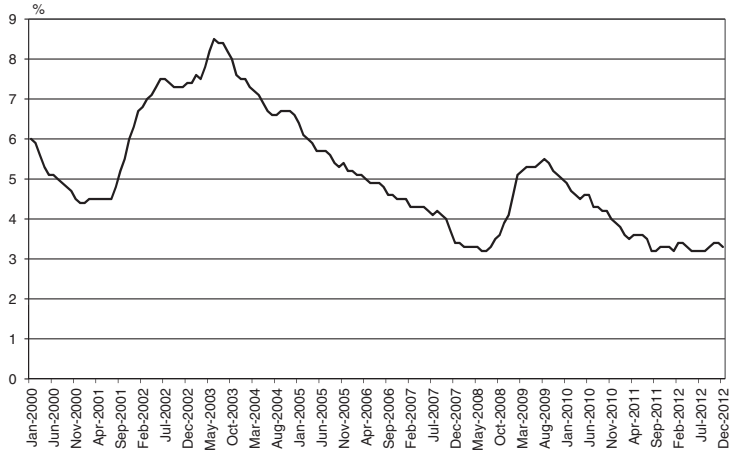
As a service-based economy, the service industry contributed 93.1% to GDP in 2011[1], with financing, insurance, real estate, professional and business services industry ("Finance") sharing the largest share at 27.3%, followed by 25.9% accounted for by import/export, wholesale and retail trades ("Trading") and public administration, social and personal services ("Administration") (16.5%).

The composite CPI increased again, due to the growing economy, to register 0.5%, 2.4% and 5.3% growth in 2009, 2010 and 2011, respectively.

During 2012, inflationary pressure continued to increase, with the composite CPI climbing by 4.1% over the period, mainly resulting from external (imported inflation due to escalating global food and commodity prices) and internal (the feed-through effect of higher residential rents and the one-off effect of the statutory minimum wage) factors.

Reflecting the deterioration of the employment situation as the global economy declined, the seasonally-adjusted unemployment rate increased from a ten-year low of 3.2% for the three months ending in July 2008, to 5.5% for the three months ending in August 2009. The employment situation has since improved with the economic recovery, and the unemployment rate gradually fell from 5.5% in the three months ending in August 2009 to 3.3% for the three months ending in December 2012, a new low since the Asian financial crisis of 1998, and a level signifying high employment and local demand for labour.

Hong Kong unemployment rate, Jan 2000–Dec 2012



Source: Census and Statistics Department, Savills Research & Consultancy

[1] Based on "Table 036: Gross Domestic Product ("GDP") by Economic Activity — Percentage Contribution to GDP at Basic Prices". Source: Census and Statistics Department.

1.1.1 Incomes, savings and retail spending

The primary measure of the incomes of the Hong Kong population living in private housing estates is private median monthly household income. The previous peak in this measure was recorded in Q1/2008, with the median income reaching HK$25,500 per month, but the subsequent global crisis caused a drop in income to HK$24,000 per month in Q2/2009. The economic recovery, which led to record low unemployment rates, exerted upward pressure on private median household incomes, which rose to HK$30,000 per month in Q4/2012, a new high since 1994. These higher income levels are giving rise to more domestic retail spending.

In terms of median monthly household income by district, Wan Chai is the highest with HK$33,000 per month, followed by Central and Western (HK$32,000) and Sai Kung (HK$26,000), according to the 2012 Population and Household Statistics Analysed by District Council District.

Hong Kong wage levels have shown a slightly higher increment than price inflation, suggesting increased purchasing power. Following three years of negative growth from 2002 to 2004, wage growth returned to positive territory in 2005 on the back of broader economic growth, and continued until the global financial crisis hit in 2008 when wage growth reverted to negative territory registering a fall of -2.1%. QE helped the local economy recover and benefited a wide range of employees, with the average wage rate of all selected major sectors stabilising in 2009 before rebounding by 3.1%, 9.1% and 5.1% in nominal terms in 2010, 2011 and 2012, respectively.

1.1.2 Closer integration with mainland China

Following the introduction of the mainland's open-door policy in 1978, Hong Kong has developed close links with mainland China, and this will remain a key factor in the future success of the territory. On 18 October 2005, the Hong Kong Government and the Central People's government reached an agreement to further liberalise measures governing Hong Kong's trade with the mainland under the Closer Economic Partnership Arrangement ("CEPA"). Under CEPA, concessions are granted giving Hong Kong companies a first-mover advantage and encouraging better synchronisation in the chain of cross-boundary financial activity, goods production and distribution.

CEPA's main contribution to trade between the two partners is that it has removed import tariffs on almost all Hong Kong-made products[2] since January 2006. From 2004 to 2011, the number of products eligible for CEPA's tariff-free treatment expanded from 273 to 1,630[3].

Under the Individual Visit Scheme ("IVS"), which was introduced as a liberalisation measure under CEPA, residents of selected mainland cities may visit Hong Kong in their own capacity. The coverage of the IVS has been expanded in the past few years and is now implemented in 49 mainland cities, including approximately 270 million residents in total. According to the Hong Kong Tourism Board ("HKTB"), in 2012, mainland Chinese residents made more than 23.1 million trips to Hong Kong under the IVS, an increase of 3.2 times since 2005. These visitors accounted for 66.3% of all mainland visitors or 47.6% of total visitors.

The Pearl River Delta ("PRD")[4] region has now become one of the leading global sources for a wide range of light-manufactured goods and is one of the leading locations for the manufacture and assembly of high-tech electronic products. The further development of this economy will require the investment, management, market knowledge, technology and international connections available through Hong Kong.

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2 Except for prohibited articles (such as used or waste electrical machinery and medical/surgical products, chemical residues, municipal waste, tiger bones and rhinoceros horns).

3 Source: Hong Kong Trade Department research "CEPA Supplement VIII Measures (Summary) — Opportunities for Hong Kong" February 2012.

4 to the PRD Economic Zone comprising Dongguan, Foshan, Guangzhou, Huizhou, Jiangmen, Shenzhen, Zhaoqing, Zhongshan and Zhuhai. Also referred to as the 'Greater PRD' if Hong Kong and Macau are included.

1.1.3 Economic forecast

More moderate growth is expected in 2012 for the global economy. In the US, the latest data suggests that the economy is maintaining only moderate economic growth and a relatively high unemployment rate after introducing expansionary monetary policies in 2009. Countries in the eurozone with high debt levels are struggling and are undertaking cuts to their government budgets in order to reduce the debt burden. While the mainland economy is displaying relatively strong fundamentals, a lack of export orders and sluggish domestic consumption expenditure may act to slow growth in 2013.

Locally, with the low jobless rate, steady wage growth and tourist spending all supporting retail consumption, consumer spending is expected to be stable in 2012. Moreover, the development of new business areas, the Hong Kong Government's intention to increase land — and thus apartment — supply, and the implementation of a comprehensive infrastructure programme[5] over the next few years will increase demand for fixed investments.

From 2003 to 2012[6], GDP growth has averaged approximately 4.5% per annum. Facing an uncertain economic situation, 2012 saw a below-average ten-year growth rate of 1.4%[7]. Long-term real GDP growth is forecast to remain moderate, however, averaging approximately 4.2% per annum from 2013 to 2017[8].

Upward pressure is expected on prices over the next few years, given sufficient market liquidity, along with the US dollar peg and a weaker Hong Kong dollar against the renminbi. Inflation is therefore projected to average 3% per annum over the five-year period from 2013 to 2017[9].

1.1.4 Resident population and projections

There were a total of 7.07 million residents in Hong Kong in mid-2011[10]. The working population numbered approximately 3.55 million[11], representing approximately 50% of the total population. Recently, population growth has risen slightly, with an average annual growth rate of 0.6% recorded over the five-year period from 2006 to 2011[10], compared with 0.4% and 0.9% from 2001 to 2006 and from 1996 to 2001[10], respectively.

Over the past two decades, population growth has been concentrated in the New Territories. While the overall population grew by 24.6% from 1991 to 2011, the New Territories population grew by 55.4% over the same period. Of the 1.4 million newly added population over the past two decades, 1.3 million, or 94%, of the increased population were located in the New Territories.

There are approximately 3.7 million people and 1.2 million households[12] in the New Territories, followed by 2.1 million people and 0.7 million households in Kowloon, and 1.3 million people and

5 The 2007–2008 Policy Address announced ten major infrastructure projects to promote economic development in Hong Kong and create employment opportunities. The ten major infrastructure projects include the South Island Line (rail), Sha Tin–Central Link (rail), Tuen Mun–Chek Lap Kok Link and Tuen Mun Western Bypass, the Hong Kong section of the Guangzhou–Shenzhen–Hong Kong Express Rail Link, Hong Kong–Zhuhai–Macau Bridge, a rail connection between the Hong Kong and Shenzhen airports, Lok Ma Chau Loop, West Kowloon Cultural District, Kai Tak Development ("KTD"), as well as North East New Territories ("NENT") New Development Areas ("NDAs") and Hung Shui Kiu NDA. Source: 2007–2008 Policy Address, HKSAR Government.

6 Based on "Table 030: Gross Domestic Product (GDP), implicit price deflator of GDP and per capita GDP". Source: Census and Statistics Department.

7 Based on "Table 030: Gross Domestic Product (GDP), implicit price deflator of GDP and per capita GDP". Source: Census and Statistics Department.

8 Source: World Economic Outlook Database, October 2012, IMF.

9 Source: World Economic Outlook Database, October 2012, IMF.

10 Based on "Population and Average Annual Growth Rate, 1981–2011 (A102)". Source: 2011 Population Census, Census and Statistics Department.

11 Based on "Working Population by Occupation, 2001, 2006 and 2011 (C104)". Source: 2011 Population Census, Census and Statistics Department.

12 Based on "Population by District Council District, 2001, 2006 and 2011 (A201)". Source: 2011 Population Census, Census and Statistics Department.

0.4 million households on Hong Kong Island. The average household size[13] on Hong Kong Island and in Kowloon stood at 2.9 people and 2.8 people, respectively, while a household size of 3 people was recorded for the New Territories.

The population density (including the marine population) in Hong Kong stood at 6,405 people per sq. km. in 2011[14]. Kwun Tong is the most densely populated district, in terms of District Council Districts, with 55,204 people per sq. km.[15]. The population densities of Wan Chai and Tsuen Wan stood at 15,477 and 4,918 people per sq. km., respectively.

Hong Kong's population is projected to increase from 7.07 million in mid-2011 to 7.37 million in mid-2016, while following an ageing trend[16]. The proportion of people aged 65 and above is forecast to rise from 13% in mid-2011 to 16% by mid-2016, while the proportion of those aged under 15 is projected to fall from 12% to 11% over the same period. As a result, the median age is projected to rise from 41.7 years in 2011 to 43.4 years in 2016. The overall population density (including the marine population) will increase from 6,405 people per sq. km. in mid-2011 to 6,676 people per sq. km. in mid-2016[17].

The former Kai Tak Airport site in Kowloon is expected to house a major population in the near future. According to the Hong Kong Government, there will be a total of 33,200 residential flats built on this site which will be able to accommodate a population of 89,800. The first phase of the development is scheduled to be completed in 2013, while the whole Kai Tak development is estimated to be completed between 2021 and 2022.

1.2 Hong Kong tourism trends and analysis

1.2.1 Tourist arrivals by country of origin

From 2001 onwards, a series of measures have been introduced to relax restrictions on travel by mainland Chinese to Hong Kong (application procedures as well as currency controls), which have helped tourist-related retail demand. One such measure is the IVS, introduced in July 2003, which allows travellers from selected mainland cities to visit Hong Kong independently rather than coming in tour groups only. The scheme has now been extended to 49 cities in China, covering approximately 270 million people.

Visitor arrivals increased by 213% from 2003 to 2012 as a result of increased mainland Chinese visitor arrivals, and stood at 48.6 million at the end of 2012. Visitor arrivals from mainland China increased from 8.5 million in 2003 to 34.9 million in 2012, a 312% rise since the implementation of the IVS. This growth has made mainland China the single largest source of tourists to Hong Kong, and in 2012, their number represented approximately 71.8% of that year's total.

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13 Based on "Number of Domestic Households and Average Domestic Household Size by District Council District, 2001, 2006 and 2011 (D201)". Source: 2011 Population Census, Census and Statistics Department.

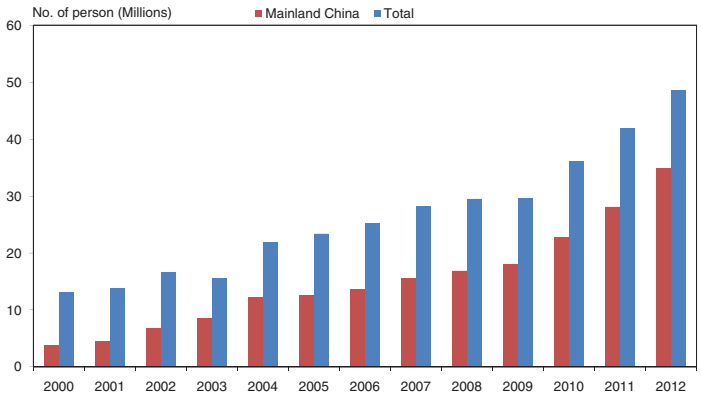
14 Figures compiled using the overall population divided by Hong Kong's land area (1,104 sq. km.). Source: Hong Kong Population Projections, 2012–2041 and Hong Kong Annual Digest 2011, Census and Statistics Department.

15 Based on "Population Density by District Council District, 2001, 2006 and 2011 (A202)". Source: 2011 Population Census, Census and Statistics Department.

16 Source: Hong Kong Population Projections, 2012–2041, Census and Statistics Department.

17 Figures compiled using the overall population divided by Hong Kong's land area (1,104 sq. km.). Source: Hong Kong Population Projections, 2012–2041 and Hong Kong Annual Digest 2011, Census and Statistics Department.

Overall visitor arrivals vs Mainland Chinese visitor arrivals, 2000–2012



Source: HKTB, Savills Research & Consultancy

During 2012, visitor arrivals continued to grow, with 48.6 million visitors arriving in Hong Kong, representing a 15.9% year-on-year growth rate. As expected, mainland Chinese arrivals were the largest in number, with 34.9 million or 71.8% of visitors, and their 24.2% year-on-year growth rate is the only above-average growth among major markets of origin.

1.2.2 Visitor profiles

In 2012, approximately 60.4% of all overnight visitors were in Hong Kong for vacation, according to data from the HKTB. Reflecting the rising numbers of mainland Chinese visitors, 22.5% of overnight visitors were visiting friends and relatives, while overnight business travellers recorded a 34.5% increase from 2001 to 2012, reflecting Hong Kong's role as a global centre for finance, trade and communications. Growth in the number of mainland Chinese overnight business travellers has risen by 140.3% from 2001 to 2012. Mainland overnight business travellers represented 45.2% of the total in 2012.

Average length of stay has increased from 3.1 nights in 2001 to 3.6 nights in 2011, and mainland Chinese overnight visitors now stay as long as long-haul visitors (both 3.9 nights in 2011), and longer than short-haul visitors (2.8 nights in 2011),[18] reflecting the change in nature of these visitors in extending their Hong Kong experience beyond simply shopping.

Average length of stay, overall and mainland Chinese visitors, 2007–2011

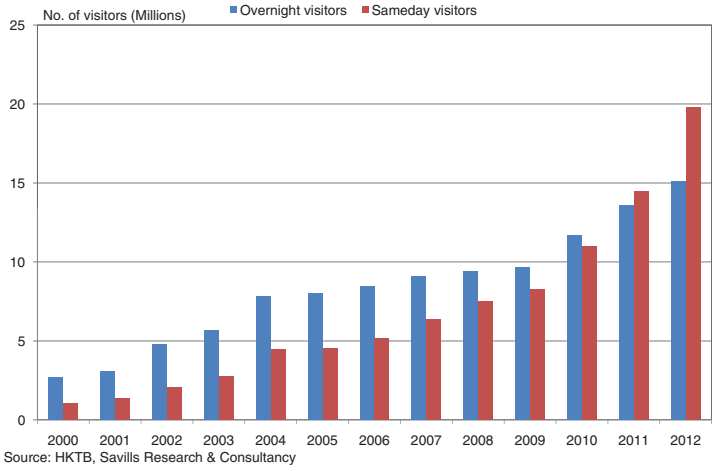
	Days				
	2007	2008	2009	2010	2011
Overall	3.3	3.3	3.2	3.6	3.6
Mainland	3.6	3.5	3.4	3.9	3.9

Source: HKTB, Savills Research & Consultancy

Another notable trend is the rising proportion of same-day-in-town mainland Chinese visitors. Over the past decade, approximately 60% to 70% of mainland Chinese visitors stayed overnight in Hong Kong, although this percentage has gradually declined. During 2012, the number of same-day mainland Chinese visitors surpassed their overnight counterparts, standing at 19.8 million (57% of total mainland Chinese visitor arrivals).

18 Long-haul includes the Americas, Europe, Africa, the Middle East, Australia, New Zealand and the South Pacific. Short-haul includes North Asia, South and Southeast Asia, Taiwan and Macau. Source: HKTB.

Mainland Chinese visitor arrivals, overnight vs same-day, 2000–2012



Source: HKTB, Savills Research & Consultancy

This trend is the result of the increasing number of IVS travellers from southern China, and shows that there exists a mature group of repeat visitors, who have already explored new retail venues such as Sha Tin and Sheung Shui.

1.2.3 Tourist expenditure

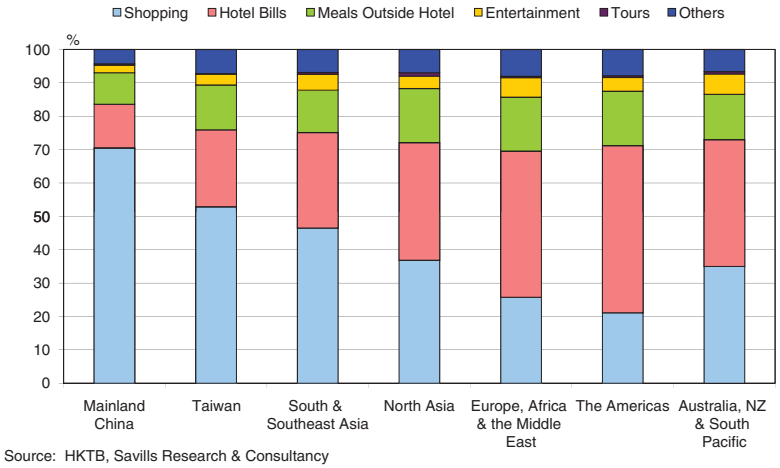
Shopping was the most common activity for tourists, and in 2011, 87% of all visitors did some shopping, according to the Visitor Profile Report 2011 published by the HKTB. In terms of shopping items, ready-made wear was the most popular shopping item, attracting 46% of all visitors in 2011, while other popular items included snacks/confectioneries, cosmetics/skin-care products, and shoes/other footwear.

Visitor spending[19] totalled approximately HK$263.1 billion in 2011, an increase of 325.6% compared with 2001, HK$166.7 billion of which was spent by overnight visitors, representing a 63.3% share. In 2011, approximately 59.3% of total overnight visitor spending was on "shopping items". According to the provisional figures, the total tourism expenditure was HK$306.5 billion in 2012.

Among visitors from different countries, spending preferences differ. The Americas, and Europe, Africa and Middle East overnight visitors tend to spend more on hotels (around 50% and 44%, respectively) while Asian visitors (around 35% to 53%), particularly mainland Chinese, allocate a larger proportion — almost 70% — of their spending to shopping.

19 Including both same-day-in-town visitors and overnight visitors. Source: HKTB.

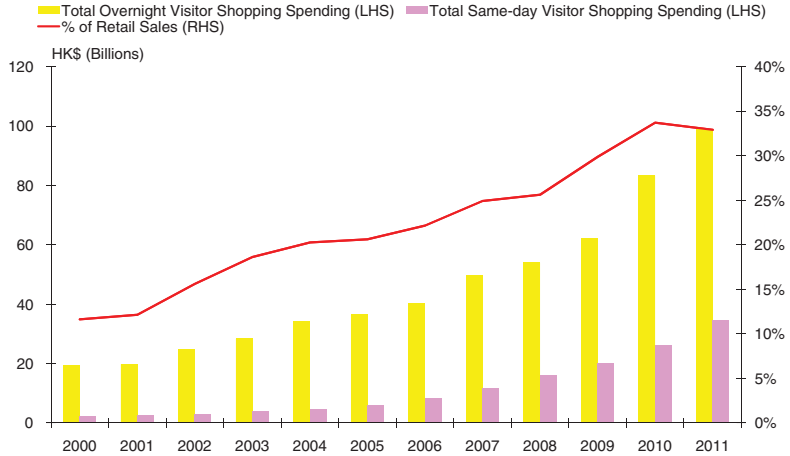
Breakdown of overnight visitor expenditure by category and major market, 2011



Source: HKTB, Savills Research & Consultancy

Overseas visitor spending has played an increasingly significant role in supporting the retail market in the past few years. Total visitor expenditure on "shopping items" represented approximately 11.6% of total retail sales value in 2000, and by 2011 this percentage had increased to approximately 32.9%, the remainder of the retail sales (67.1%) being generated by local demand.

Total visitor shopping spending as a percentage of total retail sales, 2000–2011



Source: HKTB, Census and Statistics Department

1.2.4 Mainland Chinese tourist spending

In addition to representing a significant proportion of total arrivals, visitors from mainland China contributed approximately 67.1% of total overnight tourist expenditure in 2011.

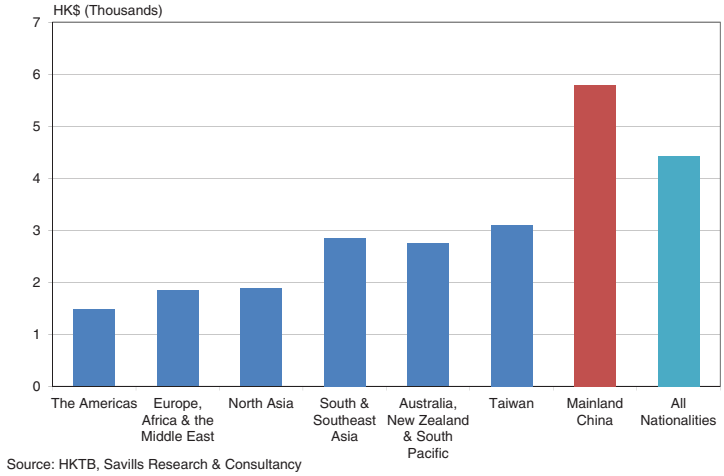
In urban areas of China, a middle-class population is emerging, resulting from the growing economy and increasing disposable incomes. Over the past decade, urban disposable incomes have risen by 218.9% to reach RMB24,565[20] per annum in 2012.

Along with increased incomes comes an appreciation for personal style and fashion, and this population group is willing to pay more for goods which they consider to be well designed and stylish, as well as for the latest international products. This is also a consumer group which has higher

20 Source: National Bureau of Statistics of China.

expectations than other groups, with strong demand for quality products and well-known brands. In terms of per capita shopping spending, overnight visitors from mainland China were among the highest of all nationalities in Hong Kong in 2011, and their purchasing power has risen as a result of the gradual increase in the value of the renminbi.

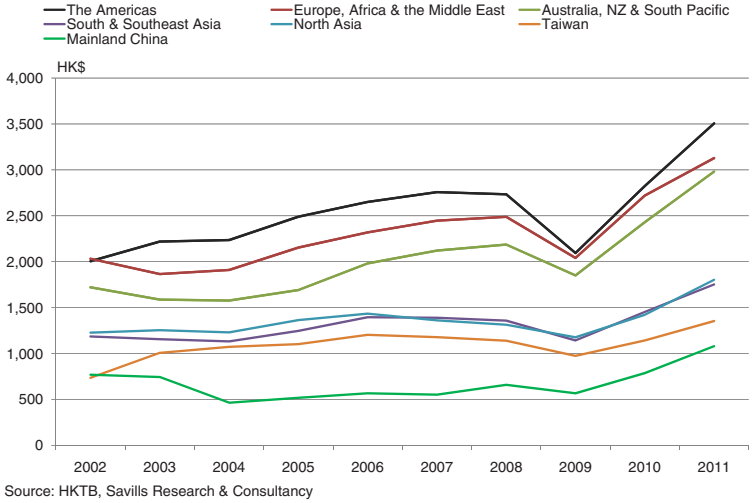
Overnight visitor per capita shopping spending in Hong Kong by major market, 2011



Source: HKTB, Savills Research & Consultancy

In terms of hotel expenditure, we can also see a change in the spending patterns of affluent groups of mainland Chinese visitors. Per capita spending on hotel bills by mainland Chinese tourists amounted to HK$1,079 in 2011, and while this only amounted to approximately one-third of the spending of visitors from the US/Canada (HK$3,532), Europe (HK$3,135) and Australia/New Zealand (HK$2,981), it is increasing and has more than doubled from 2004 to 2011.

Overnight visitors per capita spending on hotel bills by country of origin, 2002–2011



Source: HKTB, Savills Research & Consultancy

The rising per capita hotel spending potentially reflects a growing awareness among mainland Chinese visitors of the quality of accommodation available when travelling to Hong Kong. While still spending the majority of their budgets on shopping (71% in 2011), their aspirations for personal style and leisure indicate that they are willing to stay at higher grade and more expensive hotels for a more comfortable and rounded travel experience.

Overnight mainland Chinese visitor spending and China GDP, 2000–2011

Source: National Bureau of Statistics of China, HKTB, Savills Research & Consultancy

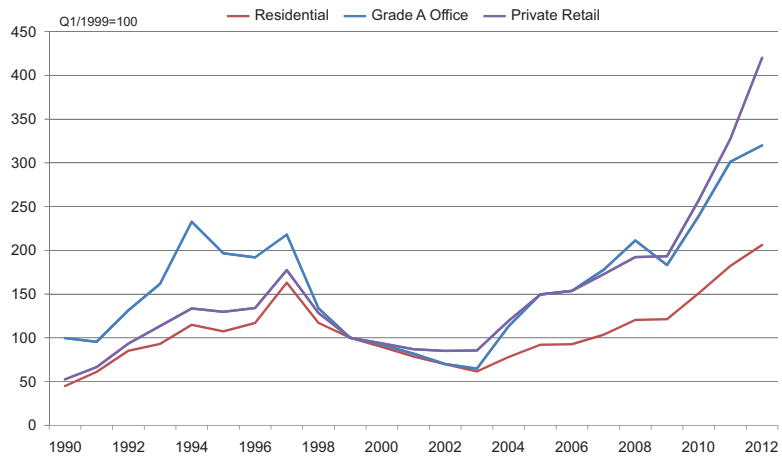
Mainland Chinese visitor spending on shopping grew at a compound annual growth rate ("CAGR") of 22.4% from 2000 to 2011, higher than the 15.3% CAGR of China's GDP in the same period. The growth in GDP and appreciation of the renminbi relative to the Hong Kong dollar has encouraged mainland Chinese visitors to shop in Hong Kong due to an increase in incomes as a result of economic growth and a discount in the prices of goods in Hong Kong.

The proportion of mainland Chinese visitors shopping in Hong Kong generally increased from 2005 to 2010. The rising number of mainland shoppers increased retail activity in Hong Kong, especially in the core retail districts in Central, Wan Chai/Causeway Bay, Tsim Sha Tsui and Mong Kok. The ratio was 92% in 2010 and in 2011 the figure stood at 90%.

1.3 Hong Kong's real estate market

The Hong Kong real estate market has been driven by local demand/supply dynamics as well as the external environment, and significant events causing structural shifts in the market have often resulted in fluctuations in prices. While the Asian financial crisis affected all sectors negatively in 1998, closer integration with mainland China has benefited the entire economy since 2003. The implementation of the IVS increased both retail rents and prices from 2003, while the global financial crisis had a short-term adverse impact which the subsequent QE programme reversed, resulting in a steep rise in volumes. Prices of residential, Grade A office and retail premises increased by 360%, 221% and 701%, respectively, from 1990 to 2012.

Property price indices by sector, 1990–2012



Source: Rating and Valuation Department, Savills Research & Consultancy

Aside from demand-side catalysts, significant fluctuations can also be explained by the varying amounts of supply over different time periods during the past two decades, as well as interest rate movements and government measures. With limited supply a well documented issue in the recent past, coupled with a period of low interest rates from QE1 in 2008, the most recent rally in both prices and volumes from 2008 to 2010 can be explained. The fear of another asset price bubble in the residential market prompted the Hong Kong Government to announce various tightening measures to the residential sector from 2010 onwards, which succeeded in slowing price growth and volumes in 2011. Nevertheless, strong local fundamentals and abundant liquidity meant investment interest moved elsewhere, causing an increase in prices and volumes in the commercial sector in 2011.

The proportion of transaction considerations accounted for by residential properties declined from 87% in 2002 to 80% in 2012, with retail transaction values increasing from 8% to 14% over the same period, showing a shift in investment interest.

2.0 OFFICE MARKET OVERVIEW

2.1 Overview of Hong Kong's office market

2.1.1 Stock and distribution

By the end of 2011, Grade A office space totalled approximately 73.4 million sq. ft. of internal floor area ("IFA")[21], accounting for 63.2% of all office stock, while grade B and C office space accounted for approximately 26.5 million sq. ft. and 16.2 million sq. ft., respectively.[22]

Central is Hong Kong's administrative centre and central business district ("CBD") and accounts for approximately 20% of the total office stock of all grades and 24% of the total stock of Grade A

21 IFA is defined as the area of all enclosed space of a unit measured to the internal face of the enclosing external and/or party walls.

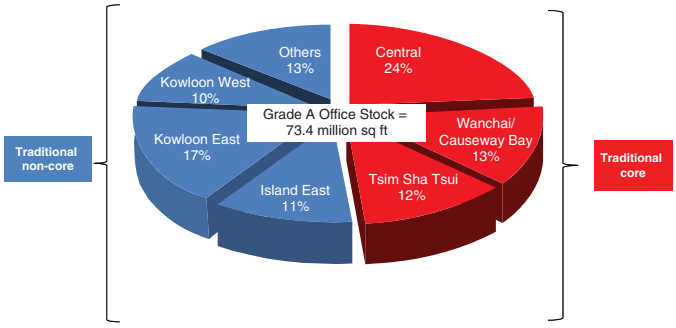
22 **Grade A** — Modern with high-quality finishes; flexible layouts; large floor plates; spacious lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; good management; parking facilities normally available.
Grade B — Ordinary design with good-quality finishes; less flexible layouts; average-sized floor plates; adequate lobbies; central or free-standing air-conditioning; adequate lift services; average or above average management; parking facilities not essential.
Grade C — Plain with basic finishes; restricted layouts; small floor plates; basic lobbies; generally without central air-conditioning; barely adequate or inadequate lift services; minimal to average management; no parking facilities.

office space. At the end of 2011, Central, together with the other traditional business districts of Wan Chai/Causeway Bay and Tsim Sha Tsui, represented approximately 48.5% of total Grade A office stock.

Wan Chai/Causeway Bay is home to many multinational companies of a diversified nature, such as insurance, trading and consumer goods, and pharmaceutical companies. The district also features many prime Grade A offices such as Times Square, World Trade Centre, Hysan Place and Lee Gardens. Grade A office stock in the district amounted to 9.8 million sq. ft. at the end of 2011.

Alongside Hong Kong's growing economy, demand for quality commercial accommodation has increased and developers of Grade A office space have attempted to keep pace. However, development constraints in the established districts of Central, Wan Chai/Causeway Bay and Tsim Sha Tsui have limited the ability of these districts to expand, and important submarkets, such as Island East, Kowloon East and Kowloon West, have emerged in decentralised areas over the past ten years as a result.

Distribution of Grade A office stock, 2011



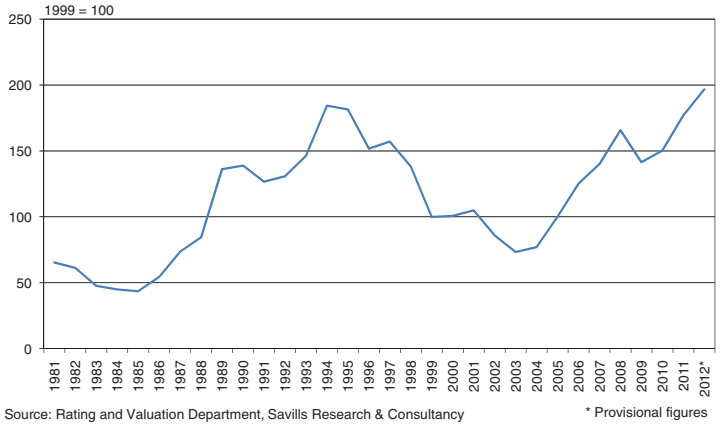
Source: Rating and Valuation Department, Savills Research & Consultancy

2.1.2 Rents and capital values

2.1.2.1 Rental movements

Following the outbreak of Severe Acute Respiratory Syndrome ("SARS"), the average Grade A office rent increased by approximately 126% from the end of 2003 to 2008, the result of a growing stock market and a substantial IPO pipeline, as well as the expansion of investment banks prior to the global financial crisis in Q3/2008. During the crisis period in 2008 and the first half of 2009, many tenants in the finance industry experienced layoffs and downsizing, lessening demand for office space and pulling rents down by 15%. In 2009, following QE measures introduced in both the US and mainland China, rental rates improved with new leasing demand from overseas funds and finance-related companies from mainland China, rising by 25% from 2009 to 2011. During this period, Hong Kong became the largest IPO market in the world, as mainland Chinese firms sought listings on the local exchange.

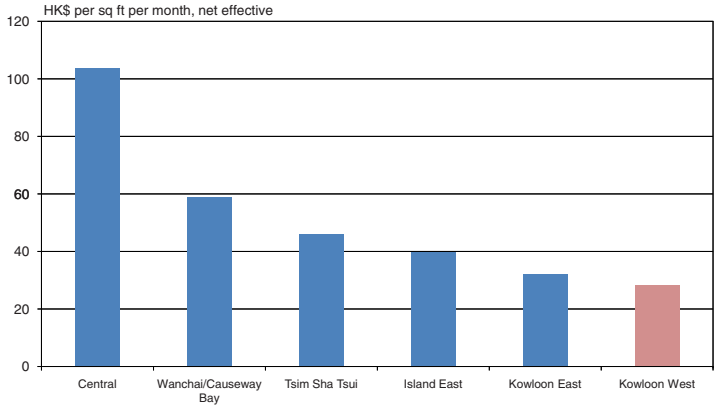
Overall Grade A office rental index, 1981–2012



Source: Rating and Valuation Department, Savills Research & Consultancy * Provisional figures

Since the second half of 2011, office rental growth decreased alongside a weakening of the local economy and uncertain business sentiment, with companies becoming more cost-conscious and halting expansion plans. As the IPO market dwindled, financial services firms cut headcount, and Grade A office rental rates in Hong Kong stood at HK$57 per sq. ft. net at the end of Q4/2012.[23]

Average Grade A office rents by district, Q4/2012



Source: Savills Research & Consultancy

At the end of the fourth quarter of 2012, average Grade A rents in Central stood at HK$104 per sq. ft. net effective, 76% higher than in Wan Chai/Causeway Bay, the closest district in terms of accommodation overheads. Central's rental premium over other business districts has been widening over the past few years, reflecting the limited availability of quality office space in the area, as well as the preference for the CBD as an office base among the financial community. However, the rental gap between Central and other districts began to narrow in mid-2011, as the latest round of global economic uncertainties suppressed demand from financial institutions and the IPO market remained sidelined. While affecting rents in the CBD, rental levels in other districts came through the period relatively unscathed.

A notable trend in the office market witnessed over the past few years has been relocations to Kowloon, which started with several investment banks decentralising to the International Commerce Centre ("ICC"), and later, the relocation of major insurance tenants to Kowloon East from Wan Chai/Causeway Bay. Kowloon East remains an emerging area, attracting tenants from Hong Kong Island

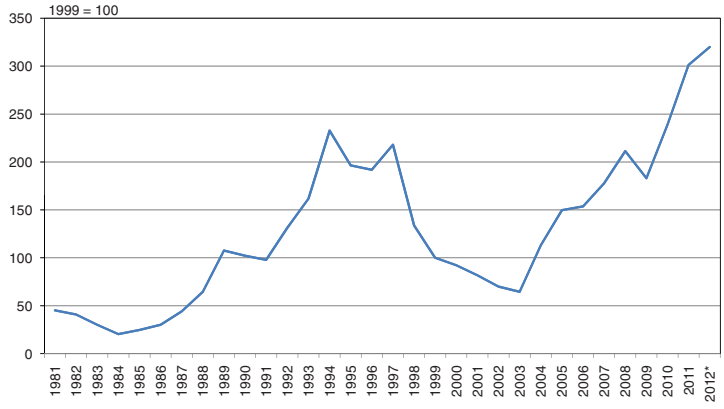
23 Source: Savills Research & Consultancy.

looking for cost savings, with average rents in the area standing at HK$32 per sq. ft. net effective, while average Grade A rents in Wan Chai/Causeway Bay stood at HK$59 per sq. ft. net effective at the end of the fourth quarter of 2012.

2.1.2.2 Price movements

The economic rebound from mid-2003 onwards, together with the low interest-rate environment, had a positive effect on the office sector, and prices increased by over 75% from 2003 to the end of 2004. Demand from financial institutions and multinationals, which induced the rise in rental rates from 2005 onwards, also stimulated investment interest in the Grade A office market, and prices rose by a further 32% over the year.

Grade A office price index, 1981–2012



Source: Rating and Valuation Department, Savills Research & Consultancy * Provisional figures

Office prices decreased during the global financial crisis period from 2008 to the first half of 2009, with many investors being forced to sell their office properties in the face of tightening liquidity and uncertain leasing market prospects.

QE measures and low interest rates in the US subsequently induced investment interest in office space, and along with rising rental growth, office prices increased by nearly 65% from 2009 to 2011. Transaction volumes were driven by both local investors as well as overseas investment funds.

Grade A office price growth was slow across most districts (except Kowloon East) in 2012. Following a sluggish leasing market and an uncertain external environment, as well as weakening investment sentiment, according to Savills Grade A office price indices, office prices rose marginally by 10% in 2012.

2.1.3 Impact of government policies on the office market

CBD2

The CBD2 initiative in Kowloon East began on 7 June 2012 when the Development Bureau set-up the Energizing Kowloon East Office ("EKEO"). The aim of the EKEO is to oversee and monitor the development of Kowloon East to ensure the transformation of the area into a second prime CBD in Hong Kong. A detailed discussion of the CBD2 scheme can be found in **Section 8**.

Revitalising industrial buildings

As a result of the government initiatives to better utilise vacant or under-used industrial buildings through redevelopment or wholesale conversion, industrial buildings can be converted to offices,

which will create additional office space in traditional industrial areas, for example, Kwun Tong and Kowloon Bay. The upgrade from an industrial area to a commercial hub is expected to enhance the overall image of Kowloon East.

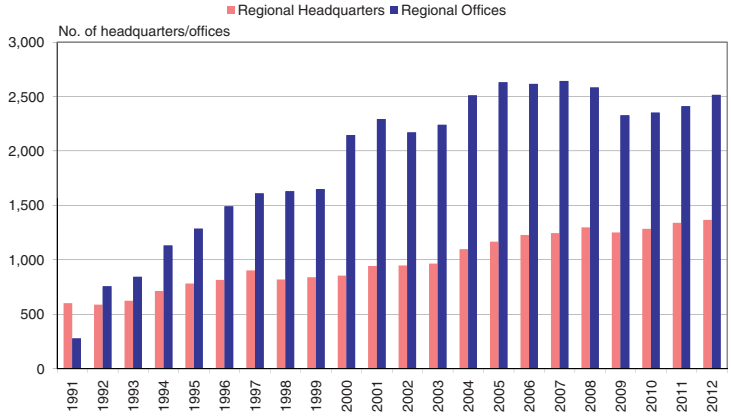
2.2 Market trends, demand drivers and future prospects

2.2.1 Economic and social drivers

With the finance, trading and administration industries contributing a total of 70% of GDP in 2011, these industries are the major occupiers of office space in both core and decentralised office areas.

Another element influencing Hong Kong's Grade A office market is the increasing attractiveness of Hong Kong as an Asian business hub for multinationals. According to the Census and Statistics Department, the number of regional headquarters[24] and regional offices[25] rebounded in both 2011 and 2012. At the end of 2012, there were 1,367 regional headquarters and 2,516 regional offices in Hong Kong representing their parent companies located outside Hong Kong.

Number of regional headquarters and regional offices, 1991–2012



Source: Census and Statistics Department, Savills Research & Consultancy

Reflecting the fact that Hong Kong has remained a popular location from which international companies oversee their regional operations in Asia Pacific, the number of regional headquarters and regional offices has increased by 51% and 56%, respectively, since the change of sovereignty in 1997. Hong Kong's favourable business environment, offering a low and simple tax system, a free flow of information, an absence of exchange controls, a well established transport infrastructure, a strategic geographical location and political stability, all continue to attract international companies to set-up regional headquarters and offices in the city. These companies are an important component of the demand for Grade A office space.

In recent years, there has been a trend in which new companies and state-owned enterprises have set-up local offices in Hong Kong, especially those from mainland China. In 2012, according to the Census and Statistics Department, mainland China had the largest number of local offices in Hong Kong (595 companies), followed by Japan (543), the US (519), Taiwan (239) and the

24 A regional headquarters is an office which has managerial control over offices in the region (i.e., Hong Kong plus one or more additional places) on behalf of its parent company located outside Hong Kong, according to the Census and Statistics Department.

25 A regional office is an office which coordinates offices and/or operations in the region (i.e., Hong Kong plus one or more additional places) on behalf of its parent company located outside Hong Kong, according to the Census and Statistics Department.

UK (233). Many of the mainland Chinese local companies prefer to set-up their offices in Grade A buildings in prime Central locations, such as Harvest Funds in Exchange Square, China International Capital Corporation and Renhe Commercial Management in One International Finance Centre, and China Trust Commercial Bank in Two International Finance Centre.

2.2.2 Office decentralisation

The traditional office locations of Central and Tsim Sha Tsui face development constraints, limiting the ability of these districts to expand in the short to medium term. The Grade A office inventory in traditional locations such as Central and Tsim Sha Tsui is also ageing as development opportunities decrease. Future office supply is focused in decentralised markets, particularly Kowloon East which is growing to maturity with an increase of new high-quality properties in the pipeline.

Given the presence of new high-quality office space being offered on very competitive terms, the emerging decentralised Grade A office markets have become more attractive, in particular to large space users. Moreover, escalating Central rents over the past two to three years have widened the rental gap between core and non-core districts. High occupation costs and limited availability have therefore combined to push cost-sensitive tenants out of core locations.

Following a 7.2% year-on-year growth in retail sales volume in the whole of 2012, international retailers are also looking to expand. Many international retailers are expanding in major shopping areas, which indirectly translates into demand for office space. Tsim Sha Tsui is one such area benefiting from this trend, and tenants who have been active in the area include Samsonite, Estee Lauder and Dolce & Gabbana. Some retailers, such as Nike, Polo Ralph Lauren and Adidas, are also setting-up offices in other Kowloon areas, such as Kowloon East.

Space availability in Wan Chai/Causeway Bay and Kowloon East has become limited as a result of rising rents in Central over the past few years. Tenants have been spilling over to Wan Chai/ Causeway Bay from Central, while the Kowloon East decentralisation trend continues to drive vacancy rates down.

2.3 Supply analysis

2.3.1 Historical supply

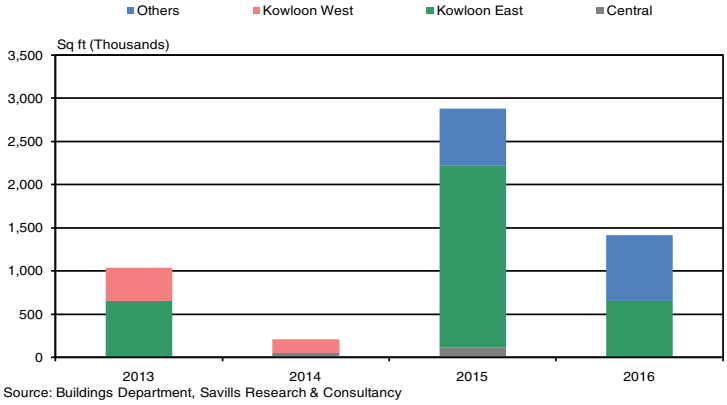
There was a small number of large-scale projects completed in core areas between 1997 and 2006, most of them on reclaimed land. However, the majority of new office supply (66% or 15.5 million sq. ft.) was erected in decentralised office areas, including Island East (3.5 million sq. ft.), Kowloon East (3.4 million sq. ft.) and Kowloon West (2.8 million sq. ft.). Large-scale projects were also completed outside these three main decentralised areas over the same period, such as Grand Millennium Plaza (COSCO Tower and 181 Queen's Road Central) in Sheung Wan and Cathay City on Lantau Island.

Supply rebounded in 2007 and 2008 with a total of 6.6 million sq. ft. of mostly large-scale projects located in Kowloon East, being completed over the period, such as Manulife Financial Centre, Landmark East, Manhattan Place and Exchange Tower. These high-quality Grade A buildings have influenced several multinational companies to move across the harbour from Hong Kong Island, including Manulife, AXA and Shell.

Between 2009 and 2011, office supply decreased, with average annual supply standing at around 1.3 million sq. ft. The main developments completed during this period were Phases 2 and 3 of ICC above Kowloon Station, another new development accommodating well-known international banks such as Morgan Stanley, Deutsche Bank and Credit Suisse. In 2012, an estimated 840,000 sq. ft. of Grade A office space was completed.

2.3.2 Future supply

Grade A office supply forecast by district, 2013E–2016E



Source: Buildings Department, Savills Research & Consultancy

Over the next four years, future Grade A office supply will be concentrated in decentralised areas, with a large proportion (3.75 million sq. ft. or 62%) to be erected in Kowloon East. Larger scale completions in the pipeline include 181 Hoi Bun Road (240,700 sq. ft.) and 6 Wang Kwong Road (200,000 sq. ft.), which are expected to be completed in 2013.

A total of 2.8 million sq. ft. of new supply located in decentralised areas is expected to be developed in 2015, with the most notably volume of upcoming supply located in the Kowloon East and Shek Mun areas, including a 730,000-sq. ft. project located at the junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road in Kwun Tong by Wheelock Properties, and two Billion Development and Project Management Ltd development projects located along On Kwan Street in Shek Mun.

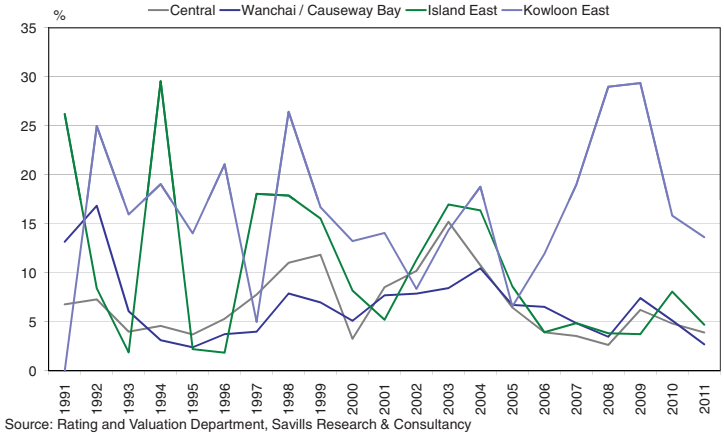
As stated in the 2013 Policy Address, long-term commercial supply will be more focused in Kowloon East with the completion of office space in the Kai Tak area as well as the ongoing revitalisation and redevelopment of industrial premises in Kwun Tong and Kowloon Bay.

2.4 Demand analysis

2.4.1 Historical take-up and vacancy rates

From 2007 to 2011, a total of 9.9 million sq. ft. of take-up was recorded in non-core areas, as more and more non-financial tenants were willing to relocate to non-core areas in order to save on costs or to consolidate, while only 650,100 sq. ft. of take-up was recorded in core locations over the same period. The strong take-up in non-core locations, particularly in Kowloon East, reflected decentralised demand, given their relatively low rental rates and the availability of suitable space.

Grade A office vacancy rates by district, 1991–2011



Source: Rating and Valuation Department, Savills Research & Consultancy

Core area vacancy rates have remained relatively stable over the past two decades, as the established business districts have accounted for a relatively large proportion of total Grade A office space and have appealed to a broad tenant base. However, decentralised areas, with their relatively smaller supply and the addition of major new offices which increase vacancy rates in particular years, have recorded greater fluctuations in vacancy rates over the years.

With limited stock availability, both Island East and Kowloon East have enjoyed low vacancy rates over the past two decades. The commitment levels at Kerry Centre (382,500 sq. ft. net) by tenants such as Armani, AIA and Swatch also helped Island East to maintain low vacancy rates in 2010 and 2011.

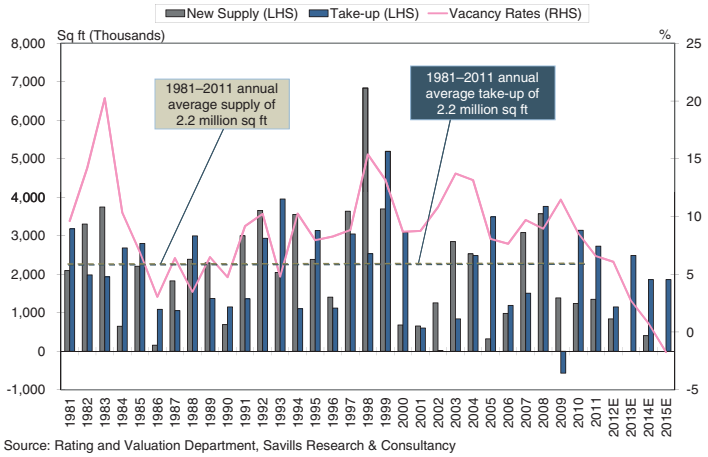
With the completions of Manhattan Place (530,900 sq. ft. net), Exchange Tower (457,000 sq. ft. net), Landmark East (890,000 sq. ft. net) and Manulife Financial Centre (840,600 sq. ft. net), Kowloon East saw an increase in vacancy rates from 2006 to 2009, ending that year at 29%. The relatively low rental rates in the area influenced many multinational companies to decentralise (particularly insurance companies), bringing the vacancy rate down during both 2010 and 2011.

2.5 Market outlook

By taking advantage of the low operating costs in the PRD region and leveraging Hong Kong's supply of business services providers, its infrastructure and experience in international trade, manufacturers in Hong Kong will continue to expand their businesses. The completion of intra-regional transport infrastructure, such as the Hong Kong section of the Guangzhou–Shenzhen–Hong Kong Express Rail Link in 2015, the Tuen Mun–Chek Lap Kok Link, the Tuen Mun Western Bypass and the Hong Kong–Zhuhai–Macau Bridge in 2016, should further enhance Hong Kong as a regional transportation and logistics hub, therefore providing greater opportunities for trading and logistics companies, and greater office demand as a result. In the longer term, the planned third runway at HKIA aims to improve passenger and cargo-handling capacity.

With increased demand for services such as personal banking, trade finance, fund raising, law and accounting expected from the region, as well as the broader PRC, all of these companies are expected to pursue expansion opportunities within the territory, across all business districts.

Supply, take-up and vacancy rates for Grade A offices, 1981–2015E



Source: Rating and Valuation Department, Savills Research & Consultancy

Supply, take-up and vacancy rate forecasts for Grade A offices, 2012–2015E

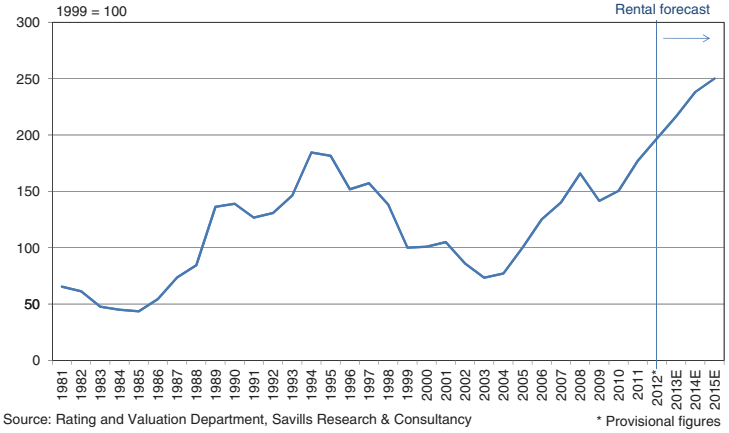
Year	Stock (sq. ft.)	Supply (sq. ft.)	Vacant space (sq. ft.)	Vacancy rate (%)	Take-up (sq. ft.)
2012	74,225,395	841,825	4,511,907	6.1	1,152,191
2013	75,262,764	1,037,369	3,061,696	4.1	2,487,579
2014	75,468,201	205,438	1,406,253	1.9	1,860,880
2015	78,348,029	2,879,828	2,425,201	3.1	1,860,880

Source: Savills Research & Consultancy

2.5.1 Rental and price forecasts

A total of 2.9 million sq. ft. of Grade A office space will be added to the market in 2015, causing an increase in supply and slowing rental growth. However, much of the supply in that year will be stratified or owner occupied. The supply of space available for lease-only is estimated at approximately 1.65 million sq. ft. lower than the actual supply number reported. As a result, we expect average Grade A office rental growth to slow to 5%.

Grade A office rental index, 1981–2015E



Source: Rating and Valuation Department, Savills Research & Consultancy

* Provisional figures

Grade A office rental forecast, 2013E–2015E

Year	Rental growth (%)
2013	**+10.0**
2014	**+10.0**
2015	**+5.0**

Source: Savills Research & Consultancy

On a by-district basis, Central rental rates are expected to continue to be affected by global economic uncertainties, while the reviving IPO market may inject some optimism into the sector in the second half of the year. We expect a rebound in rental rates from 2014 onwards, though further rental growth may be capped by already high rental levels and thus may lag behind market growth.

Wan Chai/Causeway Bay should continue to enjoy low vacancy rates and lack available space, and its rental gap with Central should continue to attract tenant movements out from the CBD. As a result, we expect rental movements in the area to track the overall market over the next three years.

Kowloon East has transformed into a business hub with multinationals, in particular those in the insurance and consumer goods industries, willing to relocate and consolidate into the area. With more quality Grade A offices coming in the future, we expect this trend to continue. However, the stratification of most of the recently completed offices means that less space will be put back into the market for lease, and thus we expect the low vacancy situation to be prolonged, and office rental growth to slightly outpace the overall market over the next two years until the supply up-tick in 2015, which may slow rental growth to market average levels.

Grade A office rental forecast by district, 2013E–2015E

Year	Central (%)	Wan Chai/Causeway Bay (%)	Kowloon East (%)
2013	**+2.0**	**+10.0**	**+11.0**
2014	**+8.0**	**+10.0**	**+12.0**
2015	**+3.0**	**+5.0**	**+0 to 5**

Source: Savills Research & Consultancy

Short-term office price forecast

The recent introduction of the double stamp duty, which applies to the residential and non-residential markets, along with the existing Special Stamp Duty ("SSD") and Buyer's Stamp Duty ("BSD") may cool commercial transaction volumes in the short term. In the commercial market, volumes may come off to a greater extent in all areas, while prices could stabilise in core areas. There may be 5% to 10% declines in decentralised business districts where the recent run-up in capital values has been dramatic.

The expected annual average supply of 1.1 million sq. ft. from 2012 to 2015, which is lower than the 2002 to 2011 average take-up of 1.8 million sq. ft., will provide support to rental rates, and will indirectly support price growth.

With the major projects scheduled for completion in 2015 likely to be available for sale rather than lease, we estimate that approximately 1.7 million sq. ft. of new for-sale office stock will be available to the market at that time.

Nevertheless, with the CBD2 initiatives being well underway by 2015, more business occupiers, either leasing or buying their own offices, are likely to be interested in relocating to the Kowloon East area and should be able to absorb most of the excess supply in that year.

According to a press release from the US Federal Reserve dated 24 October 2012, the low interest-rate environment is likely to last until mid-2015. We expect Grade A office rental yields to stabilise at around 3% over this period, given such a low cost of capital. The well supported leasing market, increasing pool of speculative demand, low level of supply as well as a high inflation environment with low interest rates will likely push asset prices up by nearly 3% between 2013 and 2014. As prices in core areas are at historical highs, we believe that this potential 3% growth will be concentrated in non-core areas such as Kowloon East.

Long term office price forecast

The long-term prospects of the office sales market look more uncertain. In 2015, interest rates are likely to rise gradually as the US economy makes a measured recovery.

Moreover, we believe that affordability will eventually become an issue. After a 3% price growth, office prices were 24% higher at the end of 2012 than their previous 1994 peak. Both business conditions and investor sentiment would have to remain strong in order to sustain these levels (rents and prices) beyond 2015.

We expect these factors to result in near market equilibrium and thus forecast stable office price movements in 2015 for the overall market.

Grade A office price and yield forecast, 2013E–2015E

Year	Price growth (%)	Yields (%)
2013	**-5 to -10**	**3.6**
2014	**-5**	**4.1**
2015	**0.0**	**4.3**

Source: Savills Research & Consultancy

3.0 RETAIL MARKET OVERVIEW

3.1 Overview of Hong Kong's retail market

3.1.1 Stock distribution and supply

Between 1980 and 2011, the total stock of private commercial premises[26] in Hong Kong doubled to 116.2 million sq. ft. at the end of 2011[27]. In 2011, around 41% of private commercial stock was located in Kowloon, while Hong Kong Island and the New Territories accounted for around 30% and 29% of the remaining commercial stock, respectively.

Along with the increase in the total stock of private commercial premises and rising income levels, per capita stock[28] has also risen, standing at 16.3 sq. ft. per person at the end of 2011, an increase of 6.5 sq. ft. per person since 1981.

From 1980 to 2011, private commercial supply averaged approximately 2.0 million sq. ft. per annum. However, supply levels were lower in the 2000s when compared with the previous two decades. Shopping centre supply reached a recent peak in 2006 when some 2.0 million sq. ft. was completed, including some larger scale malls such as Elements in Tsim Sha Tsui and MegaBox located in Kowloon Bay.

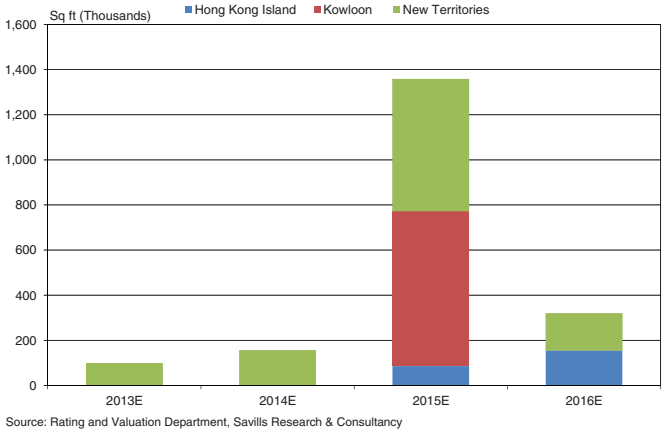
26 Defined by the Rating and Valuation Department, private commercial premises include retail premises and other premises designed or adopted for commercial use, with the exception of purpose-built offices. Car parking space is excluded.

27 According to the Rating and Valuation Department, from 2006 onwards private commercial stock figures include properties owned by The Link REIT, which had a total IFA of 10.3 million sq. ft. in 2006.

28 Total year-end private commercial stock divided by total year-end population.

3.1.2 New supply

Private commercial supply by district, 2013E–2016E



Source: Rating and Valuation Department, Savills Research & Consultancy

Major shopping centre supply in Hong Kong is expected to fall to an average of 483,546 sq. ft. per annum between 2013 and 2016, with the highest proportion of new centres located in the New Territories, representing 52% of total future supply.

Some larger shopping centres, such as Hysan Place (400,000 sq. ft.) in Causeway Bay and V City (269,000 sq. ft.) in Tuen Mun were completed in 2012. New shopping centres forecast for completion by 2013 and 2014 are small in scale, with GFAs of less than 110,000 sq. ft.

Only one major retail development will be completed in Kowloon in 2015, namely Kowloon Development's Ngau Chi Wan project, providing 686,426 sq. ft of retail space. Notably, most of the large-scale shopping centre supply in the New Territories comprises the retail podiums of large residential estates.

From 2013 to 2016, there is no private commercial supply scheduled to be completed in Central. In Wan Chai, there is one project, 200 Queen's Road East Project (86,000 sq. ft.) to be completed in 2015. In Kowloon there is a project at the junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road in Kwun Tong scheduled for completion in 2015. It is a Grade A office project with retail space. However, the retail area is yet to be confirmed.

3.1.3 The impact of government policies on the retail market

IVS

One important policy with regard to the retail market is the IVS. Since its implementation in July 2003, more than 97 million mainland Chinese tourists have visited Hong Kong via this scheme. The IVS has transformed the local retail scene, with mainland Chinese spending power and the desire for luxury goods resulting in an influx of luxury retailers to core retail areas, pushing up both retail rental rates and prices by 55% and 286%, respectively, from 2003 to 2011.

Revitalisation policy for industrial buildings

This policy allows eligible industrial buildings to be converted for permitted commercial uses without paying premiums or waiver fees. Since its implementation in April 2010, 25 special waiver cases have been executed, 16 cases of which are either pure retail or have some retail element. As the pace of conversion is slow, we do not anticipate that this policy will result in a large amount of retail supply or create any new retail clusters in the short to medium term.

CBD2

As detailed in section 2.2, the government initiatives to transform Kowloon East into CBD2 are impacting the area with new commercial developments, and the area's retail market stands to benefit. Currently, the planned retail/hotel GFA in the KTD area amounts to 8.6 million sq. ft., while the Kwun Tong Town Centre redevelopment will add another 1.2 million sq. ft. of retail space when fully completed in 2021.

BSD

A 15% stamp duty is levied on any overseas and corporate buyers in the residential market. As such, we expect these buyers, especially those with shorter investment horizons, to shift their focus to the commercial sector, including the retail market. Nevertheless, even if this shift does materialise, we anticipate this may be confined to peripheral retail areas, as prime retail assets in core areas are tightly held by vendors with prices — both in terms of lump sums and averages — at much higher levels than the residential sector.

3.2 Retail demand analysis

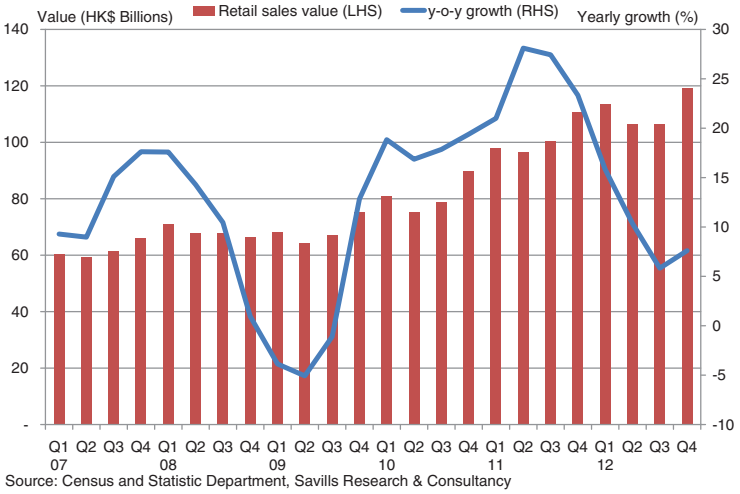
3.2.1 Retail performance

Total retail and restaurant sales

Retail sales have grown strongly over the past few years as a result of the local economy which has encouraged local spending, as well as the growing dominance of mainland Chinese visitors who spend heavily on shopping. Following a slight decrease near the end of 2008 and the beginning of 2009 when the global financial crisis reduced spending, retail sales registered growth of 10.6%, 0.6% and 18.3% in 2008, 2009 and 2010, respectively. Although the euro debt crisis and global economic uncertainties affected the local economy from mid-2011 onwards, the retail sector, supported by both local and tourist spending, was relatively unscathed and saw another 24.8% growth in 2011.

In 2012, more uncertainty in both the global and Chinese economies was witnessed. The local retail market responded to these adverse conditions with a moderate growth rate of 9.8% year-on-year in retail sales in 2012. The luxury products sector, typically favoured by mainland Chinese tourists, was a significant factor behind the slowing growth.

Retail sales value and year-on-year growth, Q1/2007–Q4/2012



Source: Census and Statistic Department, Savills Research & Consultancy

Similar to retail sales, restaurant receipts recorded growth of 13.1%, 0.6% and 5.1% in 2008, 2009 and 2010, respectively. Local demand has been a key driver of the food and beverage ("F&B") sector, and rising incomes and favourable employment conditions contributed to increased spending on F&B in 2011, when a 6.4% increase was recorded over the period.

The F&B sector was also affected by the local economic slowdown, with restaurant receipts slowing to a 5.0% growth in 2012. Among the different types of restaurants, only fast-food shops recorded a higher rate of growth than the same period in 2011, registering growth of 7.6% in 2012.

Retail sales per capita is driven by income levels as well as broader consumer confidence. After declining by 27% from the 1997 peak to 2003, total sales per capita rebounded by 52.4% from 2004 to 2008 and stood at HK$39,220 per person in 2008. The global financial crisis stalled rather than reduced this figure, with sales per capita remaining static in 2009. Retail sales per capita rose by 45.2% from 2009 to 2011 to stand at HK$57,046 per person as a result of the increase in retail sentiment and mainland Chinese spending. In 2012, the figure grew by 8.8% to HK$62,082.

Retail sales by trade category

The highest performing subsector in 2011 was jewellery, watches and clocks and valuable gifts, which recorded a 46.6% increase. However, this decreased to a 7.6% year-on-year growth in 2012, reflecting less mainland Chinese spending. Clothing, footwear and allied products, also registered 7.7% growth over the same period. Strong local spending was still evident, with both consumer durable goods and supermarket spending registering the highest growth in 2012 at 19.4% and 10.3%, respectively.

Percentage change in retail sales by category, 2012 vs 2011

Trade category	% change
Food, alcoholic drinks and tobacco	**+2.8**
Supermarket spending	**+10.3**
Fuel	**+3.3**
Clothing, footwear and allied products	**+7.7**
Consumer durable goods	**+19.4**
— Motor vehicles and parts	*+5.5*
— Electrical goods and photographic equipment	*+21.2*
— Furniture and fixtures	*-3.0*
— Other consumer durable goods, not elsewhere classified	*+55.9*
Department stores	**+9.7**
Jewellery, watches and clocks, and valuable gifts	**+7.6**
Other consumer goods	**+9.0**

Source: Census and Statistics Department, Savills Research & Consultancy

3.2.2 Outlook for the retail sector

The recent decrease in retail sales growth may be a short-term phenomenon due to uncertainties affecting both the local and mainland Chinese economies, rather than a structural shift in the local retail landscape.

With the unemployment rate at an historical low, income growth and gradually rebounding consumer confidence, we anticipate local retail spending to continue to support to the retail market, both in terms of necessities and leisure shopping. While luxury shopping items favoured by mainland Chinese tourists may have slowed to single-digit growth over the first few months of the year, we do not see any major slip in visitor spending on shopping. On the contrary, overnight tourist expenditure on shopping continued to increase by 16.8% in the first half of 2012 to reach HK$50.4 billion. We

believe that, coupled with the sustained growth in mainland Chinese visitor arrivals and a gradual relaxation of the macro measures in China, mainland Chinese spending on shopping will continue to increase, and their appetite for all shopping items will continue in the coming years.

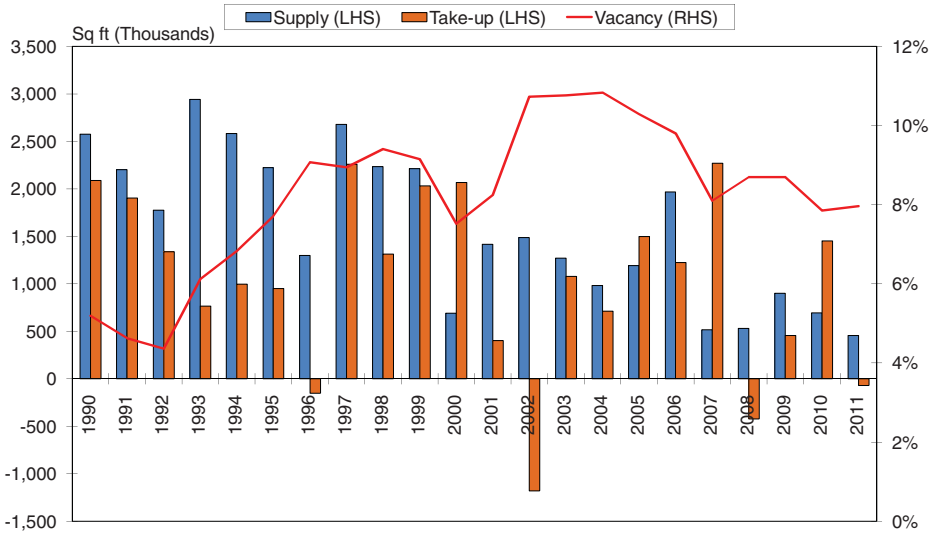
As a result, we expect the local retail market to continue to be well supported by both local and tourist spending, not necessarily at the rate of 20% to 30% growth per annum as in 2010 and 2011, but rather at a slower but sustainable rate.

3.2.3 Take-up and vacancy

Between 1980 and 1989, 1990 and 1999 and 2000 and 2011, average take-up stood at approximately 2.3 million sq. ft., 1.4 million sq. ft. and 0.8 million sq. ft., respectively. The falling take-up is attributable to decreasing supply levels, as well as the maturing market. Take-up rebounded from 0.8 million sq. ft. in 2004 to 2.3 million sq. ft. in 2007.

Due to the demand contraction following the global financial crisis, negative take-up of retail space was witnessed in 2008, and a number of chain retailers closed in Hong Kong, including Tai Lam and U-Right, both of which closed near the end of that year. As a result, vacancy rates increased to 8.7% in 2008. Take-up of retail space rebounded to 450,000 sq. ft. and 1.5 million sq. ft. in 2009 and 2010, respectively, with the subsequent influx of mainland Chinese visitors and the recovering economy favouring the retail market. With the recent global economic uncertainties and record-high rental rates slowing leasing activity, take-up declined to close to zero and vacancy rates hovered at approximately 8.0% in 2011.

Private commercial supply, take-up and vacancy rate, 1990–2011



Source: Rating and Valuation Department, Savills Research & Consultancy

Kowloon recorded the highest level of average take-up at 410,000 sq. ft. per annum from 2000 to 2011, followed by the New Territories (300,000 sq. ft. per annum) and Hong Kong Island (174,000 sq. ft. per annum), mainly due to a number of major centres being completed over the past decade, such as MegaBox, K11, i-Square and The One, all located in Kowloon.

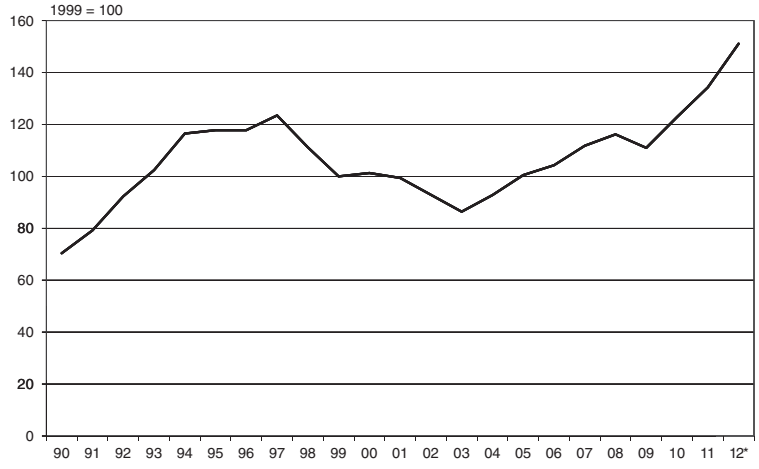
On a district scale, the performance of the shopping malls in Central, Admiralty and Causeway Bay suggest that the north side of Hong Kong Island is a major retail area. However, there are no large shopping malls in Wan Chai, located between Central/Admiralty and Causeway Bay, which can be regarded as either territorial malls or regional malls. We believe the opening of the retail portion of 200 Queen's Road East Project will help the potential growth in retail activity in Wan Chai.

International retailers are expanding towards non-core retail districts as mainland Chinese traffic is spilling over into areas along the East Rail. For example, Zara has opened shops in Metro City Plaza in Tseung Kwan O, TMT Plaza in Tuen Mun and New Town Plaza in Sha Tin. Bershka opened shops in Olympic City in Tai Kok Tsui and Metro City Plaza in Tseung Kwan O. The trend is driving up retail demand and therefore retail rental rates in these regions.

3.3 Historical retail rental and price trends

3.3.1 Rental trends

Private retail rental index, 1990–2012



Source: Rating and Valuation Department, Savills Research & Consultancy * Provisional

The implementation of the IVS, along with the rebound in the local economy, affected the recovery of the retail market, and from 2003 to 2011 private retail rents increased by approximately 55%.

The upward momentum in both retail rental rates and prices is supported by international retailers leasing prime space in core retail areas on Hong Kong Island. Apple opened its first store in Hong Kong in the ifc Mall, while Abercrombie & Fitch opened their flagship store in the Pedder Building. In Causeway Bay, Forever 21 leased six floors of Capitol Centre for six years with an option to renew for three years as their flagship store, while other international fashion retailers leased space in the newly opened Hysan Place.

In 2012, the tourist market and improving local consumer sentiment continued to support the growth of retail sales and retail rental rates. Retail rental rates grew by 12.5% in 2012.

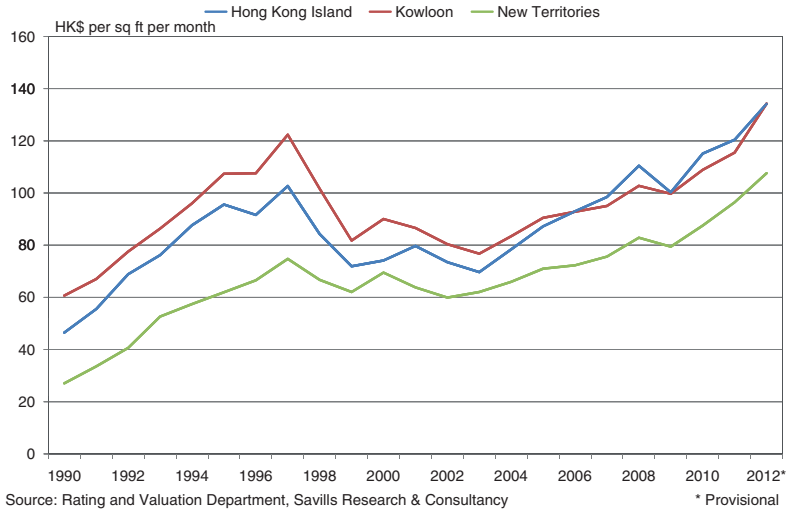
District analysis

Central, Causeway Bay and Tsim Sha Tsui are the traditional core retail areas in Hong Kong, with retail shops and shopping centres focusing on luxury products and fine dining for affluent locals and, more recently, mainland Chinese tourists who are visiting Hong Kong in increasing numbers as a result of the implementation of the IVS in 2003.

Over the past decade, as site availability becomes increasingly scarce in urban areas, new retail premises, have been completed in fringe Kowloon and the New Territories, forming the suburban retail market. A major characteristic of suburban retail centres is that they often come in the form of

large retail podiums of new residential developments, with a strong and often captive primary catchment, offering mainly daily necessities and basic comparison goods with a strong F&B presence.

Private retail rents by district, 1990–2012

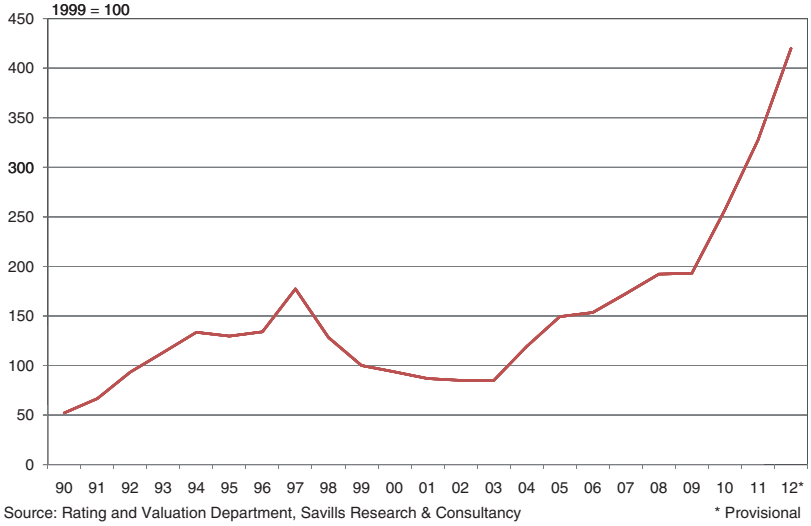


Source: Rating and Valuation Department, Savills Research & Consultancy * Provisional

With the presence of popular street shops and centres in Tsim Sha Tsui, private retail rents in Kowloon were formerly the highest among the three districts from 1990 to 2006, with Hong Kong Island surpassing Kowloon from 2006 onwards. Private retail rental rates in the New Territories have proved to be relatively more stable than rental rates on Hong Kong Island and in Kowloon, especially during market downturns, decreasing by only 17% during the Asian financial crisis, compared with 30.0% and 33.2% drops for Hong Kong Island and Kowloon, respectively.

3.3.2 Price trends

Private retail price index, 1990–2012



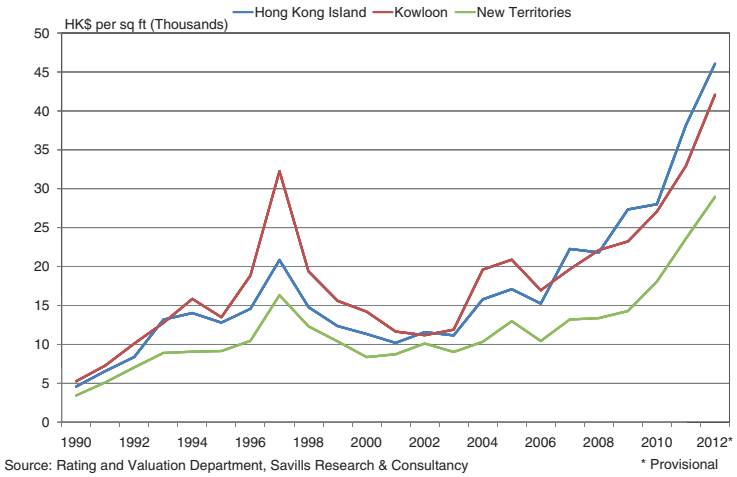
Source: Rating and Valuation Department, Savills Research & Consultancy * Provisional

After rising by more than 395% from 2003 to 2012, yield compression became an obstacle for most investors looking for investment properties.

The low interest-rate environment and the low cost of capital, coupled with tight stock availability, have pushed retail prices up further in the retail sales market, with prices of private retail premises in Hong Kong recording a growth of 28.3% in 2012, despite low investment returns and a slowing leasing market.

District analysis

Private retail prices by district, 1990–2012



Source: Rating and Valuation Department, Savills Research & Consultancy

* Provisional

Similar to the leasing market, Kowloon private retail prices were above the other two districts in the 1990s and early 2000s, but also showed the highest volatility among the three districts. Kowloon prices increased by 520% from 1990 to 1997 to surpass HK$30,000 per sq. ft., and then declined by 52% during the Asian financial crisis. With the implementation of the IVS in 2003, which benefited luxury shops in Tsim Sha Tsui, Kowloon retail prices again rose by 76% from 2003 to 2005. However, Hong Kong Island prices also increased over this period, with luxury retailers beginning to take prime street space in Central and Causeway Bay, pushing up both rental rates and investment values in the district. On Hong Kong Island, prices increased by 169% from 2005 to 2012, compared with a 101% growth in Kowloon retail prices over the same period.

After reaching a recent high of 8.1% in 2001, private retail yields compressed to 3% in 2011 due to the success of the leasing market (inspired by the mainland Chinese influx after the introduction of the IVS), the gradual lowering of the cost of capital and substantial investment sentiment.

With both retail sales and rents registering moderate growth in 2012, prices continued to increase following low interest rates and tight stock availability, and as such, private retail yields contracted further to 2.5% in 2012.

3.4 Market outlook

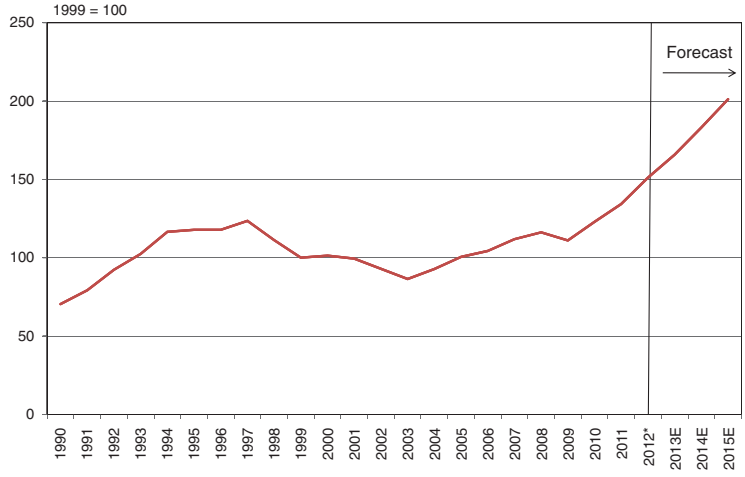
3.4.1 Rental forecast

The retail sector performance is no longer confined to core retail areas but has spread to non-core locations, and is well supported by both local consumption and visitor spending, both of which appear set to remain healthy in the near future. The recent global economic uncertainties (to which China has not been immune), have slowed the leasing market. However, the latest phase of QE in China should help to counter any weakness in aggregate demand which may result from the global economic slowdown.

While visitor arrivals grew by 16% over 2012, this has been largely attributable to the 24% growth in mainland Chinese visitor arrivals, with the growth of visitors from most other countries below average over the same period. This increasing reliance on mainland Chinese visitors to drive visitor growth may not be sustainable, and thus we have adopted a more conservative trend growth of 10% per annum in visitor arrivals for the period from 2013 to 2015.

For the above reasons, the total retail sales value is expected to increase by 11.1% per annum from 2013 to 2015. Combined with limited supply, retail rents are expected to increase by 10.0% per annum from 2013 to 2015.

Retail rental forecast, 1990–2015E



Source: Rating and Valuation Department, Savills Research & Consultancy * Provisional

Summary of private retail rental forecast, 2013E–2015E

Year	Overall rental growth (%)
2013	**+5 to 10**
2014	**+10 to 15**
2015	**+5 to 10**

Source: Savills Research & Consultancy

* The average rental growth of the three districts may not be the same as the overall rental growth due to differences in their baskets.

3.4.2 Price and yield forecast

Key drivers of price trends in the retail market include leasing market prospects, the cost of capital and stock availability. With the leasing market expected to remain strong in the short term, and interest rates to remain low at least until 2015, the lack of stock should prove to be the catalyst for further price growth.

Pent-up demand for the sector, both in terms of sales and leasing, should result from the lack of supply over the recent years, as well as in 2013 and 2014. The gradual reversion of supply to historical average levels in 2015 should see some of this pent-up demand being met, and we expect active take-up in that year with a positive impact on both rents and prices.

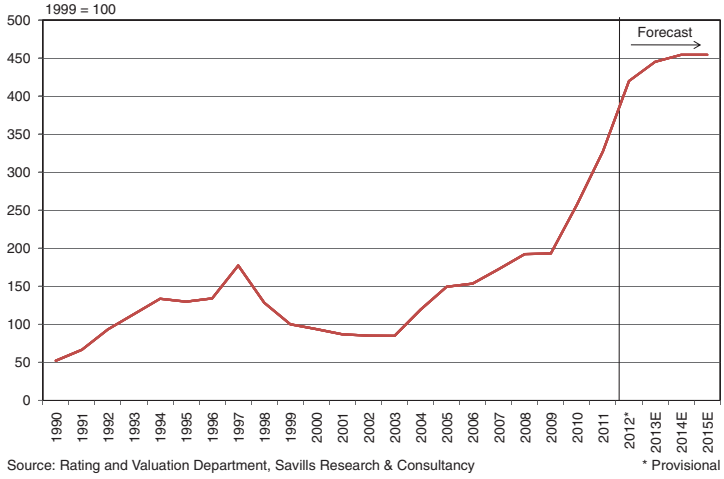
However, affordability could become an issue, particularly following a 28% price growth this year. Furthermore, retail prices should be 137% higher than their previous 1997 peak by year-end. At some level, both tenants and investors will find rents and values unaffordable, precipitating a market correction in the longer term.

The recent introduction of double stamp duty and the charging of stamp duty for non-residential transactions on the signing of the sale and purchase ("S&P") agreement instead of charging when a conveyance on sale of the property is executed may trigger the correction. Transaction volumes are expected to decrease substantially.

Viewing the market from an investment perspective, we can forecast yields by taking the three-month HIBOR forecast from FocusEconomics and applying the average retail yield carry of 2.4% (the difference between private retail yields from the Rating and Valuation Department and the three-month HIBOR from Q1/2011 to Q4/2012) to derive yield levels from 2013 to 2014, assuming sufficient stock will be made available in the coming years. FocusEconomics forecasts three-month HIBOR to rise from 0.5% in 2013 to 0.6% in 2014, which we have adopted, as we believe HIBOR is more affected by local interbank liquidity, and thus fund flows to and from Hong Kong, rather than the US Federal Funds rate.

By adopting our rental forecast in section 3.5.1 we are then able to derive retail price growth of 4.0% per annum on average from 2013 to 2014. In 2015, the increase in supply should be met by pent-up demand, while the positive impact on prices of this supply/demand dynamic will be countered by further growth in interest rates, when three-month HIBOR is expected to rise to 1.0%. We assume that retail prices will remain broadly stable in 2015 as a result.

Retail price forecast, 1990–2015E



Source: Rating and Valuation Department, Savills Research & Consultancy

* Provisional

Summary of private retail yields and price forecast, 2013E–2015E

Year	Retail yields (%)	Overall price growth (%)
2013	2.8	+5 to 10
2014	2.9	+0 to 5
2015	3.3	0

Source: Savills Research & Consultancy

* The average price growth of the three districts may not be the same as the overall rental growth due to differences in their baskets.

4.0 HOSPITALITY MARKET OVERVIEW

4.1 General hotel market

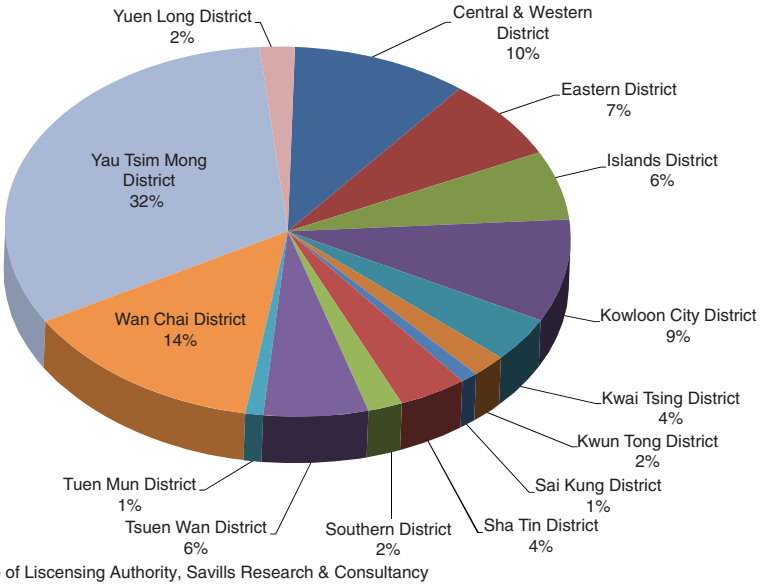
4.1.1 Stock distribution by class and district

According to the HKTB, hotels in Hong Kong can be classified into three main categories, namely high tariff A, high tariff B and medium tariff. The classifications are based on a scoring system of five key criteria, namely location, facilities, staff-to-room ratio, room rates and business mix.

At the end of Q4/2012, there were 211 hotels in Hong Kong, representing 67,394 rooms, with 26% classed as high tariff A, 37% as high tariff B and 29% as medium tariff.

According to the Office of the Licensing Authority, Home Affairs Department, 32% of total hotel rooms, or 21,806 rooms, are located in the Yau Tsim Mong District, followed by 14% in the Wan Chai District with 9,235 rooms. These are Hong Kong's traditional tourist and retail areas, including Mong Kok, Tsim Sha Tsui and Causeway Bay. Six percent of the total hotel stock in Hong Kong is located in the Tsuen Wan District.

Distribution of hotel stock by district, Q4/2012

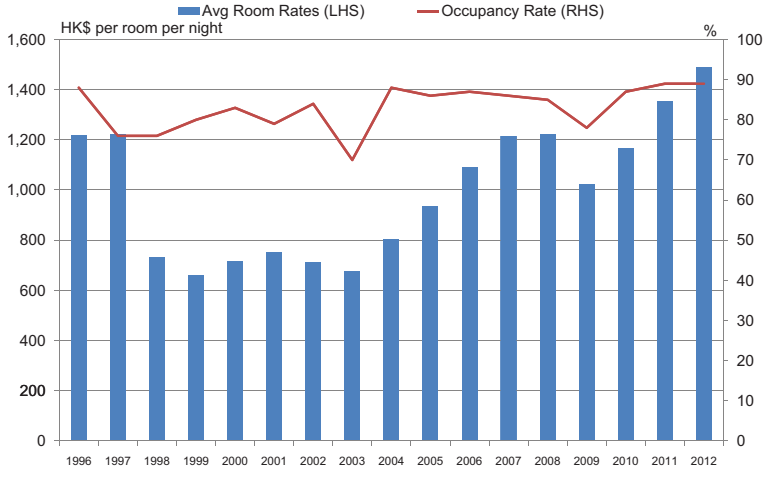


Source: Office of Liscensing Authority, Savills Research & Consultancy

The hotel sector has expanded rapidly over the past few years, as increasing numbers of mainland Chinese tourists enter Hong Kong. In 2012 alone, 4,188 new rooms were added.

4.1.2 Hotel performance

Average hotel room rates and occupancy rates, 1996–2012



Source: HKTB, Savills Research & Consultancy

Average hotel room rates stood at HK$706 per night between 1998 and 2003. The introduction of the IVS increased the tourism market, and average hotel room rates rose 52% from 2004 to 2008 before the global financial crisis hit. Average room rates then dropped 16% from 2008 to 2009 due to the weakening economic situation, as well as the reduction in the number of long-haul travellers from the US, Europe and Australia. Corporate travellers also reduced their travel budgets, with some postponing their travel plans during this cost-averse period in 2008 and 2009.

Average room rates rebounded by 46% from 2009 to 2012. The latest figures in December 2012, released by the HKTB, show that average hotel room rates stand at HK$1,646 per night.

Average hotel occupancy rates showed improvement from nearly 70% in 2003 to 89% at the end of 2012, reflecting the demand for hotel rooms, supported by mainland Chinese visitor numbers due to the IVS. At the end of December 2012, average hotel occupancy rates stood at 92%.

4.1.3 The restaurant/catering/banquet business in hotels

According to the HKTB, 65% of hotel revenue comes from room rates, while approximately 29.2% of total revenue is contributed by the F&B department, a second important revenue source. Spas/health clubs contribute a small amount of revenue (close to 1%) as these facilities are only popular with female guests.

Percentage distribution of hotel revenues by hotel type, 2011

	All hotels	High tariff A hotels	High tariff B hotels	Medium tariff hotels
Rooms	64.9	55.8	74.5	81.7
F&B	29.2	36.8	21.5	15.7
Telephone	0.5	0.5	0.5	0.3
Spa/health club	0.8	1.3	0.2	N/A
Minor operations	1.8	2.0	1.5	1.3
Rents and other incomes	2.7	3.7	1.8	N/A

Source: HKTB, Savills Research & Consultancy

For high tariff A hotels, room rates accounted for a total of 56% of all revenues, while around 37% of revenue comes from F&B, higher than high tariff B and medium tariff hotels.

All F&B facilities recorded positive growth in 2011 compared with 2010. The highest F&B check per cover (spending per capita) is for the banquet business, standing at HK$549 per cover in 2011, 40% more than in 2010. The average F&B check per cover was similar for Chinese and specialty restaurants in 2011 at HK$387 and HK$393, respectively.

Average Hong Kong dollar F&B check per cover by hotel type, 2011

	All hotels	High tariff A hotels	High tariff B hotels	Medium tariff hotels
All-day dining	191	236	173	120
Chinese restaurant	387	852	194	191
Specialty restaurant	393	616	159	N/A
Lobby lounge	158	220	116	114
Other bars and lounges	209	303	151	82
Room service	216	246	40	113
Banquets	549	697	408	317

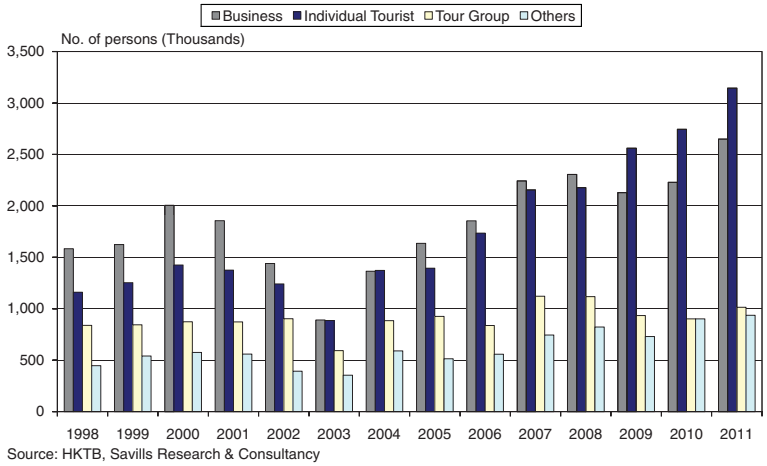
Source: HKTB, Savills Research & Consultancy

For high tariff A hotels, Chinese restaurants are the major source of F&B checks, standing at HK$852 per cover in 2011, the highest among any other type of F&B facility, and higher than that of high tariff B and medium tariff hotels.

4.1.4 Market segmentation

There were approximately 7.75 million hotel guests in 2011. According to the HKTB, in 2011, business travellers[29] accounted for approximately 34% of guests received by all hotels, while individual tourists and tour groups accounted for 40.6% and 13.1%, respectively.

Estimated number of hotel guests by segment, 1998–2011



Source: HKTB, Savills Research & Consultancy

Numbers of both business travellers and individual tourists increased, recording growth rates of 197% and 255%, respectively, from 2003 to 2011. The increase in mainland Chinese visitors arriving for vacations and visiting friends/relatives (up 232%), largely affected by the IVS, impacted this increase in individual tourists between 2003 and 2011.

The growth in business travellers was due to the increasing number of regional offices in Hong Kong, as well as the growing MICE market. According to the Census and Statistics Department, there were 2,516 regional offices at the end of 2012 compared with 2,412 at the end of 2011.

4.1.5 Impact of government policies on the hospitality sector

The completion of planned tourist infrastructure, as well as the further development of the MICE market, should attract more vacation and business overnight visitors to Hong Kong. The on-going expansion of Disneyland Hong Kong (the final phase of the expansion project is expected in 2013), the future cruise ship terminal (the first phase to be completed in 2013 and the second in 2014), as well as the planned third phase of HKCEC are all new attractions drawing tourists and business travellers.

In terms of transport infrastructure, the Hong Kong section of the Guangzhou–Shenzhen–Hong Kong Express Rail Link, Hong Kong–Zhuhai–Macau Bridge, Tuen Mun–Chek Lap Kok Link and Tuen Mun Western Bypass will further enhance the integration of mainland China with Hong Kong. Accessibility to Hong Kong from mainland China will improve with the completion of these projects in 2015 and 2016 and further strengthen the role of mainland tourists.

While the Guangzhou-Shenzhen-Hong Kong Express Rail Link will shorten travel times from key cities in mainland China to Hong Kong significantly and will inevitably draw more long-haul mainland Chinese visitors to Hong Kong who are likely to stay overnight in Hong Kong, the shorter travel time for short haul mainland Chinese visitors (mainly from Guangdong province) may also mean that more can afford same-day travel and thus reduce the percentage of overnight visitors among this group.

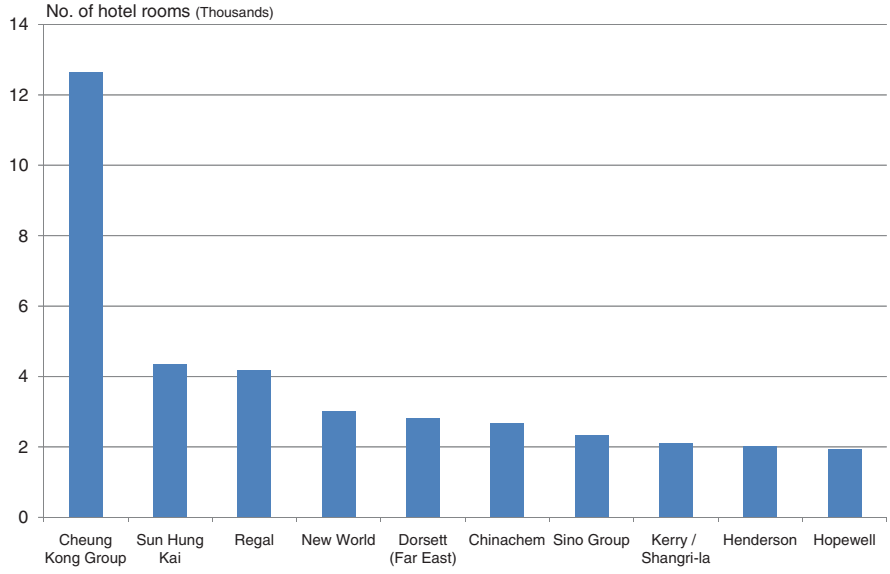
29 Including government officials, business travellers, in-house meetings and other MICE travellers according to HKTB's classification.

In the longer term, the proposed third runway of the Hong Kong International Airport ("HKIA") should increase the capacity of the aviation industry, benefiting the tourism industry, especially for long-haul travellers from Europe and the Americas. The third runway will have no short-term impact on the tourism industry in Hong Kong, however.

The average length of stay of overnight visitors in 2011 was 3.6 nights. To enhance the competitiveness of the hotel industry and entice visitors to lengthen their stay, the Hotel Accommodation Tax (3%) has been waived since 1 July 2008. The government has undertaken a number of initiatives to promote hotel development to meet the diversified needs of visitors. For example, a number of sites in different parts of Hong Kong have been designated as "hotel use only". There are also initiatives to allow both the conversion of old industrial buildings and the revitalisation of heritage buildings into hotels.

4.1.6 Hotel owners' market share

Hotel owners' market share by number of hotel rooms, 2018E



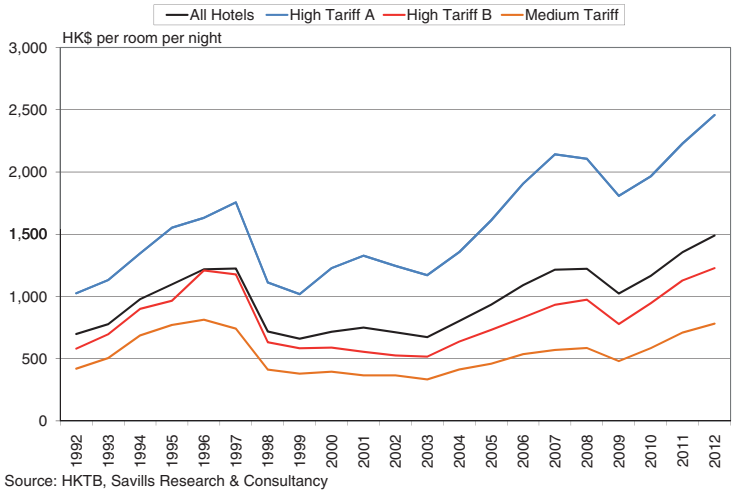
Source: Office of the Licencing Authority, HKTB, Savills Research & Consultancy

There are a number of hotel portfolios being held by different hotel owners, and taking into account both existing hotel stock up to 2012, future hotel supply from 2013 to 2018, as well as the ownership structure of different hotel portfolios, Cheung Kong Group (including Cheung Kong and Hutchison) is largest with over 12,000 hotel rooms in their hotel portfolio, and Sun Hung Kai and Regal rank second and third, respectively, each with over 4,000 hotel rooms in their portfolio. The Company ranks 10th with around 2,000 hotel rooms in 2018 after the completion of HCII.

4.2 Key market trends, drivers and future prospects

4.2.1 An analysis of the performance of high tariff A and B hotels

Average room rates by type, 1992–2012



Source: HKTB, Savills Research & Consultancy

High tariff A hotel room rates increased by 110% from 1999 to 2007, outperforming high tariff B hotels and the overall market at 60% and 84%, respectively, over the same period. Affected by the global financial crisis, the demand for high tariff A hotels softened due to the decrease in long-haul travellers from Europe and the Americas, as well as business travellers. High tariff A room rates fell 16% from 2007 to 2009, similar to the downward adjustment in both high tariff B hotels and the overall market over the same period.

High tariff A average room rates rebounded by 36% from 2009 to 2012 to a peak level following a rebound in tourist numbers. With the influx of mid-budget business travellers, as well as individual mainland Chinese travellers, seen over the period, high tariff B room rates outperformed and registered a 58% increase from 2009 to 2012. In 2012, high tariff A and high tariff B average room rates stood at HK$2,457 and HK$1,228 per night, respectively, which were record highs since 1992.

High tariff A hotel occupancy rates moved in line with other hotel types between 1992 and 2012. Occupancy rates of high tariff A hotels decreased from 84% in 2007 to 72% in 2009 mainly reflecting weakened global economies, an increase in business travellers cancelling or deferring business travel plans and corporations becoming more cost-averse. High tariff A occupancy rates then rebounded from 2009 and stood at 85% in 2012.

4.2.2 Long-stay packages in hotels and their interchangeable nature with hotel-like serviced apartments

Certain hotels also provide guests with long-stay packages which permit hotel guests to remain for a longer period of time, varying with hotel, from one week to one month, effectively allowing guests to use the hotel rooms as temporary accommodation. The nature of the long-stay packages offered by hotels is very similar to serviced apartments. As a result, some hotel rooms are actually interchangeable with serviced apartments in terms of use. The advantages of providing long-stay packages are to maintain room occupancy and avoid vacancy, while enjoying stable revenues.

4.3 An introduction to conference hotels

4.3.1 Definition

A hotel which provides facilities and services geared to meet the needs of large group and association meetings and trade shows. Typically, these hotels have more than 500 guest rooms and contain substantial amounts of function and banquet space, normally over 30,000 sq. ft. Included in this category are hotels attached to convention centres and conference centres.

4.3.2 Key characteristics and potential demand drivers

A key characteristic of conference hotels is their ability to provide a one-stop service to conference/meeting delegates with venues and catering services, as well as accommodation. The layout of the conference/meeting facilities is usually sufficiently flexible to host different types of events and can be combined or split to host events of different scales. This provides both convenience and cost effectiveness to mid to large groups of guests, in particular during peak exhibition and conference seasons.

Although most business hotels also offer some sort of meeting and conference facilities, normally they are not large enough (<10,000 sq. ft.) and are not designed to cater for large groups of 100 people or more. Therefore, while large business meetings may still utilise large-scale business hotels (>500 rooms) as their choice of accommodation, they may also need to find alternative meeting/conference venues in nearby convention/business centres.

In terms of potential demand drivers of conference hotels, two potential categories emerge:

- Overnight MICE visitors, in particular in large groups (>100 people) organising large-scale events/conferences/seminars; and
- Corporate clients (both local and multinational) hosting internal conferences/meetings.

Detailed trends of MICE visitors will be discussed in **Section 7**.

4.3.3 The restaurant/catering/banquet business in conference hotels

As discussed in **Section 4.1.1**, the highest F&B check per cover in hotels is for the banquet business, standing at HK$549 per cover in 2011, 40% higher than the next two highest categories, namely Chinese and specialty restaurants, and reflecting the profitable nature of this type of business. There are also 0.49 covers per occupied room, and we expect most of these covers to come from overnight guests participating in conferences/meetings within the same hotel.

Although we do not have separate figures for conference hotels, we would expect both F&B checks per cover as well as covers per occupied room for banquets to be higher in conference hotels, given the higher frequency of such events on a larger scale, with F&B provision frequently being integrated into such conferences/meetings.

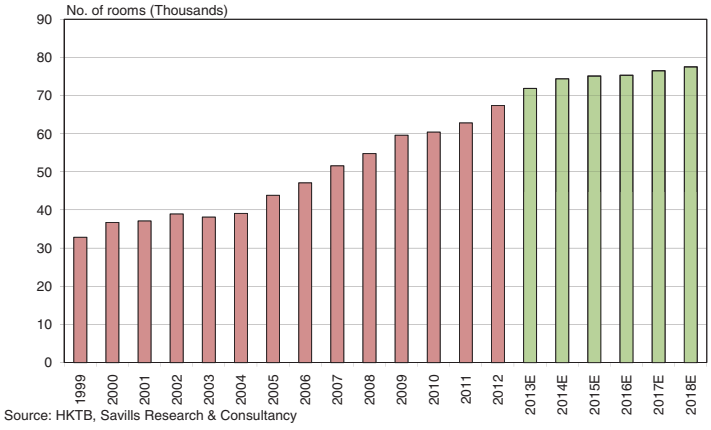
4.3.4 Conference hotel benchmarks

To illustrate the various facilities and characteristics of conference hotels, we have identified three conference hotels as benchmarks, namely L'hotel Nina et Convention Centre, Regal Airport Hotel in Hong Kong, and The Venetian Macao in Macau.

	L'hotel Nina et Convention Centre	Regal Airport Hotel	The Venetian Macao
No. of rooms	1,608	1,104	3,000
Total meeting/ convention facilities area (sq. ft.)	110,000	10,000 + 12 meeting rooms	3,700,000
Other facilities	NA	Close proximity to AsiaWorld-Expo	CotaiArena™ — Seats for up to 15,000 people

4.4 Historical and forecast hotel supply, including future developments, conversions and refurbishments, overall and by district

Number of hotel rooms, 1999–2018E



Source: HKTB, Savills Research & Consultancy

Hotel room inventory increased from 32,871 rooms in 1999 to 67,394 rooms in Q4/2012. The projected year-end number in 2018 is 77,557 rooms in 272 hotels. These numbers also include unclassified hotels which cater mainly to tour groups, especially those from mainland China, and other types of accommodation providers, such as serviced-suite hotels offering long-stay packages, but excluding guesthouses. The breakdown of these establishments is approximately 8,870 rooms in 42 hotels, and they represent 13% of the total hotel room inventory.

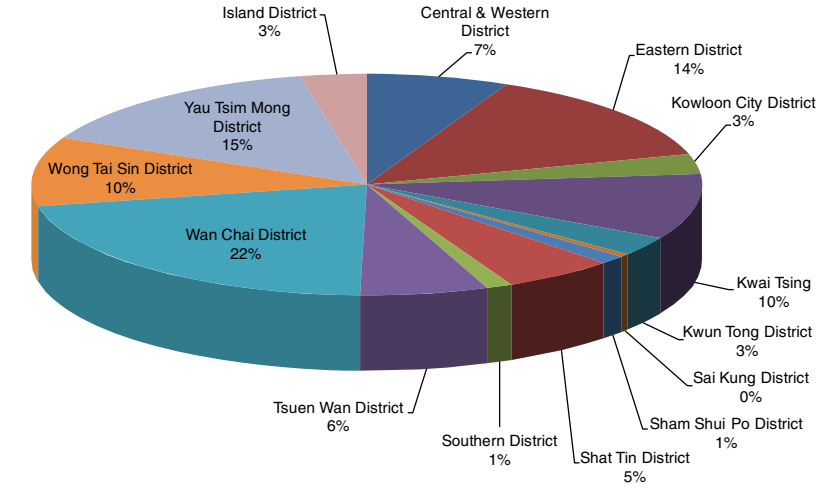
According to the HKTB, there will be an additional 10,163 hotel rooms on the market between 2013 and 2018 with the majority concentrated in 2013, 2014 and 2017 (8,194 rooms or 81% of all new supply). Notably, the 1,024 rooms to be completed in 2018 all come from Hopewell Centre II.

Hotel supply by year, 2013–2018

Year	No. of rooms
2013	4,495
2014	2,525
2015	741
2016	204
2017	1,174
2018	1,024

Source: HKTB, Savills Research & Consultancy

Hotel supply by district, 2013E–2018E



Source: HKTB, Savills Research & Consultancy

22% of the future supply of hotels is located in Wan Chai District with 2,187 hotel rooms, followed by 15% of the total supply in Yau Tsim Mong District with 1,509 hotel rooms. Tsuen Wan District will account for 6% of future hotel rooms, while Hopewell Centre II in Wan Chai District will add approximately 1,024 rooms upon completion in 2018.

Major large-scale hotel supply, 2013–2018

Hotel/project name	Location	Developer/architect	No. of rooms
Hopewell Centre II	Kennedy Road, Wan Chai	Hopewell	1,024
Oil Street Project	Oil Street, North Point	Ocean Century Investment Limited	840
Penta Kowloon	15–19 Luk Hop Street, San Po Kong	Head Step Limited	695

Source: HKTB, Savills Research & Consultancy

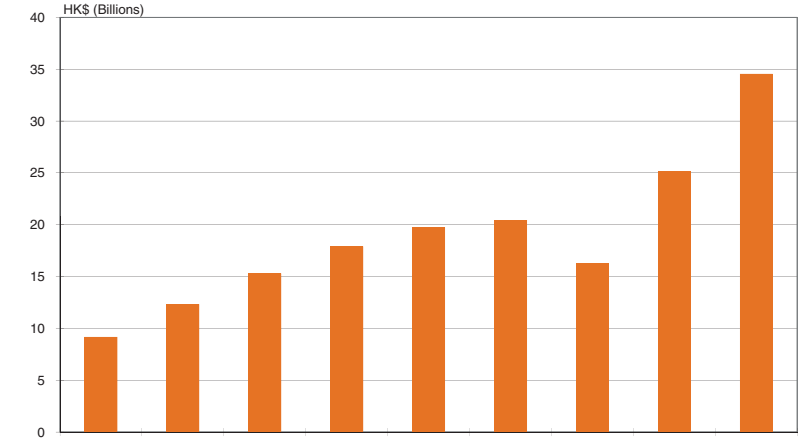
There are three hotels which are considered to be large-scale projects with at least 600 rooms. Hopewell Centre II with 1,024 rooms will be the largest hotel developed in terms of hotel room provision between now and 2018, followed by an 840-room hotel project on Oil Street. The majority of future hotels are relatively small in scale.

Another source of hotel supply is from the revitalisation of industrial buildings. As of December 2012, there had been only two special waivers executed for industrial buildings to be converted into hotels. These hotel conversion projects are both located in Kwun Tong. The number of rooms provided in these two projects has not yet been confirmed. As current hotel room provision in Kwun Tong only accounts for 2% of the total room stock, these two revitalisation projects will not have a significant impact on overall Kwun Tong stock.

4.5 Demand and occupancy levels (historical, forecast and trends), overall and by classification

In addition to an increasing number of visitor arrivals and their changing travelling patterns, especially mainland Chinese tourists who are placing more emphasis on leisure travelling experiences, overnight visitor spending on hotel bills has risen over the past nine years, increasing from HK$9,183 million in 2003 to HK$34,560 million in 2011, a 276% increase.

Overnight visitor expenditure on hotel bills, 2003–2011



Source: HKTB, Savills Research and Consultancy

From 2003 to 2012, average room rates of high tariff A hotels rose by 110%, while high tariff B hotel rates rose by 138%. In the medium tariff category, popular among mainland Chinese tourists, the average room rate rose by 134% over the period.

Demand for high tariff A hotels derives from high-budget travellers. Senior business executives and long-haul travellers usually stay in such hotels, especially those situated in business districts or traditional tourist areas, eg, Central, Wan Chai/Causeway Bay and Tsim Sha Tsui.

High occupancy rates for high tariff A hotels have been recorded since 1992, with rates above 70%, even during the previous economic downturns in 1997, 2003 and 2008. Occupancy rates for high tariff A hotels decreased from 84% in 2007 to 72% in 2009 as the global financial crisis resulted in a decrease in high-budget business and long-haul travellers. The rebounding economy, together with improving visitor numbers helped to maintain occupancy rates at 85% in 2012. Revenue per available room ("RevPAR")[30] fell from HK$1,798 in 2007 to HK$1,302 in 2009 as a result of reduced visitor numbers over the period.

Driven by high occupancy levels of 85% in the high tariff A hotel market, RevPAR performance registered a record post-1992 high of HK$2,088 in 2012.

Demand for high tariff B hotels comes from corporate visitors as well as overseas leisure travellers who visit Hong Kong with mid to high budgets. As the average high tariff A hotel room rate surpassed its 2007 and 2011 peaks in 2012, more prospective high tariff A guests may have chosen to stay in high tariff B hotels as a result of the rising costs.

High tariff B hotels have maintained a high occupancy rate of over 80% since 1992, with the exception of 2003, the year of the SARS outbreak. Average room rates also showed a rising trend, with room rates rising by 88% from 2003 to 2008, before the global financial crisis, when room rates decreased by 20%. From 2009 to 2012, room rates rose again by 58% in conjunction with a growing number of tourists. Average room rates in 2012 stood at HK$1,228.

The high occupancy rate of high tariff B hotels helped to push RevPAR up from HK$631 in 2009 to HK$1,117 in 2012.

30 Estimated by occupancy × average room rate.

4.6 Market outlook

We are confident in the outlook for the hospitality industry in Hong Kong over the next three years, as a number of positive influences should continue to have an impact on the sector. Leisure travellers are expected to be attracted to Hong Kong as a result of both Disneyland and Ocean Park, as well as the first berth of the cruise ship terminal at Kai Tak which is due to open in 2013. For mainland Chinese, the appeal of Hong Kong as China's most cosmopolitan and prosperous city is expected to endure, in particular for the more affluent and mature groups who now value a more complete travel experience and are willing to spend more on hotels and sightseeing. Rising incomes, improving employment prospects, a more global perspective and more leisure time should also ensure a continuing flow of visitors from elsewhere in Asia.

Business travellers will be drawn to Hong Kong by its strengthening role in the PRD, China's wealthiest and most advanced region. Hong Kong is becoming more economically integrated with China and today plays an important role as a finance, logistics and business services hub.

Improvements to Hong Kong's transport infrastructure will make cross-border travel easier and will improve mobility within Hong Kong itself. Long-haul travellers are already well catered for by HKIA and this facility may be extended and enhanced if a third runway is built, which could increase HKIA's capacity to 620,000 flight movements per year, meeting projected demand up to and possibly beyond 2030. The project has been granted government approval in principle and the Airport Authority Hong Kong has adopted the three-runway system for planning purposes as a future development option. This is still at an early planning stage and it is anticipated that the entire project will take at least 11 years from planning to implementation, and thus there will be no short-term impact on the tourism industry in Hong Kong.

Competition does exist in Asia's tourist market. Singapore has also launched a number of initiatives to attract leisure and business travellers with new 'Integrated Resorts' featuring casinos and convention and exhibition facilities. Other regions and countries have also implemented schemes similar to the IVS to attract mainland Chinese visitor arrivals. For example, Taiwan implemented such a scheme in June 2011, and up to January 2013, a total of 250,000 mainland Chinese visitors had visited Taiwan via the scheme[31].

4.6.1 Visitor arrival forecasts

Despite such competition, the size of the mainland Chinese market and its growing wealth, coupled with positive prospects for intra-Asian tourism and long-haul demand, are expected to generate sustainable growth in visitor arrival numbers over the next three years, although the pace of growth is expected to be more moderate than in previous years due to a high base of comparison, as well as more uncertainties in the external environment.

Visitor arrival forecasts, 2013E–2015E

	Total	YoY % change
2013	53,631,000	+10.3
2014	59,164,000	+10.3
2015	65,268,000	+10.3

Source: HKTB, Savills Research & Consultancy

31 Source: National Immigration Agency, Taiwan.

We expect total visitor arrivals to grow at an average rate of 10.3% per annum from 2013 to 2015, which is the long-term visitor arrivals trend growth from 1985 to 2011. We have taken such a long period of reference in order to capture the long-term growth trend of visitors to Hong Kong, and to balance out any short-term negative events, such as the Asian financial crisis, SARS, the global financial crisis of 2008, with positive measures such as IVS and CEPA.

The forecast rise in visitor numbers from 48.6 million in 2012 to 65.5 million by 2015 appears dramatic. However, the increase represents an annual average growth rate ("AAGR") of 10.3% over the period compared with an historic AAGR of 12.0% between 2003 and 2011. The 10.3% average forecast growth for the period 2013 to 2015 also appears conservative when compared to more recent growth in visitor arrivals (18.0% per annum from 2010 to 2012) as well as the year-on-year growth over the first two months of 2013 (15.2%).

4.6.2 Hotel room demand forecasts

On average in 2011, 46,019 hotel rooms were occupied daily, resulting in 16.8 million paid room nights over the year as a whole. The average number of guests per room in that year stood at 1.66 persons and the average length of stay at 3.60 nights. It can therefore be estimated that approximately 7.7 million visitors stayed in hotels during 2011, or 35% of all overnight visitors.

It is possible to project future demand for hotel rooms using this methodology by adopting visitor arrival forecasts and making assumptions regarding the future ratio of hotel guests to overnight visitors, the average number of guests per room and average lengths of stay.

Demand and supply of hotel rooms, 2001–2014E

	(1) Total visitor arrivals ('000 persons)	(2) Overnight visitors ('000 persons)	(3) Average length of stay (nights)	(4) Average no. of guests per room	(5) Hotel rooms occupied	(6) Estimated no. of hotel guests ('000 persons)	(7) Hotel guests as % of overnight guests	(8) Total hotel rooms	(9) Total no. of rooms available for sale per day	(10) Occupancy rate (%)
2001	13,725	8,878	3.08	1.48	26,580	4,662	52.5	37,132	33,630	79
2002	16,566	10,689	3.62	1.36	29,003	3,977	37.2	38,949	34,395	84
2003	15,537	9,676	4.06	1.31	23,126	2,724	28.1	38,133	32,928	70
2004	21,811	13,655	3.73	1.43	30,109	4,213	30.9	39,128	34,256	88
2005	23,359	14,763	3.66	1.43	31,348	4,471	30.3	43,866	36,522	86
2006	25,250	15,832	3.46	1.47	32,161	4,987	31.5	47,128	37,054	87
2007	28,169	17,155	3.28	1.66	33,913	6,265	36.5	51,581	39,270	86
2008	29,507	17,320	3.26	1.6	35,850	6,422	37.1	54,804	42,362	85
2009	29,591	16,926	3.24	1.55	35,863	6,262	37	59,627	45,199	78
2010	36,030	20,069	3.6	1.6	41,778	6,777	33.8	60,428	48,228	87
2011	41,921	22,302	3.6	1.66	46,019	7,745	34.7	62,830	51,517	89
2012E ...	48,615[(a)]	23,770[(a)]	*3.6*	*1.61*	*50,446*	*8,255*	*34.7*	67,394[(a)]	*56,611*	89[(a)]
2013E ...	*53,631*	*26,223*	*3.6*	*1.61*	*55,651*	*9,107*	*34.7*	*71,889*	*61,825*	*90*
2014E ...	*59,164*	*28,928*	*3.6*	*1.61*	*61,392*	*10,046*	*34.7*	*74,414*	*65,484*	*94*

Note: Projected numbers in italics, (a) means actual 2012 numbers
Source: HKTB (where indicated below), Savills Research & Consultancy

Key forecast assumptions

The key assumptions used in preparing the above forecasts are as follows:

(1) Total visitor arrivals

We have forecast total visitor arrivals from 2013 to 2014 based on the long-term trend growth trend of 10.3% as detailed in section 4.6.1 above.

(2) Overnight visitors

We have assumed that the number of overnight visitors will be a certain percentage of the number of total visitor arrivals. Although this percentage declined gradually from 60.9% in 2007 to 48.9% in 2012, we do not anticipate that this percentage will drop any further in 2013 and 2014 as one of the main reasons behind this decline over the past few years has been the strong increase in Chinese same-day-in-town (i.e. day-trip only) visitors (from 6.4 million in 2007 to 19.8 million in 2012, a 210% increase, compared to a 125% increase in total Chinese arrivals over the same period), driven in part by trips to purchase daily necessities such as baby milk powder and pharmaceuticals, and by trips for the purpose of parallel trading into China. With two new measures, namely a weight limit on passenger luggage of 23kg on six designated MTR East Rail Line stations (Lo Wu, Sheung Shui, Fanling, Lok Ma Chau, Tai Po Market and Fo Tan), as well as measures to combat cross-border parallel trading, we expect a significant decline of same-day-in-town Chinese visitors, and thus we have assumed that the number of overnight visitors as a percentage of total visitor arrivals will remain at 48.9% from 2013 to 2014.

(3) Average length of stay

We have assumed that the average length of stay from 2012 to 2014 is 3.60 nights, the same as the 2011 figure, as we have not found any significant rising or declining trends from 2001 to 2011 in this figure or other reasons to expect it to rise or decline significantly. This forecast figure is higher than the figure for the 2007 to 2009 period because this was during the global financial crisis period when tourists generally spent a much shorter period time in Hong Kong due to reduced travelling budgets, but it is commensurate with the changing travel patterns of mainland Chinese visitors, who have stayed considerably longer in more recent years (increasing from 3.6 nights in 2007 to 3.9 nights in 2011).

(4) Average no. of guests per room

We have assumed that the average number of guests per room is 1.61 from 2012 to 2014, the same as the average of the period between 2007 and 2011, as we have not found any significant rising or declining trends from 2001 to 2011 in this figure or other reasons to expect it to rise or decline significantly. It is noteworthy that this figure fell from 1.61 in 1998 to 1.47 in 2006 but then rose to around 1.61 in the following five years. Use of this higher figure assumes that more visitors will be willing to share rooms in view of the expected tightening availability and higher accommodation costs. A higher number of average guests per room will also yield a more conservative occupancy projection. The assumed figure is not as high as the figure recorded in 2011 (1.66) since new hotel supply was extremely tight in 2011 (net increase of 2,402 hotel rooms), while there will be more hotel supply from 2012 to 2014 (net increase of 11,584 rooms over the period, or 3,861 net increase of rooms per annum), slightly alleviating the tight supply situation.

(5) Hotel rooms occupied

Figures from 2001 to 2011 are provided by HKTB, while projected figures from 2012 onwards are derived from the following calculation: (6) ÷ (4) × (3) ÷ 365.

(6) Estimated no. of hotel guests

Figures from 2001 to 2011 are derived from the following calculation: (5) × (4) ÷ (3) × 365, while projected figures from 2012 onwards are derived from the following arithmetic relation: (2) × (7), which differs from the formula used for 2001 to 2011 because (5) (hotel rooms occupied) is estimated based on, among other things, (3) (average length of stay) and (4) (average no. of guests per room) therefore it would be circular, whereas for 2001 to 2011, (5) is based on HKTB data.

(7) Hotel guests as % of overnight guests

We have assumed that hotel guests will be a certain percentage of overnight guests. We have assumed that 34.7% of overnight visitors will be hotel guests from 2012 to 2014, which was the figure for 2011, for the following reasons: (i) we have not found any significant rising or declining trends in this percentage from 2001 to 2011; (ii) we consider it reflects the changing travel and accommodation patterns of both short-haul and long-haul visitors, as well as those from China; and (iii) the percentage has fluctuated over the past five years and averaged 35.8% from 2007 to 2011, so in adopting a lower figure we have made a more conservative assumption.

(8) Total hotel rooms

Both historical (2001 to 2012) and forecast data (2013 to 2014) are provided by HKTB.

(9) Total no. of rooms available for sale per day

Total number of rooms available for sale per day equals total hotel rooms excluding those under repair or being refurnished. We have assumed that 84% of total hotel rooms will be available for sale per day in 2012. This is based on the percentage in 2011 (82%), and we have assumed that this ratio will rise gradually in 2013 and 2014 based on trend growth from 2007 to 2011 as the continuing tightening supply situation over the next few years is likely to prompt existing owners to delay major renovations or minor and non-emergency repair works, and thus rooms available for sale per day should gradually increase.

(10) Occupancy rate

Historical occupancy rates (2001 to 2012) are provided by the HKTB. Our forecast occupancy rate (2013 to 2014) is based on rooms occupied against rooms available for sale per day, i.e. (5) ÷ (9).

Based on this projected number of rooms occupied of 50,446 and the projected number of rooms available for sale per day of 56,611, the occupancy rate in 2012 is estimated to be 89%, the same as 2011 levels. The same methodology is applied to forecast occupancy rates in 2013 and 2014, resulting in projected occupancy rates of 90% and 94%, respectively. For analysis purposes, we assume occupancy rates in 2015 to be 95%.

Although future new supply cannot be broken down by class, projections of occupancy rates by hotel class can still be made by referencing the historical relationship (1997 to 2011) between occupancy rates of hotel classes and the overall market.

Summary of average occupancy rate projections, 2013E–2015E

Year	All hotels (%)	High tariff A (%)	High tariff B (%)	Medium tariff (%)
2013	90	86	92	93
2014	94	90	95	98
2015	95	91	96	98

Source: Savills Research & Consultancy

4.6.3 Average room rate forecasts

Summary of average room rate projections, 2013E–2015E

Year	All hotels (%)	High tariff A (%)	High tariff B (%)	Medium tariff (%)
2013	+9.2	+9.2	+9.7	+8.9
2014	+9.6	+9.6	+10.1	+9.3
2015	+4.3	+4.3	+4.5	+4.2

Source: Savills Research & Consultancy

While short-term demand from financial executives for high tariff A rooms may slow further in 2013, it may be offset by more affluent mainland Chinese, as well as multinationals utilising Hong Kong as a springboard into mainland China. High tariff B and medium tariff hotels are expected to continue to benefit from the anticipated growth of mainland Chinese visitors. High tariff B hotels are also expected to benefit from their more diversified guest profile to take advantage of mainland Chinese business travellers who are more willing to spend on hotels. Medium tariff hotels are expected to continue to attract mainland Chinese leisure travellers as their core customers. Such travellers are usually more price sensitive and therefore their pricing power is expected to be slightly more constrained.

4.6.4 RevPAR forecasts

RevPAR of all hotels is expected to increase by an AAGR of 10.1% per annum from 2013 to 2015, with RevPAR of all three hotel categories projected to increase at similar rates. The projected RevPAR growth rates are at similar levels to the ten-year historical average (2003 to 2011).

RevPAR growth rates summary, 2003–2015E

	All hotels	High tariff A	High tariff B	Medium tariff
10-year (2003–2011) historic average (% per annum)	10.3	9.6	11.6	11.3
Projected average growth rates, 2013–2015 (% per annum)	10.1	10.2	10.2	9.8

Source: HKTB, Savills Research & Consultancy

In absolute terms, RevPAR of all hotels is expected to surpass the peak levels recorded in 1996 by the end of this year, and based on the assumption of a 95% occupancy rate in 2015, RevPAR of all hotels by 2015 will be 62% higher than in 1996. RevPAR of high tariff A, high tariff B and medium tariff hotels are expected to exceed their respective 1996 peak levels by 95%, 36% and 30%, respectively, in 2015.

The above projections are industry averages and the performance of individual hotels will deviate from the mean due to specific micro-economic factors and operating strategies. Hotels facing less competition within their surrounding areas, offering superior amenities or in close proximity to improved infrastructure are therefore expected to outperform the market as a whole.

5.0 SERVICED APARTMENT MARKET OVERVIEW

5.1 An overview of the serviced apartment sector[32]

5.1.1 Stock and distribution of serviced apartments

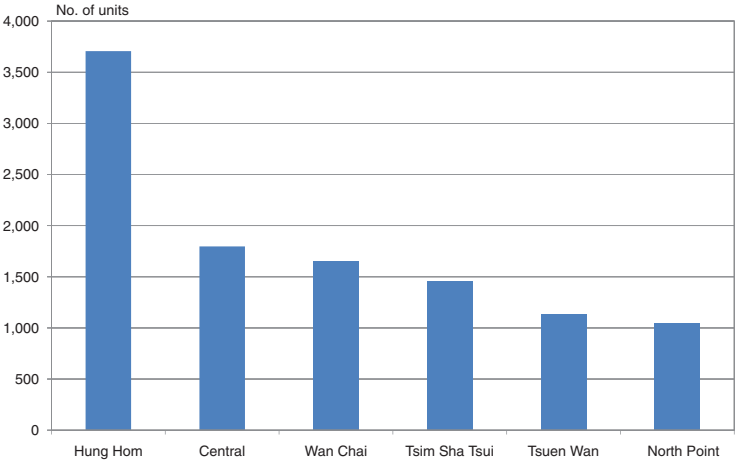
There were approximately 18,625 serviced apartments in Hong Kong at the end of 2012. Of these 18,625 units, 61% were hotel-like units[33] and 39% were apartment-like units.

Stock of serviced apartments in Hong Kong by district and by category, Nov 2012

	Hong Kong Island	Kowloon	New Territories
Hotel-like	2,602	5,202	3,635
Apartment-like	5,882	1,304	0

Of the 18,625 serviced apartments, 8,484 units or 46% of the total stock is on Hong Kong Island, while 6,506 units and 3,635 units are to be found in Kowloon and the New Territories, respectively.

Stock distribution of serviced apartments in major districts, 2012



Source: Savills Research & Consultancy

Hung Hom has the largest stock of serviced apartments with 3,707 units, followed by Central (1,797 units) and Wan Chai (1,653 units). This stock breakdown by district accounts for 19.9%, 9.6% and 8.9% of the total number of serviced apartments, respectively.

The development of areas such as Sheung Wan and Sai Ying Pun, as a result of the new MTR line to be opened in 2014, has been observed in recent years. The supply of serviced apartments has risen to meet demand in these areas. Upon completion of the West Island Line such serviced apartments will be in close proximity to core business and entertainment districts. In 2012, 128

32 A serviced apartment is a fully furnished studio, suite or apartment including kitchen facilities under central management, and inclusive of housekeeping and maintenance services. The two main types of unit are classified as either 'apartment-like' or 'hotel-like'. Hotel-like units are usually characterised as furnished studios or one-bedroom units under central management, providing central air-conditioning and communal facilities such as dining, laundry and housekeeping, usually to be found in hotels. Hotels providing long-stay units (a period of over one month to less than one year) are also categorised as hotel-like serviced apartments. In addition, long-stay hotel rooms and normal hotel rooms are interchangeable at the hotel's discretion, in which case we regard all rooms in that type of hotel as serviced apartments. Apartment-like units resemble conventional residential flats in terms of building design, flat size and internal layout. Services provided in this type of accommodation are occasionally regarded as a marketing tool for the leasing of residential developments and can be quite basic.

33 Of these 11,439 hotel-like serviced apartments, 7,411 are hotel rooms within hotels offering long-stay packages and are therefore interchangeable with hotel rooms.

serviced apartment units were completed in Sheung Wan while 40 units were completed in Western District, accounting for almost one-third of the new supply of 519 units in that year.

5.1.2 Key demand drivers and market segmentation

There are a select number of distinctive demand groups for serviced apartments, namely expatriates, locals, business travellers and immigrants from various immigration schemes.

5.1.2.1 The expatriate community

As described in **Section 2.2.1**, the number of regional headquarters and regional offices in Hong Kong declined in 2009 due to the global financial crisis. The figures rebounded slightly in 2010 as business activity levels increased, bringing more expatriates back to the city. For example, HSBC moved its group CEO's principal office to Hong Kong in January 2011. The figures continued to rebound slightly in 2012, with the total number of regional headquarters and offices up by 2.0% and 4.3%, respectively.

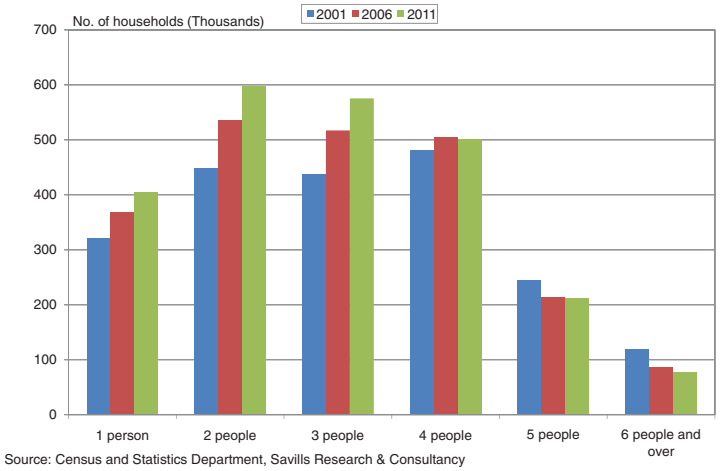
According to the Immigration Department, 30,557 and 28,625 visas were issued in 2011 and 2012, respectively, under the General Employment Policy which allows applicants who possess special skills, knowledge or experience to work in Hong Kong.

Wan Chai, with its close proximity to both Central and Causeway Bay business districts, is considered a good choice for expatriates, with or without families, as location and convenience often take precedence over other factors when deciding where to live on a temporary basis. Proximity to place of work is considered a highly important criteria driving demand for serviced apartment units from this demand group.

5.1.2.2 Local demand

A trend towards smaller households, or household splitting, has been noted. Between 2001 and 2011, the percentage of large families with five or more people fell from 18% to 12%, while the percentage of households with only one or two people increased by 5 percentage points from 37% to 42% over the same period.

Number of households by size, 2001 vs 2006 vs 2011



Source: Census and Statistics Department, Savills Research & Consultancy

The shift towards smaller households is mainly due to a move away from the traditional extended family, combined with increasing levels of personal wealth which is allowing grown children to make separate accommodation arrangements. This larger number of small families, mostly comprising the

younger generation, has led to an increase in potential demand for serviced apartments, especially at a time when residential prices are at a record high, pushing many young families into the leasing sector.

5.1.2.3 Business travellers

A large number of business travellers from mainland China and expatriates on lower budgets, often opt to stay in apartment-like units in areas such as Wan Chai, Causeway Bay and North Point, which offer lower rents than traditional core business districts such as Central and Tsim Sha Tsui. Sheung Wan is an emerging area and has been successfully attracting many young executives from the finance industry, given its close proximity to Central. Hotel-like serviced apartments in major shopping areas are also popular with tourists from other Asian countries, such as Taiwan, Japan and mainland China.

5.1.2.4 Immigration schemes

The Admission Scheme for Mainland Talents and Professionals[34] was implemented on 15 July 2003. By the end of 2012, 59,325 mainland talents and professionals had been admitted under the scheme, with 10,304 admitted in 2012 alone. With an initial stay of 12 months after successful admission, serviced apartments have become the choice of accommodation as new entrants determine their job prospects and living requirements. This scheme is expected to continue to support the serviced apartment market.

The Quality Migrant Admission Scheme, implemented on 28 June 2006 which allows successful applicants to bring their spouse and children to Hong Kong, is expected to further boost demand for short-term accommodation. At the end of 2011, a total of 2,094 applicants were allocated quotas.

5.1.2.5 Summary of potential demand groups

Overseas and Chinese expatriates, as well as business travellers, local bachelors and young working couples, can be regarded as potential demand groups for serviced apartments in Hong Kong.

Demand groups	Number*	Date of source
Overseas residents with employment visas (except domestic helpers and labourers)	52,534 (2011 and 2012 figures)	2012
Domestic households with one or two people	1,045,900	2012
Business travellers	3,584,400 (per annum)	2012
Processed applications under the Admission Scheme for Mainland Talents and Professionals	59,325	2012
Quality Migrant Admission Scheme	2,094	2011
Total	4,751,001	
Total existing serviced apartment stock	18,625	***2012***

* All numbers are cumulative unless otherwise stated.

Source: 2011 By-census, HKTB, Immigration Department, Savills Research & Consultancy

34 The objective of the Scheme is to attract qualified Mainland talents and professionals to work in Hong Kong in order to meet local manpower needs and enhance Hong Kong's competitiveness in the globalised market. The Mainland talents and professionals must possess skills and knowledge not readily available or in shortage locally. Admitted talents and professionals must be able to contribute to the operation of the firms and sectors concerned with a view to facilitating economic development in Hong Kong. The Scheme also caters for the entry of talents and professionals in the arts, culture and sports sectors as well as those in the culinary profession so as to enhance Hong Kong's status as an Asian world city.

5.1.3 Impact of government policies on the serviced apartment sector

Infrastructure projects planned and underway

In recent years the HKSAR Government has initiated a number of large-scale infrastructure and development projects, such as the KTD, the new international cruise terminal and the West Kowloon Cultural District, with infrastructure projects in the pipeline including a number of network extension projects by MTRC, including the West Island Line, Sha Tin–Central Link, Kwun Tong Line Extension, South Island Line (East) and the Guangzhou–Shenzhen–Hong Kong Express Rail Link, a high-speed rail link to China. These projects will attract construction-related professionals to Hong Kong for long-term appointments or project-based work, supporting corporate occupier demand for serviced apartments.

Recent measures to dampen the property market

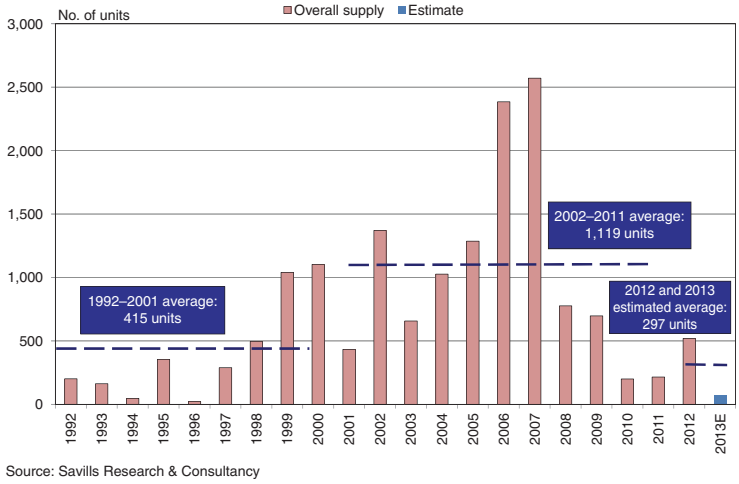
Although the Hong Kong Government has enacted a number of measures to dampen the residential market, including the introduction of an SSD and a BSD while limiting the availability of credit, particularly for non-local buyers, the effect on the serviced apartment sector has been limited.

Although the government has imposed a double stamp duty on non-residential property transactions, since the measure took effect in February 2012, it has had little impact on serviced apartment rents.

5.2 Analysis of historical and forecast supply, including future developments, conversions and refurbishments, overall and by district

From 2002 to 2011, the rate of serviced apartment supply in Hong Kong increased, with an average of 1,119 units completed each year, compared with only 415 units per annum completed between 1992 and 2001. However, estimated new supply will drop to only 297 units in 2012 and 2013.

New serviced apartment supply, 1992–2013



Source: Savills Research & Consultancy

Supply increased in 2006 and 2007 as a result of the completion of Harbourview Horizon (1,980 units) and Harbourfront Horizon (1,662 units) in Hung Hom. Supply then fell to approximately 780 completed units in 2008, including Shama Fortress Hill in North Point (115 units). Approximately 700 units were provided in 2009, including GardenEast in Wan Chai (216 units). There were 519 units completed in 2012.

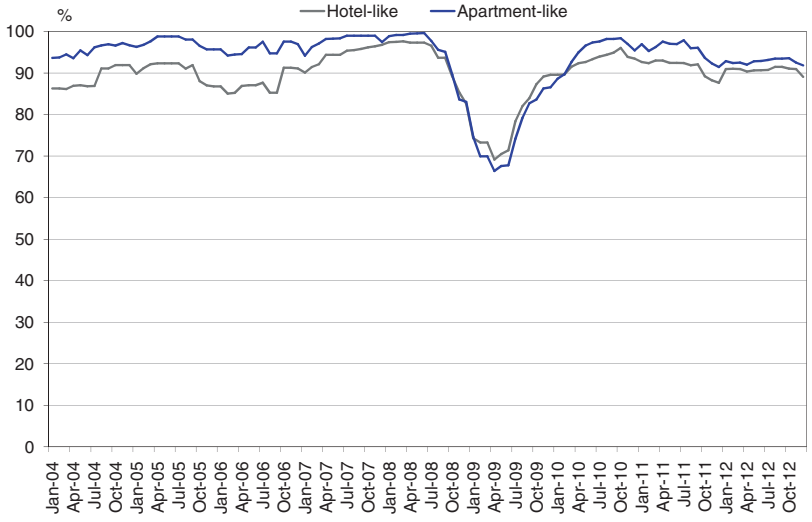
5.3 Analysis of demand and occupancy levels (historical, forecast and trends), overall and by classification

During 2004 and 2005, the average occupancy rate for serviced apartments stood at 90%, with an upward trend after Q3/2006 reflecting the growing financial services sector, increasing tourist numbers and the increasing popularity of this type of accommodation. The average occupancy rate peaked at a record high of 98% in June 2008, with some individual apartment buildings achieving 100% occupancy.

Hotel-like and apartment-like units show a trend similar to the overall serviced apartment occupancy rate over this period, with apartment-like units recording higher volatility. From Q1/2004 to Q3/2008, the occupancy rate of apartment-like units stood at an average of 96.9% while hotel-like units reached 91.3%, 5.6 percentage points lower than that of the apartment-like units.

Adversely affected by the global financial crisis of 2008, layoffs were witnessed at multinational and financial services firms, discouraging the arrival of expatriates who are considered a major demand driver for serviced apartments. The occupancy rates of both hotel-like units and apartment-like units fell in April 2009 to 69.2% and 66.4%, respectively.

Serviced apartment occupancy rates by type, Jan 2004–Dec 2012



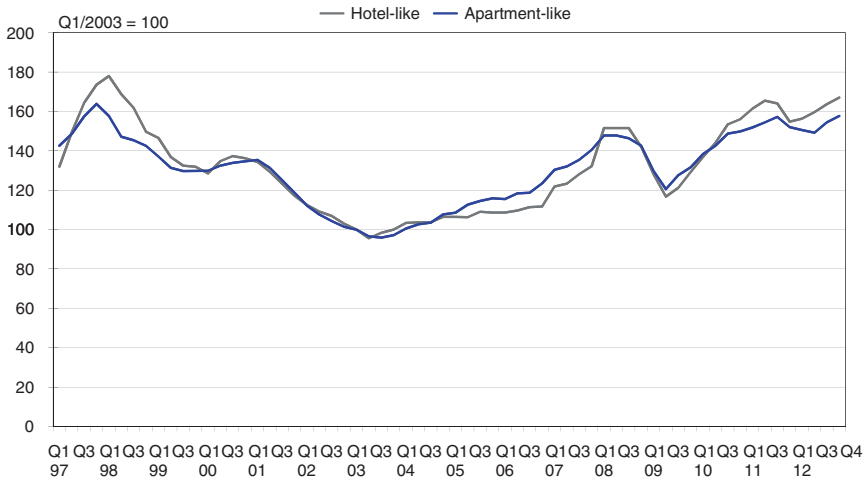
Source: Savills Research & Consultancy

In Q1/2010, with business activity and the financial markets gradually improving after a series of policies by governments and central banks world-wide to stimulate the global economy in 2009, the occupancy rates of hotel-like and apartment-like units both passed 90%. In Q4/2012, the occupancy rate of apartment-like units reached 91.9%, 3 percentage points higher than that of hotel-like units.

In addition, we have noted an 'overflow effect' from the high-occupancy hotel sector, given the high room rates and limited supply. Serviced apartments which provide a wide range of services and prices achieve market differentiation and capture a variety of visitor types.

Average rents

Serviced apartment rental index by type, Q1/1997–Q4/2012



Source: Savills Research & Consultancy

Serviced apartment rents reached a low in mid-2003 as expatriates left the city during the SARS outbreak and visitor numbers fell. Hotel-like apartments were also affected, experiencing a 7% fall in rental rates, compared with a 5% decrease in apartment-like rental rates.

After Hong Kong was removed from the World Health Organization list of areas with local transmission of SARS in June 2003, and with the introduction of the IVS, the local economy began to recover. Serviced apartment rents, driven by strong economic growth and demand from the thriving tourism sector, have rebounded since 2004. Average rents rose by 44% over the full cycle, with a 9% growth achieved in a single quarter in Q1/2008.

In addition to the global financial crisis, a peak in the supply of serviced apartments of 2,571 units in 2007 also exerted downward pressure on the overall average rent, causing the average rent to decline by 20% from Q3/2008 to Q2/2009. Again, hotel-like rents experienced a larger decrease of 23% compared with the 18% fall recorded for apartment-like rents.

With a revival in business activity and the resumption of the IPO pipeline in 2009, sentiment in the serviced apartment sector improved. Expatriates, especially those employed by the financial services sector, returned to Hong Kong in 2H/2009, increasing average rents by 43.2% and 30.9% for hotel-like and apartment-like units, respectively, to Q4/2012.

5.4 Three-year outlook of the serviced apartment market in respect of forecast supply, occupancy rates and average rents

5.4.1 Future demand and occupancy

Although the job market has stabilised in the short term with more than half of employers intending to retain headcount, according to the Hudson Report, October to December 2012, employers in the banking and financial services sector, who generally pay higher housing allowances, are reporting an increase in their intentions to lower staff levels during the next quarter. The sector continues to be affected by global uncertainties as well as a lack of local IPO business, and many companies are now more cost-conscious with regard to housing budgets. This will indirectly affect demand for serviced apartments in the short term. Cost conscious companies have a higher demand for smaller or studio serviced apartments.

Over the longer term, long-stay visitors' preferences have shown a clear shift towards serviced apartments, illustrated by the fact that the occupancy rates of serviced apartments have been higher than hotel occupancy rates since 2003.

5.4.2 Future supply

Future supply is expected to be comparatively low, as only 75 units are expected to be completed in 2013, compared with average new supply of 1,119 units per annum over the past ten years. All of the units are located on Hong Kong Island. The scale of soon-to-be-completed projects is small in terms of the number of rooms, as only two projects with 45 and 30 rooms are to be completed.

The serviced apartment market in Hong Kong has mostly been dominated by small, independent operators or small local chains. The trend towards the inclusion of serviced apartments within major five-star hotels is fairly new, but is expected to continue, as international chains seek to develop the serviced apartment subsector.

In 2013, two serviced apartment developments providing a total of 75 units on Hong Kong Island will be completed.

Future supply of serviced apartments, 2013

Name	District	No. of units	Remarks
130–136 Johnston Road	Wan Chai	45	New development
194–196 Queen's Road Central	Central	30	New development
	Total:	***75***	

Source: Savills Research & Consultancy

For 2014 and 2015, while we have identified the serviced apartment supply shown in the table below, the number of units to be completed is not yet known. Moreover, as some hotel units are interchangeable with serviced apartment units, we believe that some of the upcoming hotels in 2014 and 2015 may change some or all of their hotel rooms to serviced apartment use, given the strong demand which currently exists.

Future supply of serviced apartments, 2014E–2015E

Name	District	Remark
3 Broadwood Road	Happy Valley	New development
38–42 Lyndhurst Terrace	Central	New development
98–100 Tung Lo Wan Road	Causeway Bay	New development
11–13 Lin Fa Kung Street West	Causeway Bay	New development
11–15 Lin Fa Kung Street East	Causeway Bay	New development

Source: Savills Research & Consultancy

5.4.3 Average rental rates — analysis and forecast

Despite global economic uncertainties, the serviced apartment market is likely to experience further rental increases and near full occupancy rates in the near future, given the continued economic growth in mainland China (7.8% GDP forecast for 2012 by the IMF) and the current tight occupancy situation.

Demand for serviced apartments hinges to a large extent on business activity and therefore is similar to the office market. As a result, there is a high correlation between changes in serviced apartment rental rates and changes in rental rates for Grade A office space. A forecast can be developed by considering this relationship, alongside serviced apartment stock, assuming a 1,119-unit increase in 2014 and 2015, equal to ten-year average supply from 2001 to 2011.

The economy is expected to recover in 2013, and supported by limited supply, rents are expected to see growth of between 3.0% and 7.6% per annum from 2013 to 2015.

Serviced apartment rental forecast, 2013E–2015E

Year	Rental growth (%)
2013	+7.6%
2014	+6.7%
2015	+3.0%

Source: Savills Research & Consultancy

6.0 RESIDENTIAL MARKET OVERVIEW

6.1 Overview of the residential sector

6.1.1 Classification of residential units

Private residential units can be grouped into five classes by their unit size, measured in saleable area[35], according to the Rating and Valuation Department.

Unit size (saleable area)	Rating and Valuation Department classification
less than 40 sq. m./430 sq. ft.	Class A
40–69.9 sq. m./430–752 sq. ft.	Class B
70–99.9 sq. m./753–1,075 sq. ft.	Class C
100–159.9 sq. m./1,076–1,721 sq. ft.	Class D
160 sq. m./1,722 sq. ft. or above	Class E

Source: Rating and Valuation Department

6.1.2 Stock and distribution

Over the past ten years, residential supply in the suburban area (New Territories) has outpaced supply in the urban area (Hong Kong Island and Kowloon). As a result, the total amount of stock in the suburban area reached 39.3%, 2.6 percentage points higher than in 2002. It is noted that the number of large-scale residential developments on Hong Kong Island with over 1,000 units have been in scarce supply over the last ten years. Only four projects on Hong Kong Island have over 1,000 units and no large-scale projects have been completed after 2008.

Large-scale residential developments on Hong Kong Island, 2003–2012

Area	Name of development	No. of units	Completion year
Pokfulam	Residence Bel-Air	2,744	2008
Sai Wan Ho	Grand Promenade	2,020	2005
Sheung Wan	Queen's Terrace	1,148	2003
Ap Lei Chau	Sham Wan Tower	1,040	2004

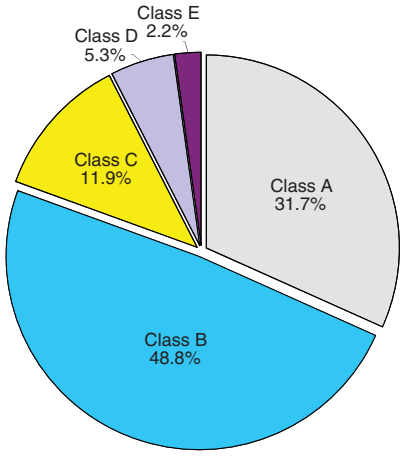
At the end of 2011, total private residential stock in Hong Kong amounted to 1,110,561 units, with 323,346 units (29.1%) located on Hong Kong Island, 350,234 units (31.5%) in Kowloon and 436,981 units (39.3%) in the New Territories.

35 "A domestic unit is measured on the basis of 'saleable area' which is defined as the floor area exclusively allocated to the unit including balconies and verandahs but excluding common areas such as stairs, lift shafts, pipe ducts, lobbies and communal toilets. It is measured from the outside of the exterior enclosing walls of the unit and the middle of the party walls between two units. Bay windows, yards, gardens, terraces, flat roofs, carports and the like are excluded from the area" according to the Rating and Valuation Department.

From 2002 to 2011, Class B residential units accounted for most of the stock in Hong Kong, followed by Class A, Class C, Class D and Class E. We note that the proportion of luxury to overall residential units rose slightly from 2002 to 2011. The ratio was 7.3% in 2002 and 7.5% in 2011.

In terms of sizes of these units, 352,056 units (31.7%) were in Class A, 542,381 units (48.8%) were in Class B, 132,600 units (11.9%) were in Class C, 59,156 units (5.3%) were in Class D and 2,478 units (2.2%) were in Class E.

Private residential stock by class, 2011



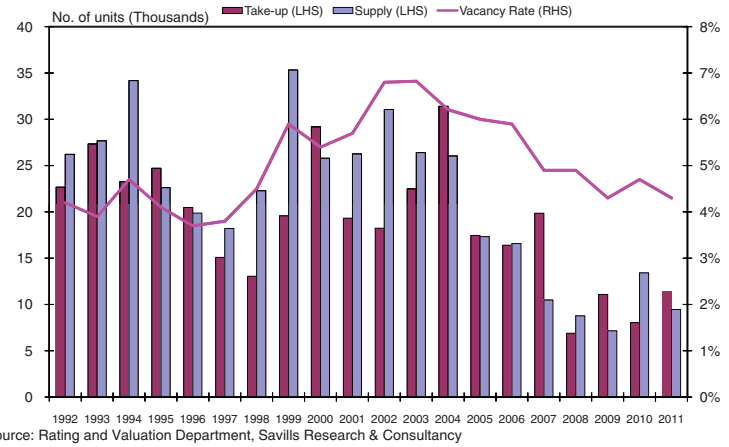
Source: Rating and Valuation Department, Savills Research & Consultancy

6.1.3 Average vacancy rates, take-up and transaction volumes

After average vacancy rates[36] reached their peak (since 1992) in 2002 and 2003 at 6.8%, they fell gradually from 2003 to 2009 and reached 4.3% in 2009. The vacancy rate then rebounded to 4.7% in 2010 due to the completion of a number of large projects of over 1,000 units each, such as Festival City Phases 1 and 2 (2,728 units), Le Prestige (1,688 units) and Central Park Tower Phase 2 (1,068 units), which developers had started in previous years due to improved property market sentiment. However, strong economic growth which resulted in an increase in demand from both investors and end-users led to strong take-up of 11,400 units in 2011, which exceeded supply for the year of 9,449 units, and reduced the average vacancy rate to 4.3%.

36 Vacancy indicates that a unit was not physically occupied at the time of the survey conducted at the end of the year according to the Rating and Valuation Department. The average vacancy rate is obtained by dividing the vacancy by total stock at the end of the year.

Average vacancy rate, take-up and supply, 1992–2011



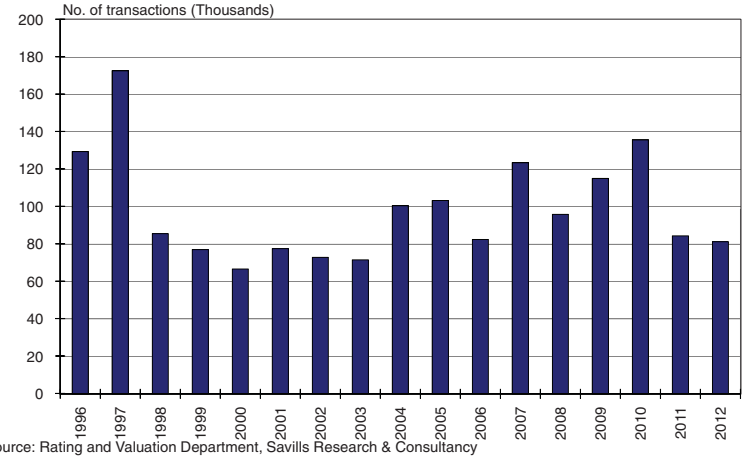
Source: Rating and Valuation Department, Savills Research & Consultancy

6.1.4 Transaction volumes

Although an increase in local mortgage rates was implemented in 2006 to dampen residential market activity, transactions rebounded in 2007 as a result of strong local economic growth and an inflationary environment.

The global financial crisis in 2008 significantly affected the financial sector and lowered residential transaction volumes. The subsequent injection of liquidity into the market by the US Federal Reserve as well as a prolonged period of low interest rates, fuelled local home buying activity and an influx of mainland Chinese capital to the market in 2009 and 2010. However, to curb speculation in the residential market the government introduced the SSD in November 2010, which is charged on residential properties resold within two years. Market sentiment then turned sluggish and transactions in 2011 decreased significantly as a result. In November 2012, the government extended the resale period for the SSD from two years to three years, and introduced a BSD on non-local and corporate buyers to further suppress investment demand.

Residential unit transaction volumes, 1996–2012



Source: Rating and Valuation Department, Savills Research & Consultancy

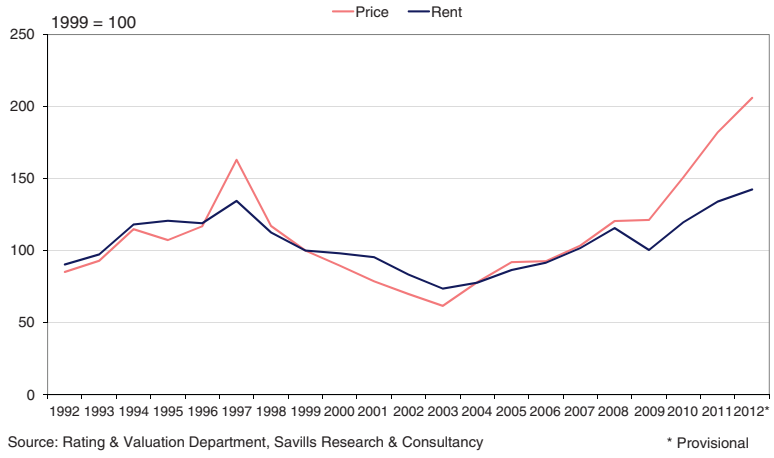
6.1.5 Average prices and rents

6.1.5.1 Average prices

The injection of liquidity into the market by the US Federal Reserve, and a long period of low interest rates, fuelled the rise of property prices, leading to the property price index passing its previous 1997 peak, despite a series of government measures to curb home prices, including a tightening of credit. According to the Rating and Valuation Department, the overall residential price index in 2012 was 13.2% (provisional) higher than in 2011.

From mid-2009, negative real deposit rates were another driver of residential prices. Negative real deposit interest rates mean a negative reward for storing wealth in cash, as inflation, resulting from the US Federal Reserve's QE plans, depletes the buying power of cash. Under these conditions, individuals prefer to preserve their wealth in the form of real assets, such as property, as a hedge against inflation. This has served to drive property prices up over recent years.

Average price and rental indices, 1992–2012



Source: Rating & Valuation Department, Savills Research & Consultancy * Provisional

6.1.5.2 Average rents

Residential rents have followed a similar trend to prices, only demonstrated less volatility as rental movement is more driven by housing demand than speculative activity. Economic recovery from mid-2003 rejuvenated housing demand and rents increased by 57% from 2003 to 2008 before the negative impact of the global financial crisis. The global financial crisis adversely affected economic activity and the employment market, resulting in a year-on-year decline in rents of 13% in 2009. Supported by a gradual economic recovery and a limited supply of flats, residential rents rebounded by 41.9% from 2009 to 2012. According to the Rating and Valuation Department, overall residential rents in 2012 were 6.3% (provisional) higher than in 2011.

6.1.6 The impact of government policies on the residential market

From Q3/2009, the government has enacted a number of measures to cool the residential market and ensure the healthy development of the sector. The measures can be classified into three major approaches — raising stamp duty, tightening credit and increasing supply.

6.1.6.1 Stamp duty

On 24 February 2010, the Financial Secretary announced that starting from 1 April 2010, stamp duty on properties valued at over HK$20 million would be raised from 3.75% to 4.25%, and buyers

would no longer be allowed to defer payment of stamp duty on such transactions. The act was the first move to cool the luxury residential sales market using stamp duty.

In light of rising home prices in both the mass and luxury sectors, the Financial Secretary announced the SSD on 19 October 2010, whereby 15% of the property price is levied on residential units resold within six months, 10% on residential units resold between six and 12 months, and 5% on residential units resold between 12 and 24 months. On 26 October 2011, the Financial Secretary then announced an amendment to the Stamp Duty Ordinance to adjust the rates and to extend the holding period in respect of the SSD. Under the adjusted regime, any residential property acquired on or after 27 October 2012, and resold within 36 months, would be subject to the new rates of SSD. The new rate is set at 20% if the property has been held for six months or less, 15% if the property has been held for more than six months but for 12 months or less, and 10% if the property has been held for more than 12 months but for 36 months or less.

In October 2012, the government introduced a BSD of 15% of the higher of the stated consideration or the market value of the property for non-local and corporate buyers, in order to further curb speculation.

On 22 February 2013, the Financial Secretary doubled the stamp duty for all buyers, except for Hong Kong Permanent Residents, who do not own any other residential property in Hong Kong at the time of acquisition.

All the stamp duty is now charged on the signing of the sale and purchase agreement, instead of the current practice of charging it when a conveyance on sale of non-residential property is executed. The new stamp duty rates are applicable to non-residential property transactions.

Impact on the residential property market

The increase in stamp duty for properties valued at over HK$20 million has had minimal effect, with prices for class E units continuing to rise.

The introduction of the SSD increased the transaction costs for residential properties and impacted the transaction volume significantly. According to the Land Registry, the transaction volume of residential properties in 2011 declined by 37.8% to 84,402 units, compared with 2010. However, the effect on prices seems to be limited. Mass (classes A, B and C) and luxury (classes D and E) residential price indices dropped in December 2010 by 0.43% and 1.0%, respectively, compared with November 2010. The two price indices then rose in January 2011 to a level exceeding that of December 2010, indicating that the SSD had a limited effect on prices. In October 2012, the government lengthened the holding period for the SSD, in order to increase its effectiveness, and to raise rates.

Given limited timing, the effect of the extended SSD, the BSD and double stamp duty remains to be seen.

6.1.6.2 Credit tightening

Although the interest-rate movements in Hong Kong have essentially moved in lockstep with the US Federal Funds target rate due to the pegged exchange rate system, the HKMA has carried out a number of other measures to tighten credit, rather than affecting the mortgage interest rate directly.

Limit on LTV ratio

The HKMA has lowered the loan to value ("LTV") ratio several times for different price tiers from October 2009, as follows:

Maximum LTV ratio requirements for residential properties of different value, 2009–present

HK$ million	Before 23 Oct 2009	Between 23 Oct 2009 and 13 Aug 2010	Between 13 Aug 2010 and 19 Nov 2010	Between 19 Nov 2010 and 11 Jun 2011	11 Jun 2011 and onward
>20.0	70%	60%	60%	50%	50%
12.0–20.0	70%	70%	60%	60%	50%
10.0–12.0	70%	70%	70%	60%	50%
8.0–10.0	70%	70%	70%	60%	60%
7.0–8.0	70%	70%	70%	70%	60%
<7.0	70%	70%	70%	70%	70%

Source: HKMA, Savills Research & Consultancy

The LTV ratio for residential properties valued from HK$7 million to HK$10 million fell from 70% to 60%, and that of property valued over HK$10 million decreased from 70% to 50%. The measure lowered the gearing available for luxury properties and caused a slower price growth in the luxury residential sector.

Impact on residential prices

According to the Rating and Valuation Department, the price index of class A, B and C units in October 2012 was 71.1% higher than in October 2009, compared with a rise in the property price index of class D and E properties of 40.9%. The tighter credit available for larger and luxury residential properties may have contributed to the smaller rise in prices.

6.1.6.3 Increase in supply

In view of rising home prices, the government implemented a series of measures to increase residential supply.

Home Ownership Scheme ("HOS")

The government halted the construction of new HOS estates indefinitely in 2003. The secondary market for 300,000 HOS flats was then revitalised; over 60,000 flats had land premiums paid and 250,000 or so flats had no premiums paid, and these were put on sale on the open market and on the HOS secondary market. These flats are mostly priced below HK$2 million and are situated in various districts of the territory. The government then announced the resumption of the HOS in the 2011/2012 Policy Address. In addition, the government will allow 5,000 eligible "white-form applicants" to purchase HOS flats on the secondary market each year, without paying the land premium.

Land supply

The government has actively found ways to explore new residential sites available to serve as long-term residential supply. These actions have included increasing the rate of launch and development of MTR and Urban Renewal Authority ("URA") projects, lowering the threshold from 90% to 80% when applying for a compulsory auction and increasing the frequency of government-initiated land tenders. Meanwhile, the government is exploring the use of green belt areas in the New Territories which are de-vegetated, deserted or are no longer performing their original functions, and convert them into housing sites. It has also examined "Government, Institution or Community" sites to avoid the under-utilisation of sites long reserved but without specific development plans, and has studied ways to reduce the restrictions posed by government utilities on the development of adjacent areas.

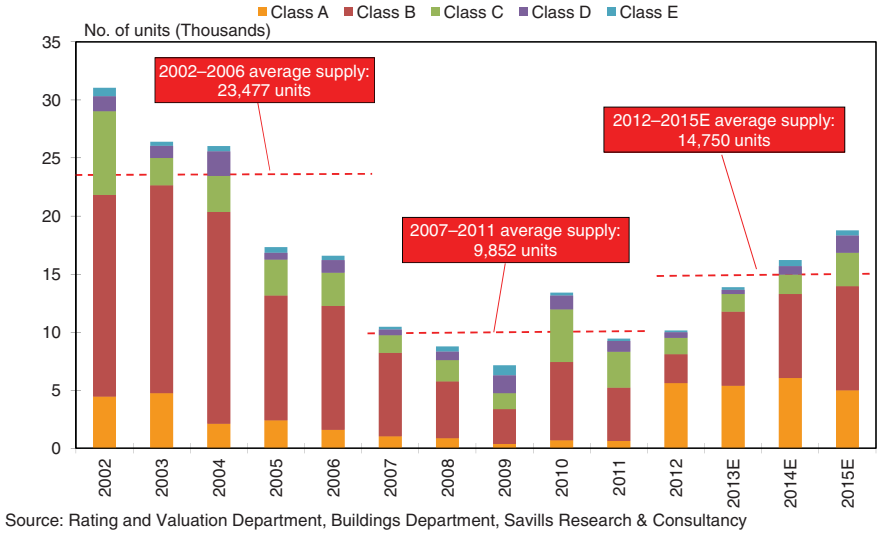
In the Policy Address 2013, the Government stressed that they are tackling the housing problem by increasing residential land supply. As a result future land supply will focus on residential land uses.

Impact on residential prices

Although residential prices softened soon after the announcement of the policies, the actually effect of the measures is questionable. The new HOS and land supply policies require time for completion and will not affect residential supply in the short term. In fact, the development of the HOS may have squeezed some of the land resources originally intended for private residential developments and may worsen the undersupply situation for this sector.

6.2 Analysis of historical and forecast supply, including future developments, conversions and refurbishments, overall and by district

Historical and future private residential supply by class, 2002–2015E



Source: Rating and Valuation Department, Buildings Department, Savills Research & Consultancy

Since the moratorium on land sales in late 2002 and the agreement by the MTRC and KCRC to postpone property developments to 2007, a market perception of undersupply in the coming years developed, which induced some purchasers to enter the property market. The resumption of the application list, which saw only a handful of large-scale sites, as well as the government's tough stance on accepting applications, reinforced the government's intention to keep supply firmly under control.

Supply over 2002 to 2006 reached 23,477 units per annum, which is significantly more than the average supply from 2007 to 2011 of 9,852. The low level of supply from 2007 to 2011 is one of the reasons fuelling home prices in the recent years.

6.2.1 Future supply by district

From 2013 to 2015, the New Territories will supply most of the residential units among the three districts, with an average of 8,917 units per year, followed by Kowloon which has an average annual supply of 3,768 units per annum. Hong Kong Island has the lowest expected supply of about 3,599 units per year from 2013 to 2015.

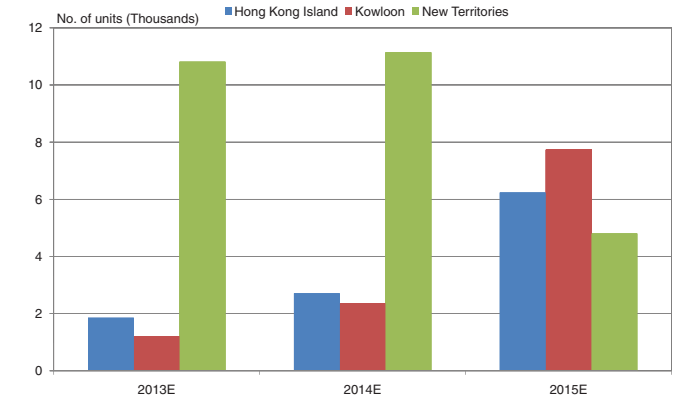
On Hong Kong Island, the number of large-scale projects is limited, with only the Company's 200 Queen's Road East Project (approximately 1,300 units) offering over 1,000 units. It is estimated to

be completed in 2015. Nan Fung Development's 31–69 Chai Wan Road project (approximately 700 units) to be completed in 2015 and New World's 5 Kai Yuen Street, Lower Kai Yuen Lane and Upper Kai Yuen Lane project (611 units) to be completed in 2014 are examples of two other major developments on Hong Kong Island in the coming years.

In Kowloon, the St Joseph's Home For the Elderly redevelopment project (2,120 units) in Ngau Chi Wan, and sites C and D at Austin MTR Station (1,266 units) in Yau Ma Tei are the two largest projects providing over 1,000 units.

The New Territories will serve as the source of major supply in the future, with a number of projects of over 1,000 units to be completed in the coming years. The Lok Wo Sha project (3,537 units) in Ma On Shan, Yoho Town Phase 3 (2,508 units) in Yuen Long, the Reach (2,595 units) in Yuen Long and the Beaumount in Tseung Kwan O (1,777 units) are the largest projects to be completed.

Future residential supply by district, 2013E–2015E



Source: Buildings Department, Lands Department, MTRC, URA, Company Reports, Savills Research & Consultancy

6.3 Analysis of demand

6.3.1 Birth and marriage rates

According to the Census and Statistics Department, the number of births in 2012 reached the second highest level of about 91,600 and the number of marriages in 2012 reached an historical high of 60,300. The figures suggest strong end-user demand for residential units.

6.3.2 Household analysis

We have already seen the growth rate in the number of households in Hong Kong over the past decade and its close relationship with the growth of total housing stock as in **Section 5.1.3.2.**

According to the Census and Statistics Department, the downsizing of households, or household splitting as it is often known, has been noted. By Q4/2012, approximately 74% of households comprised two to four people, compared with 67% in 2001. This reflects an increase in the number of smaller families, mostly comprising the younger generation, which may favour smaller units in newly launched projects located in more distant areas, contributing to the population growth in the New Territories. Together with the increasing number of smaller households and the higher affordability of small- to medium-size units, demand for these types of units on Hong Kong Island will be the greatest among the three districts as it has the smallest average household size.

6.3.3 Mortgage interest rate

The low interest rate is considered a factor which has contributed significantly to the rise in home prices in recent years. The lower the interest rate, implying a low cost of borrowing from banks, leads to more affordable home purchases and a higher demand for homes. As a result, mortgage interest rates have an inverse relationship with mass home prices. According to the latest speech by the Chairman of the US Federal Reserve dated 20 November 2012, exceptionally low levels for the Federal Funds rate will likely be warranted at least through to mid-2015.

6.3.4 Future supply/demand dynamics

Supply over the period from 2012 to 2015 is expected to reach 14,750 units per annum, 49.7% more than average supply per annum of 9,852 units from 2007 to 2011. By considering new family formation in the coming years estimated by the Census and Statistics Department and future private and public housing demand, we found that there is a difference between housing supply and demand.

	Demand from new families
Demand from new families in 2013	30,800
Demand from new families in 2014	31,800
Demand from new families in 2015	31,900
Total demand	94,500
Net: Public rental housing supply from Housing Authorities from 2013 to 2015[37]	45,000
Net: Private residential supply from 2013 to 2015	48,852
Difference between supply and demand of residential units assuming no demolition from 2013 to 2015	*648*

Source: Census and Statistics Department, Housing Authorities, Housing Society, Savills Research & Consultancy

The 648 units is the estimated unfulfilled demand for housing excluding village type developments. This illustrates that despite the increase in supply from 2012 to 2015, the undersupply situation is expected to continue.

6.4 Three-year residential market outlook in respect of forecast supply, average prices and average rents

6.4.1 Price forecast

Although overall residential prices have risen 2.3 times from 2003 to 2012, and are now 26% above their 1997 peak, this uptrend is likely to stop in the future, as some positive factors which have fuelled mass-residential prices are outweighed by the series of cooling measures implemented by the government as well as the rising mortgage interest rate.

Assuming that the mortgage rate will rise to 2.8% with household income unchanged, residential prices need to adjust down by 20% for the affordability ratio to return to its historical (Q1/1998 to Q4/2012) mean of 40%. As a result, under a bearish scenario, the average residential price over the next three years could drop by a total of 20%.

However, given the fact that gearing is low (60% of residential properties are free of mortgages according to the 2011 census), the low level of speculation and that the government may lift some of the measures when prices begin to drop, we believe the average residential price over the next three years is more likely to drop by a total of nearer 10%.

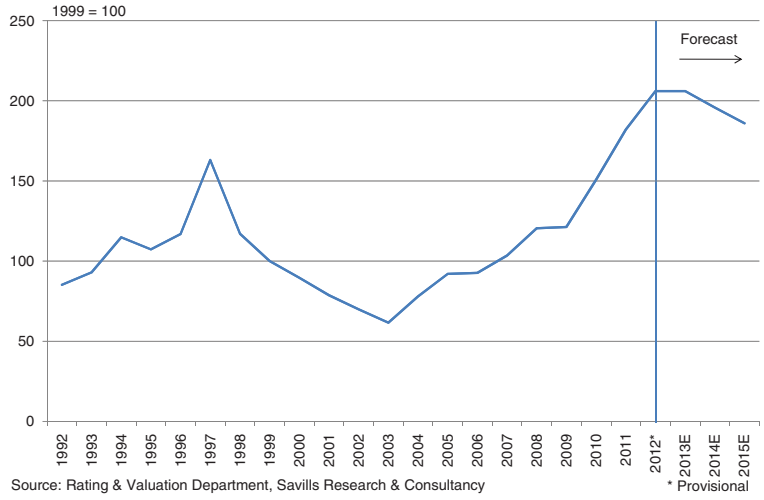
37 A total of 75,000 public rental housing units will be completed within 2012/2013 to 2016/2017, showing an average of 15,000 units will be completed per annum according to Housing in figures by the Housing Authorities.

Residential price forecast, 2013–2015

Year	Mass price change (%)
2013	0.0
2014	-5.0
2015	-5.0

Source: Savills Research and Consultancy

Residential price index, 1992–2015E



Source: Rating & Valuation Department, Savills Research & Consultancy

* Provisional

7.0 MICE MARKET OVERVIEW

7.1 MICE market development in Hong Kong

Despite a structural economic shift away from the territory's traditional manufacturing base, Hong Kong has remained a popular meeting point for buyers and suppliers, given its strategic location, well established infrastructure and other competitive advantages. The completion of phase II of HKCEC and KITEC in the 90s strengthened Hong Kong's position as the 'showroom' for manufacturers of the PRD. At the same time, the transformation of Hong Kong into an international finance centre and tourist/retail destination made the city a regional hub for international MICE events.

Given growing demand for exhibition space from HKCEC's clients, HKCEC started its second phase of expansion in May 2006, which was completed in April 2009. The project has brought 19,400 sq.m. of additional exhibition space to HKCEC.

Hong Kong is recognised around the world as one of the best destinations for MICE and business travellers; in 2011, Hong Kong was named the Best Business City in the World at the 2011 Business Traveller Asia-Pacific Travel Awards, and was ranked first at the Best MICE City Awards organised by CEI Asia magazine.

HKTDC has made an enormous effort to bolster the Hong Kong MICE market, especially on the exhibition front. Both the number of exhibitors and trade buyers at HKTDC-organised merchandised trade fairs have increased by more than 40% from FY2005/2006 to FY2011/2012[38], reaching 32,774 and 675,300 in FY2011/2012, respectively.

38 From 2005/2006 to 2011/2012. Source: HKTDC annual reports 2005/2006 and 2011/2012.

Ten of HKTDC's trade fairs ranked first of their kind in Asia in terms of number of exhibitors in FY2011/2012, while three events, namely the HKTDC Hong Kong Gifts and Premium Fair, the HKTDC Hong Kong Watch & Clock Fair and the HKTDC Hong Kong Electronics Fair (Autumn Edition) hosted the largest number of exhibitors among similar kinds of exhibitions globally in the same year.

7.2 Facilities and upcoming developments

7.2.1 Existing exhibition and convention facilities

There are a number of exhibition facilities in Hong Kong hosting different kinds of international, regional and local trade and consumer exhibitions. The larger-scale and more popular choices among large exhibitors are HKCEC, AsiaWorld-Expo and KITEC, in which a high proportion of exhibitions, conferences and corporate events are held given their size, strategic location and variety of facilities.

7.2.2 Conference/meeting facilities in hotels

Conference and meeting facilities in Hong Kong are to be found in most major hotels which, aside from lodging, offer theatre halls, classrooms, banqueting facilities and reception areas. Few, however, offer exhibition space and conference facilities with meeting rooms, although several have ballrooms which are appropriate for smaller exhibitions.

The provision of conference facilities in hotels will greatly improve in 2018 with the completion of Hopewell Centre II in Wan Chai, offering an alternative to HKCEC.

7.2.3 Future exhibition and convention facilities[39]

The Hong Kong government is currently examining the feasibility of a HKCEC Phase 3 expansion, due to the tight supply of exhibition space at HKCEC and AsiaWorld-Expo during peak seasons. In November 2011, the Legislative Council Panel on Commerce and Industry noted that the government was in discussion with AsiaWorld-Expo developers to carry out the AsiaWorld-Expo Phase 2 expansion as soon as possible. The AsiaWorld-Expo Phase 2 expansion, if carried out, will expand the facility's exhibition area from 66,000 sq.m. to 100,000 sq.m..

The lack of development land on Wan Chai harbourfront for the Hong Kong Convention and Exhibition Centre Phase 3 expansion, and the location of AsiaWorld-Expo, away from Hong Kong's CBD are the current difficulties facing these two expansion projects. However, the AsiaWorld-Expo expansion project does not face land constraints.

Mr Gregory So, Secretary for Commerce and Economic Development stated in the Legislative Council on 9 January 2013 that the government has realised that there is a strong demand for MICE space in peak seasons. The government noted that from 2010 to 2012, HKCEC turned down a total of 44 applications for renting exhibition venues because of a shortage of space, and among them, only 13 cases were concerned with trade exhibitions. Over the same period, HKCEC also declined a total of 89 applications for conference venues due to a shortage of space, although the targeted dates for most of these applications fell in the peak seasons of the exhibition industry. Meanwhile, AsiaWorld-Expo has not rejected any applications owing to a shortage of space in the last three years. In 2012, the exhibition facilities of HKCEC reached saturation on 41 show days, which were mainly during the peak seasons of the exhibition industry. AsiaWorld-Expo was almost full for eight days in 2012, including the period during the September Hong Kong Jewellery and Gem Fair as well as the October China Sourcing Fair — Electronics and Components (Autumn Edition).

As these two projects are still in the planning stage, no confirmed timeline of completion can be released at this time.

39 *Source*: HKTDC.

7.3 Demand for MICE facilities

7.3.1 MICE visitors

Hong Kong has grown into a centre for conventions and exhibitions in Asia. In 2011, approximately 1.56 million overnight MICE visitors came to Hong Kong, a 9% increase from 2010 and a 33.9% increase when compared with 2008. In 2012 1.61 million overnight MICE visitors visited Hong Kong, a 3% increase over last year. The proportion of overnight MICE visitors to total overnight visitor arrivals also increased from 6.7% in 2008 to 6.8% in 2012.

Overnight MICE visitors

Year	No. of overnight visitors	YoY growth (%)
2008	1,167,657	
2009	1,164,848	-0.2
2010	1,429,941	+22.8
2011	1,562,940	+9.3
2012	1,606,154	+2.8

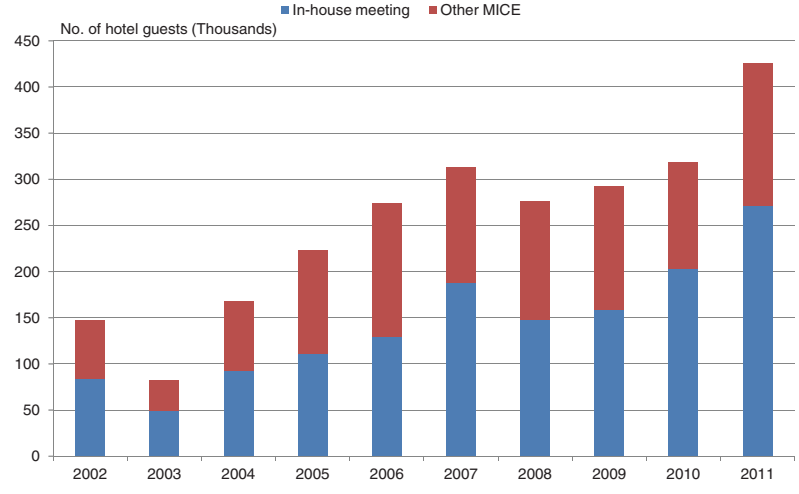
Source: HKTB, Savills Research and Consultancy

Mainland Chinese constituted the highest proportion (45.2%) of overnight MICE visitors across all major markets in 2012, compared with 35.5% in 2008. The total number of mainland Chinese overnight MICE visitors stood at 726,272 in 2012, while the same figure stood at 670,156 in 2011, a 61.9% increase from 2008.

MICE visitors also tend to spend more during their stay in Hong Kong. According to the HKTB, per capita spending of MICE visitors amounted to HK$9,187 per person in 2011, 25% higher than overnight visitors but 3% lower than business travellers in the same year.

7.3.2 MICE hotel guests

MICE hotel guests by category, 2002–2011



Source: HKTB, Savills Research & Consultancy

MICE visitors also support the local hospitality industry. In 2011, around 426,000 identified MICE visitors stayed in hotels, a 189% increase when compared with 2002. The proportion of MICE hotel guests also increased from 3.7% in 2002 to 5.5% in 2011, and this proportion ought to be higher as some incentive travellers may have been categorised as individual tourists, and some travellers with multiple business purposes (including attending MICE events) may have been categorised as business travellers.

7.3.3 MICE contribution to the local economy

The exhibition industry contributed HK$35.8 billion (US$4.6 billion) to Hong Kong's economy in 2010 (equivalent to 2.1% of Hong Kong's GDP), up 19% from 2008, according to the latest available figures from the Economic Impact Study commissioned by the Hong Kong Exhibition & Convention Industry Association. Of this amount, HK$9.8 billion (US$1.3 billion) came from visitor expenditure contributed by exhibition visitors, and HK$8.1 billion (US$1.0 billion) from spending by exhibition organisers and exhibitors (both local and overseas). In 2011, the number of exhibiting companies showcasing in Hong Kong rose 7.2% to 60,817.

7.4 Market outlook

Hong Kong has its own critical success factors which make it distinguishable from other Asian cities and continue to attract overseas MICE visitors:

- A diverse range of hotel accommodation, a variety of cuisines and international service standards.
- The presence of reputable and reliable professional service providers and a high standard of English.
- Almost one-third of the world's population lives within a five-hour flight of Hong Kong. More than 55 international airlines provide some 1,900 scheduled passenger flights per week connecting the city to more than 130 destinations. Hong Kong has made it easier by its visa-free entry for citizens of more than 170 countries.
- The Hong Kong dollar is a fully convertible currency which has been pegged at a fixed rate to the US dollar since 1983, and there are no restrictions on the flow of money. The comprehensive and fair legal system also ensures that business contracts are honoured and any trade disputes can be resolved in a fair and legal manner.
- Hong Kong is perceived as a secure and safe city offering diversity and sophistication with its fusion of east and west.

Nevertheless, the relatively high accommodation costs for visitors, as well as insufficient exhibition space resulting in unmet exhibitor demand, post challenges for the further growth of the local MICE market. The recently completed HKCEC extension should help boost five of HKTDC's mega fairs to become number one in the world in their industries[40].

The government and the HKTDC also intend to expand existing trade fairs to attract more exhibitors and buyers, as well as to further explore opportunities to lure international fairs and conferences from elsewhere in Asia to Hong Kong — ITU Telecom World 2006 and Asian Aerospace International Expo and Congress 2007 are successful examples.

Nevertheless, instead of entering into head-to-head competition with neighbouring cities such as Guangzhou, Shenzhen and Macau, Hong Kong aims to collaborate with these cities, especially in the areas of conventions and exhibitions, in which Hong Kong can utilise its high English proficiency, and comprehensive business and legal support systems to handle more sophisticated and high-end product trade fairs and more international conferences, while other Chinese cities can take on their size and cost advantages to handle large-scale commoditised product trade fairs, and more domestic and regional conferences.

The high-spending MICE visitors should continue to benefit the local hospitality, F&B and retail sectors during their stay in Hong Kong. For those who attend trade fairs and large conventions, held in HKCEC, AsiaWorld-Expo or KITEC, their first choice accommodation will be high tariff hotels within the vicinity of these facilities, while retail and F&B outlets in the same areas also stand to benefit.

40 *Source*: HKTDC.

8.0 DISTRICT OVERVIEW

8.1 Wan Chai/Causeway Bay district overview

8.1.1 Wan Chai/Causeway Bay overview

Wan Chai is a key area for business, conventions and exhibitions, entertainment and shopping, as well as art and cultural activities. The district is a key traffic hub and an interchange for east and west Hong Kong Island. Immediately to the east of Wan Chai are Causeway Bay, Happy Valley and North Point/Quarry Bay, while Admiralty, Central and Sheung Wan are all situated to the west of the district. The area is well served by the MTR, trams, ferries, buses and minibuses which employees and residents can commute to and from the district on a daily basis.

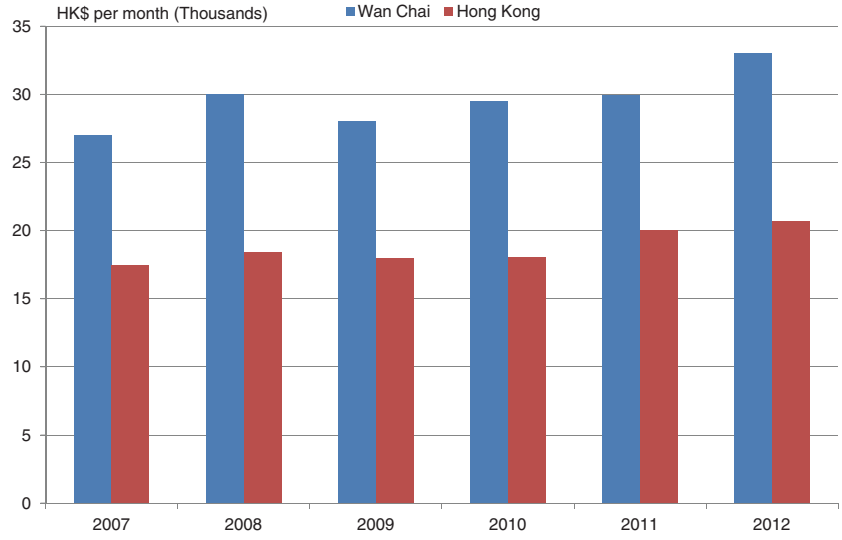
Key demographics of Wan Chai, 2012

Resident population	154,400
% of age group — 15 to 64	74.3
% of age group — 25 to 44	43.0
Working population	86,500
Project of mid year population in 2016	157,500
Medium household income (HK$ per month)	33,000

Source: Census and Statistics Department, Planning Department, Savills Research & Consultancy

With more affluent families moving into the area due to the increasing number of new residential developments via redevelopment, the median monthly household income of Wan Chai amounted to HK$33,000 in 2012, the highest among all districts in Hong Kong according to the 2012 Population and Household Statistics Analysed by District Council District.

Median monthly household income, Wan Chai and Hong Kong, 2007–2012



Source: Census and Statistics Department, Savills Research & Consultancy

Grade A office space in Wan Chai amounted to around 9.8 million sq. ft. at the end of 2011, 6.2 million sq. ft. of which was classified as Grade B. Wan Chai is a convenient location and the availability of high-quality Grade A offices at affordable rents has attracted major multinational tenants such as AXA, Mass Mutual, Procter & Gamble, Dow Jones Newswires, ExxonMobil and the Walt Disney Company. A number of major developers, such as Sun Hung Kai Properties and China Resources are also headquartered in the area. The area lacks enclosed shopping centres (except for a few retail podiums in commercial buildings operated in centre format) with street shops being the key retail format.

8.1.2 Major developments in Wan Chai

Conventionally, Wan Chai can be delineated into two areas, namely north Wan Chai and south Wan Chai, with Gloucester Road separating the two. In north Wan Chai there is a cluster of office developments, both private and public, such as Central Plaza, Sun Hung Kai Centre and Shui On Centre, as well as the Hong Kong Convention and Exhibition Centre ("HKCEC"), which is the premier exhibition and convention facility location in Hong Kong. South Wan Chai, on the other hand, comprises a mixture of Grade A offices, traditional residential buildings and street retail, but the area is being transformed with many URA projects underway.

The Wan Chai office district is now starting to move into south Wan Chai, and although there are many big-name landlords located in Wan Chai, many of them only own one or two assets in the area. The two landlords who have asset portfolios in Wan Chai are the Company and Swire Properties. The Company owns Hopewell Centre, QRE Plaza and GARDENEast (total floor area approximately 1 million sq. ft.), with the future completion of 200 Queen's Road East Project, (approximately 1,300 units) and Hopewell Centre II (approximately 1.1 million sq. ft.) expanding its property portfolio in south Wan Chai to over 2 million sq. ft., making the Company one of the largest landlords in Wan Chai in terms of floor space owned. Meanwhile, Swire Properties owns over 800,000 sq. ft. of office space in Three Pacific Place, 8 Queen's Road East and 28 Hennessy Road, as well as having developed and sold strata-title Star Crest (329 residential units) and 5 Star Street (25 residential units), all on the western edge of Wan Chai, in close proximity to Admiralty. The potential redevelopment of Asian House will further strengthen the office provision in the south Wan Chai office node.

As no major shopping centres exist in Wan Chai, the retail portfolio of the Company in the area, both current and future, which will amount to 640,000 sq. ft., would be the largest within the area.

A major new project in the district is Hopewell Centre II on Kennedy Road which has been proposed by the Company. The development will be a 55-storey conference hotel with around 1,024 rooms and will comprise 336,000 sq. ft. of commercial space. The proposed project also includes some roadwork improvements on Kennedy Road, Queen's Road East and Spring Garden Lane. Upon completion of the project, Hopewell Centre II will become a landmark hotel in the area, as well as a retail destination which should serve to attract more spending power.

The Grand Hyatt Hotel (572 rooms) and Renaissance Harbour View Hotel (862 rooms) both have extension and conversion plans which have been approved by the Buildings Department. The plans will add another 94,322 sq. ft. of hotel space to meet the increasing demand for accommodation. The Hong Kong Trade Development Council ("HKTDC"), the organisation which oversees the operation of HKCEC, has proposed to the government a third phase of expansion for HKCEC but this is still in the planning stage.

Meanwhile, a refurbishment of the China Resources Building complex will be completed in mid-2013 (currently 90% complete). The refurbishment comprises a renovation of the office tower and retail podium (the high block of China Resources Building) and the development of an 18-storey six-star hotel located in the high block of China Resources Building with 120 rooms, expected to be completed in 2016.

Other upcoming commercial developments include a refurbishment project at 8 Queen's Road East (formerly Sincere Insurance Building) which has already been taken-up by a well-known insurance firm who will relocate from Causeway Bay upon completion of the building next year.

Wan Chai, in particular south Wan Chai, is undergoing rapid redevelopment, particularly of many of the older residential buildings. With government support, the URA, in partnership with major developers, has a number of successful projects in the district, including The Zenith, a 904-residential-unit development by Chinese Estates completed in 2006, J Residence, a 381-residential-unit development by K.Wah, and recently Queen's Cube by Nan Fung.

Another large-scale URA project, 200 Queen's Road East Project, will provide a total of approximately 1,300 residential units with a total gross floor area ("GFA")[41] of 835,000 sq. ft. for residential and commercial use, together with public open space and a residential care home for the elderly. The project will also feature a cluster of themed shops catering to weddings and a culture gallery in three preserved historical buildings along Queen's Road East. Completion is anticipated in 2015 by developers Sino Land and the Company.

The following table sets out a list of future developments and infrastructure relevant to Wan Chai:

Development/infrastructure	Development information	Expected completion
Private residential developments		
200 Queen's Road East Project	approximately 1,300 units	2015
21–23 Wing Fung Street	N/A	Planning
137–143 Wan Chai Road	N/A	Planning
5–9 Hing Wan Street	N/A	Planning
Retail developments		
200 Queen's Road East Project	86,000 sq. ft.	2015
Hopewell Centre II	299,000 sq. ft.	2018
Hotel developments		
388–390 Jaffe Road and 12–20 Marsh Road	66,129 sq. ft. (91 rooms)	Q1/2013
Kong Link Hotel, 25–27 Morrison Hill Road	47,820 sq. ft. (121 rooms)	Sep 2014
Brighton Hotel, 128 Lockhart Road	70 rooms	Mid-2013
Hotel Indigo Hong Kong Island, 242–246 Queen's Road East	138 rooms	Q1/2013
373 Queen's Road East	299 rooms	Q3/2015
China Resources Building (Lower Block)	145,273 sq. ft. (120 rooms)	May 2016
Hopewell Centre II	759,000 sq. ft. (1,024 rooms)	2018
1 Harbour Road (extension)	94,322 sq. ft.	Planning
137–143 Wan Chai Road	34,353 sq. ft.	Planning
51–57 Hennessy Road	50,867 sq. ft.	Planning
8–12 Hennessy Road (China HK Tower)*	61,305 sq. ft.	Planning
Office developments		
8 Queen's Road East	60,000 sq. ft.	2013
1 Hennessy Road and 2 Arsenal Street	315,000 sq. ft.	Planning
Hopewell Centre II	37,000 sq. ft.	2018
Other developments		
HKCEC, Phase 3		Under planning
China Resources Building refurbishment		Mid-2013
130–136 Johnston Road (CHI Residences serviced apartment)	45 units	2013
Transport infrastructure		
Wan Chai Development Phase 2 (Central–Wan Chai Bypass)		2017
Sha Tin–Central Link		2018/2020
North Island Line		Under planning

* Approved by the Town Planning Board.

Source: Development Bureau, Transport & Housing Bureau, Planning Department, Town Planning Board, HKTB, MTR Corporation ("MTRC"), company annual reports, Savills Research & Consultancy

41 GFA is the area contained within the external walls of the building measured at each floor level, including any floor below the level of the ground, and excluding any floor space which the Building Authority is satisfied was constructed or intended to be used solely for parking motor vehicles, the loading or unloading of motor vehicles or occupied solely by machinery or equipment for any lift, air-conditioning or heating systems or any similar service.

The upcoming office and retail developments, as well as the proposed extension of HKCEC should further enhance Wan Chai as a business and entertainment hub and thus attract more business and leisure travellers to the district. Moreover, the upcoming residential developments should create further retail demand within the area, and such additional demand, together with the strong existing potential spending power of the area (having the highest household income of HK$33,000 among all districts in 2012), should be met with the completion of the retail portion at 200 Queen's Road East Project in 2015, as well as the shopping centre at Hopewell Centre II in 2018, both to be operated in centre format.

Additionally, the Hong Kong Government has noted that the amount of available commercial land in core areas is unable to match the increasing demand for office space. The Hong Kong Government plans to relocate operations from three government office towers in the Wan Chai North area to Kai Tak and make these sites available for office redevelopment use in the long term. The future offices on these sites will likely enhance Wan Chai's overall image.

8.1.3 Transport infrastructure in Wan Chai/Causeway Bay

Wan Chai is served by both the MTR and road networks, and the accessibility of the area is due to be enhanced with the addition of further transport infrastructure.

The construction of a Central–Wan Chai Bypass is proposed to alleviate the heavy volumes of traffic in Wan Chai. The Central–Wan Chai Bypass will be a 4.5-km dual, three-lane trunk road connecting Central with Wan Chai across the north shore of Hong Kong Island. The proposed trunk road will also connect to the Eastern Corridor via the Island East Corridor Link upon completion in 2017.

The MTR has also proposed a Sha Tin–Central Link with a station near the existing HKCEC to enhance accessibility to HKCEC and the surrounding developments. The Sha Tin–Central Link is a 17-km project connecting the existing Tai Wai MTR Station in Sha Tin with Admiralty MTR Station. Construction of the proposed line started in 2010, with the first phase from Tai Wai to Hung Hom expected to be completed in 2018 and the cross-harbour section to be in operation by 2020.

The proposed North Island Line will connect with Island East and Central via Wan Chai and Admiralty. The proposed Exhibition MTR Station for both the Sha Tin–Central Link and the North Island Line will be located to the north of Great Eagle Centre and Harbour Centre, with proposed entrances at the current public transportation hub. Properties in the area will benefit from these two MTR lines upon completion. The North Island Line, however, is still under planning with no confirmed date of completion.

The proposed Exhibition MTR Station will be located underground with only two exits above ground. One exit will be near the existing taxi stand at the Wan Chai North Public Transport Interchange while the other will be at the existing Harbour Road Sports Centre.

Proposed Wan Chai Bypass

The Central–Wan Chai Bypass and Island Eastern Corridor Link form part of an east-west strategic route on the northern shore of Hong Kong Island, which will serve to alleviate traffic congestion along the existing Gloucester Road–Harcourt Road–Connaught Road Central corridor. It is a 4.5-km long, dual three-lane trunk road with a 3.7-km long tunnel. It will link the Rumsey Street Flyover in Central with the Island Eastern Corridor at North Point near City Garden. The project aims to provide a fast track connecting the east and west of Hong Kong Island in order to ease traffic congestion in Central, Admiralty, Wan Chai and Causeway Bay.

The plan to connect the existing Happy Valley subway to Victoria Park via Causeway Bay MTR Station includes a 24-hour pedestrian link through Great George Street, Kai Chiu Road and Matheson

Street, which will further extend to Happy Valley via Wong Nai Chung Road. Currently this plan has no confirmed timeline and will be submitted for a second stage of public consultation, although dates have not been confirmed.

Proposed Wan Chai pedestrian walkway

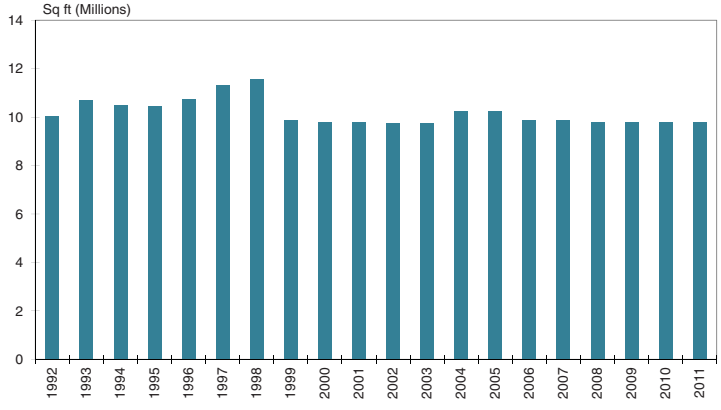
Further works include the construction of a new 100-m pedestrian subway which will connect Wan Chai MTR Station with the basement of 200 Queen's Road East Project, running underneath Southorn Playground and across Johnston Road, as well as the modification of the existing railway facilities. The pedestrian subway will provide direct access for pedestrians and MTR passengers crossing Johnston Road, and will enhance the pedestrian connectivity between north and south Wan Chai and between south Wan Chai and Wan Chai MTR station. Station entrance D will be located at the interface of the proposed pedestrian subway and the basement of 200 Queen's Road East Project.

These schemes should enhance the overall accessibility of Wan Chai, especially south Wan Chai, and further strengthen its role as a major retail/entertainment hub. The proposed Wan Chai pedestrian walkway will be the first connection between north and south Wan Chai to enhance pedestrian flow between the two areas, while commercial facilities in both areas will be able to draw from the whole of Wan Chai as their potential catchment area.

8.1.4 Wan Chai/Causeway Bay office market overview

8.1.4.1 Stock

Wan Chai/Causeway Bay grade A office stock, 1992–2011

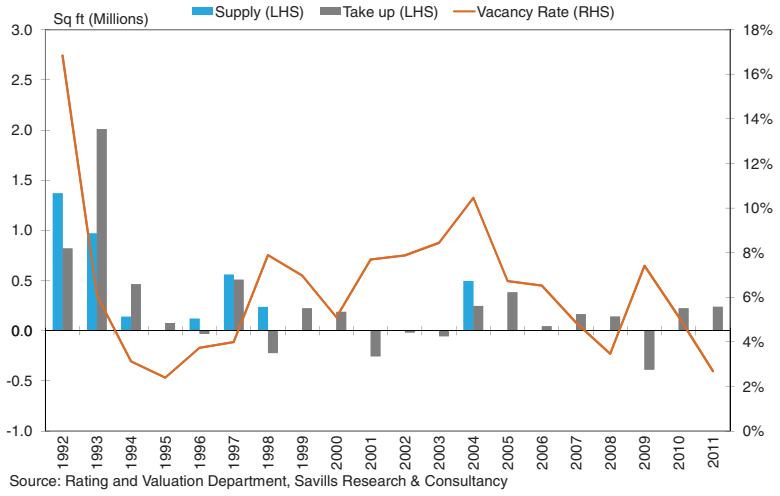


Source: Rating and Valuation Department, Savills Research & Consultancy

Grade A office stock in Wan Chai/Causeway Bay stood at 9.8 million sq. ft. at the end of 2011 according to the Rating and Valuation Department. The stock level in Wan Chai/Causeway Bay has been relatively stable over the past ten years, reflecting limited site availability for office development in the district.

8.1.4.2 Supply, take-up and vacancy rates

Wan Chai/Causeway Bay supply, take-up and vacancy rates, 1992–2011

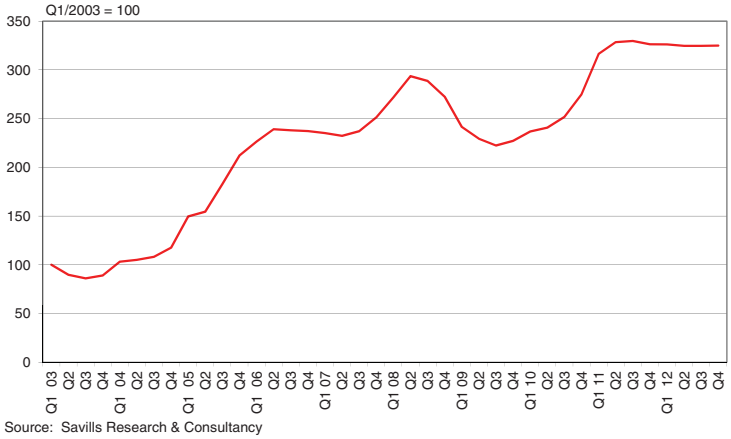


Source: Rating and Valuation Department, Savills Research & Consultancy

Grade A office supply is traditionally limited in the Wan Chai/Causeway Bay area. The only supply in the district after 1999 has been Three Pacific Place in 2004, and 28 Hennessey Road and Hysan Place in 2012. The limited availability of office space in the district has helped to keep vacancy rates below 10% over the past five years. At the end of 2011, the vacancy rate stood at 2.7%.

8.1.4.3 Rents

Wan Chai/Causeway Bay Grade A office rental index, Q1/2003–Q4/2012

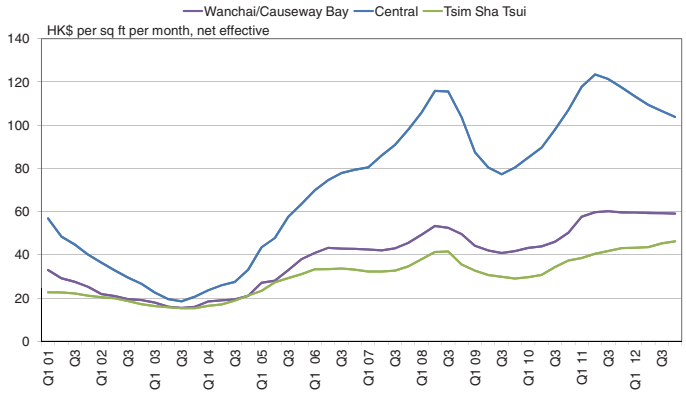


Source: Savills Research & Consultancy

Office rental rates in Wan Chai/Causeway Bay district recorded growth of 194% between Q1/2003 and Q2/2008 before the outbreak of the global financial crisis in the second half of 2008. Office rental rates in the district fell by 24% during the global financial crisis between Q2/2008 and Q3/2009, before rebounding by 48% from Q3/2009 to Q3/2011. Rents decreased by 2% from Q3/2011 to Q4/2012 as decreasing financial services demand, rising CBD vacancy and ongoing global uncertainties took effect.

Leasing activity in Wan Chai/Causeway Bay in the third quarter was driven by new leasing demand from mid-sized tenants, with space requirements of around 3,000 sq. ft. to 5,000 sq. ft.

Grade A office rents, Wan Chai/Causeway Bay, Central and Tsim Sha Tsui, Q1/2001–Q4/2012



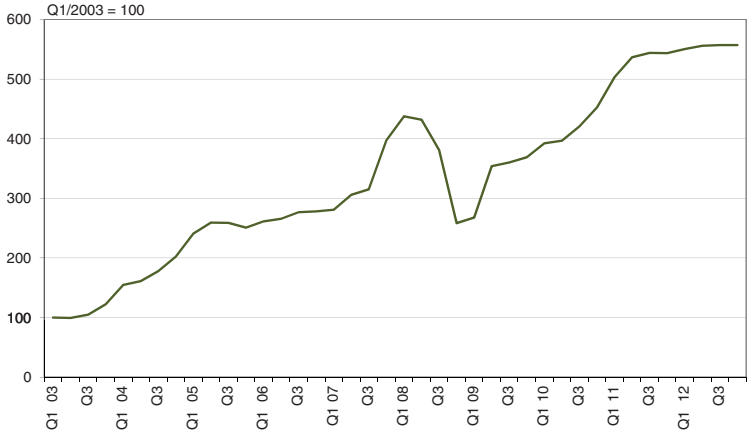
Source: Savills Research & Consultancy

As discussed in **Section 2.2.2**, Wan Chai/Causeway Bay office rents were below Central rents even after the softening of Central office rents over the past 12 months. However, office rents in Wan Chai/Causeway Bay were frequently higher than those in Tsim Sha Tsui over the past decade, but such a premium has gradually declined from HK$19 per sq. ft. net effective in Q2/2011 to HK$13 per sq. ft. net effective in Q4/2012.

The large rental differential between Central and Wan Chai/Causeway Bay has also attracted many Central tenants to set-up offices in the Wan Chai/Causeway Bay area in order to control their occupational costs. Notable transactions in Wan Chai/Causeway Bay include the move of Aon China and KPMG, suggesting that this area is an alternative to Central for tenants. KPMG has taken-up a total of five floors (around 80,000 sq. ft.) in Hysan Place, while Aon China currently occupies approximately 79,000 sq. ft. in Times Square. Rabo Bank relocated to Three Pacific Place from York House, while Bayer moved from The Center to Hopewell Centre. The Wan Chai/Causeway Bay district is benefiting from escalating rents in Central, where the average Wan Chai/Causeway Bay Grade A office rent of HK$59 per sq. ft. net effective in Q4/2012 was at a 43% discount to Central's HK$104 per sq. ft. net effective over the same period[42].

8.1.4.4 Prices

Wan Chai/Causeway Bay Grade A office price index, Q1/2003–Q4/2012



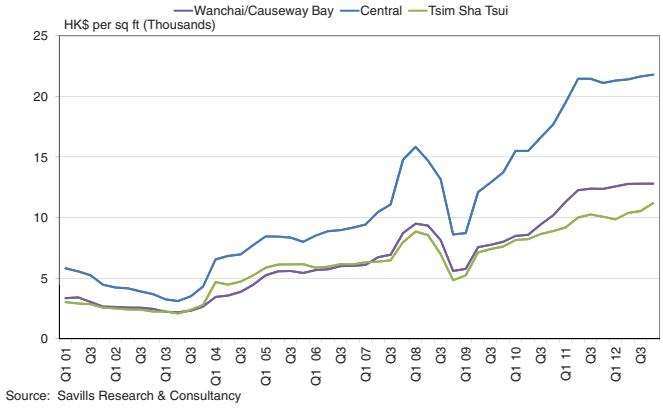
Source: Savills Research & Consultancy

42 Savills estimates.

The Wan Chai/Causeway Bay grade A office market has limited stock available for sale, but office floors in the area have attracted both end users as well as investors, at buildings such as AXA Centre and Convention Centre. Grade A office prices recorded a decrease of 41% from Q1/2008 to Q4/2008, and rebounded by 116% from Q4/2008 to Q4/2012, following increased investment sentiment and limited high-quality stock.

As many of the strata-titled office floors in Wan Chai/Causeway Bay are not available for sale, only a few transactions have been reported this year in Grade A buildings in the district, including at AXA Centre and Fortis Bank Tower. Prices in Wan Chai/Causeway Bay increased by a relatively modest 2.5%.

Grade A office prices, Wan Chai/Causeway Bay, Central and Tsim Sha Tsui, Q1/2001–Q4/2012

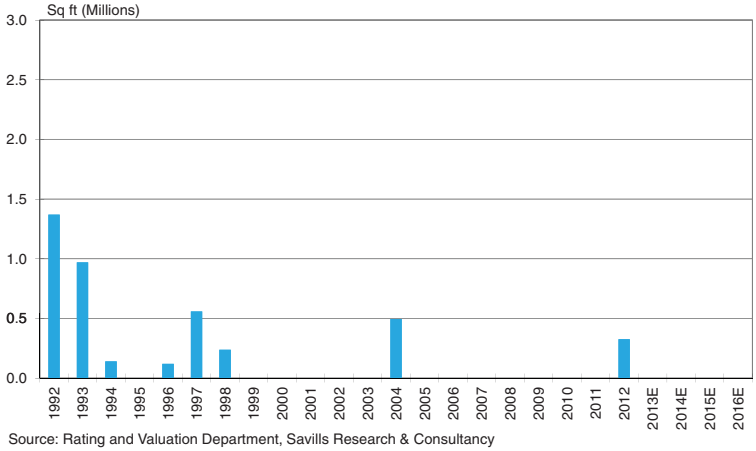


Source: Savills Research & Consultancy

Wan Chai/Causeway Bay Grade A office prices, which stood at HK$12,800 per sq. ft. in Q3/2012, were below the HK$21,800 per sq. ft. rate for offices in Central, but were above the average office prices in Tsim Sha Tsui, which amounted to HK$11,200 per sq. ft. over the same period.

8.1.4.5 Market outlook

Wan Chai/Causeway Bay Grade A office supply 1992–2016E



Source: Rating and Valuation Department, Savills Research & Consultancy

No Grade A office supply is scheduled for completion after 2012. New supply in 2012 included only 28 Hennessey Road in Wan Chai and Hysan Place in Causeway Bay.

8.1.4.6 Recent comparable office supply

28 Hennessy Road, Wan Chai

Address	24–34 Hennessy Road
No. of blocks	1
No. of storeys	29 with 1 basement floor
GFA (sq. ft.)	145,389
Developer	Swire
Completion date	July 2012

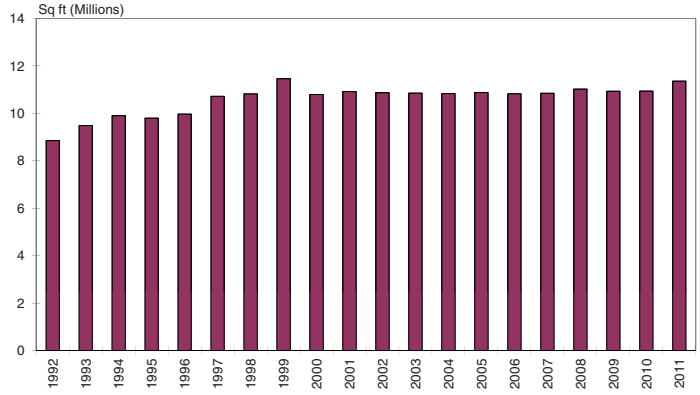
Source: Buildings Department, Savills Research & Consultancy

This Swire office project located at 24–34 Hennessy Road in Wan Chai was completed in July 2012. The office building is 29 storeys with one basement floor and a total GFA of 145,389 sq. ft.

8.1.5 Wan Chai retail market overview

8.1.5.1 Stock

Private commercial stock in Wan Chai/Causeway Bay, 1992–2011

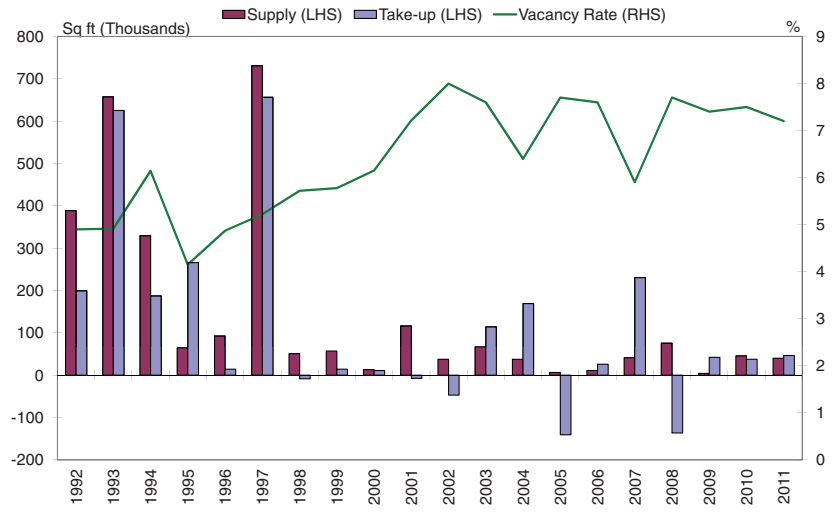


Source: Rating and Valuation Department, Savills Research & Consultancy

Retail stock increased from 8.9 million sq. ft. in 1992 to 11.5 million sq. ft. in 1999, mainly due to the completion of various large-scale shopping centres, such as Times Square, wtc more, Lee Theatre Plaza and Lee Gardens. Stock levels stabilised at around 11 million sq. ft. thereafter with no large-scale shopping centres completed. Notably, all major shopping centres are located in Causeway Bay with street shops being the key retail format in Wan Chai.

8.1.5.2 Private commercial supply, take-up and vacancy rates[43]

Wan Chai/Causeway Bay private commercial supply, take-up and vacancy rates, 1992–2011



Source: Rating and Valuation Department, Savills Research & Consultancy

The strong take-up of commercial space in 1993 reflected the completion of Times Square that same year, while take-up in 1995 was mainly due to the successful opening of wtc more and Lee Theatre Plaza (completed in 1994). While part of the strong take-up in 1997 was a result of Lee Gardens opening, the majority of both supply and take-up was due to the expansion of HKCEC, which more than doubled its prime function space in the year.

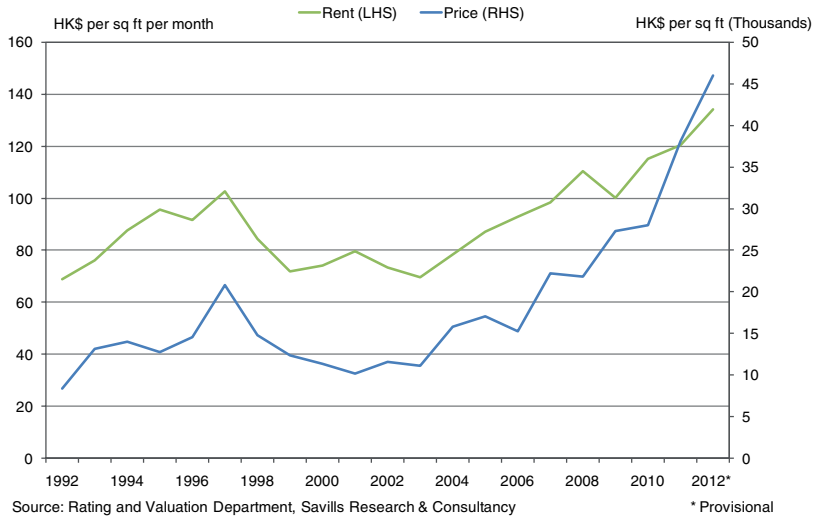
The subsequent negative take-up in 2005 was a reflection of the slowdown in mainland Chinese visitor arrivals as well as a static local economy resulting from interest-rate rises. However, take-up then revived in 2006 and 2007 due to a stronger economy and a rising stock market. The reverse in 2008 was mainly caused by the global financial crisis which affected the core retail market. As supply has remained limited over recent years, vacancy rates have remained at 6% to 7%, despite increased movements in take-up.

Hysan Place was the only large-scale development completed in Wan Chai/Causeway Bay District in 2012. With its retail portion almost fully let, we would expect a take-up level in line with supply. The retail portion of 200 Queen's Road East Project will enter the market in 2015 and will be the only retail supply to be completed between 2013 and 2015.

43 All floor areas quoted in this section are IFA as defined by the Rating and Valuation Department.

8.1.5.3 Rental and price movements

Average private retail rents and prices on Hong Kong Island, 1992–2012



Source: Rating and Valuation Department, Savills Research & Consultancy

* Provisional

As no separate private retail rental and price data series is available for Wan Chai/Causeway Bay, we have adopted the Hong Kong Island data series as a proxy. Retail rents on Hong Kong Island rebounded after the containment of SARS and recorded a 58.5% increase from 2003 to 2008 as an increase of mainland Chinese tourists resulted in strong luxury spending. The global financial crisis affected the core retail market with rents decreasing by 9.3% in 2009. The subsequent economic recovery resulted in increased local and visitor spending which helped to increase retail rents on Hong Kong Island by 33.8% from 2009 to 2012.

Hong Kong Island retail prices followed a similar pattern and rebounded by 99.5% from 2003 to 2007, the highest among three sub-districts, as investment interest in core retail premises rose. The global financial crisis impacted the financial sector, and thus the core retail market, on Hong Kong Island, with retail prices declining by 2.1% in 2008. The retail sales market rebounded thereafter with prices increasing by 68.5% from 2009 to 2012.

While some international brands opted for Central, there were others who favoured Wan Chai/Causeway Bay, as it is a popular tourist spot, and opened their stores in the area, such as Forever 21, Hollister and GAP.

Examples of international fashion retailers leasing in Causeway Bay

Tenant	Brand	Location	Lease term
Forever 21 Asia Holdings Ltd	Forever 21	B/F–4/F, Capitol Centre	Sep 2011–Aug 2018
AFH Hong Kong Stores Ltd	Hollister	Units 218–220, 327–328, Hysan Place	Apr 2012–Apr 2020
GAP Ltd	GAP, GAP KIDS and baby GAP	Units 109–113, Hysan Place Units 411–417, Hysan Place	May 2015–May 2017

Source: EPRC

8.1.5.4 Future comparable retail supply

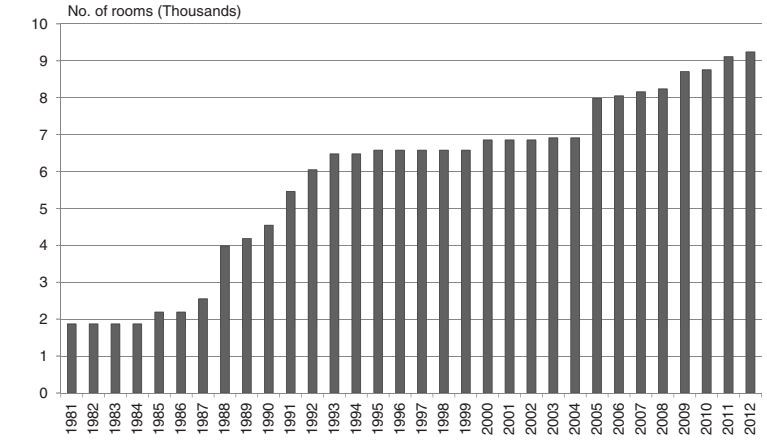
Other than retail property to be owned by the Company (the 200 Queen's Road East Project), there will be no comparable future retail supply in Wan Chai/Causeway Bay from 2013 to 2015.

8.1.6 Wan Chai/Causeway Bay hotel market overview

8.1.6.1 Stock and supply

According to the HKTB, there were 33 hotels located in the Wan Chai/Causeway Bay area in Q4/2012, comprising approximately 9,235 rooms, or 14% of the territory's total.

Hotel stock in Wan Chai/Causeway Bay, 1981–2012



Source: HKTB, Home Affairs Department, Savills Research & Consultancy

Hotel development in Wan Chai/Causeway Bay dates back to the 1970s when hotels such as The Excelsior (883 rooms, 1972) and The Park Lane (803 rooms, 1973) were completed. Hotel stock levels remained at 2,000 rooms over the early 1980s until the supply increased in 1988. Over the next six years, a number of large-scale hotels were completed, such as The Grand Hyatt (556 rooms, 1988), Renaissance Harbour View Hotel (860 rooms, 1988), Novotel Century Hong Kong (511 rooms, 1991) and Regal Hongkong Hotel (429 rooms, 1993, with an additional 53 rooms completed in 2007). The number of hotel rooms had increased to approximately 6,500 by 1993. Hotel stock levels remained the same for nearly a decade until 2000, when nine hotels were completed (1,997 rooms in total) from 2000 to 2006, five of which (1,334 rooms) were completed in 2005 alone, increasing hotel stock in the area to approximately 8,000.

The opening of Crowne Plaza in 2009 (263 rooms), together with three other hotels, accounted for the 500-room increase that year. Hotel stock increased by a further 300 rooms in 2011 when Best Western Hotel (258 rooms) and Vela Hotel (98 rooms) were opened.

8.1.6.2 Wan Chai/Causeway Bay hotel occupancy rates

Average occupancy rates by year

	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)	2012 (%)
Overall	86	85	78	87	89	89
Wan Chai/Causeway Bay	86	85	78	86	89	87

Source: HKTB, Savills Research & Consultancy

Hotel occupancy rates in Wanchai/Causeway Bay averaged 87% from January 2007 to December 2012, moving closely with the overall market over the past six years.

8.1.6.3 Wan Chai/Causeway Bay future comparable hotel supply

There are nine scheduled hotel developments in Wan Chai/Causeway Bay from 2013 to 2015 totalling 1,005 rooms, five of which are expected to be completed before the end of 2013, namely 388 Jaffe Road (91 rooms), Hotel Indigo (138 rooms), Brighton Hotel (70 rooms), 13 Pennington Street (80 rooms) and 2 Tang Lung Street (38 rooms). The largest future supply will be a proposed hotel at 373 Queen's Road East, which will provide 299 rooms when completed in Q3/2015.

Proposed hotel developments in Wan Chai/Causeway Bay, 2013E–2015E

Development	No. of rooms	Expected completion
388 Jaffe Road, Wan Chai	91	Q2/2013
Hotel Indigo, 242–246 Queen's Road East, Wan Chai	138	Q1/2013
Brighton Hotel, 128 Lockhart Road, Wan Chai	70	Mid-2013
13 Pennington Street, Causeway Bay	80	Mid-2013
2 Tang Lung Street, Causeway Bay	38	End 2013
Kong Link Hotel, 25–27 Morrison Hill Road, Wan Chai	121	Q3/2014
32 Tang Lung Street, Causeway Bay	69	Q4/2014
60 Jardine's Bazaar, Causeway Bay	99	Q1/2015
373 Queen's Road East, Wan Chai	299	Q3/2015
Total	**1,005**	

Source: HKTB, Savills Research & Consultancy

All of the scheduled hotels have 300 rooms or less and thus are not comparable to the subject property (Hopewell Centre II) both in terms of scale and facilities to be provided.

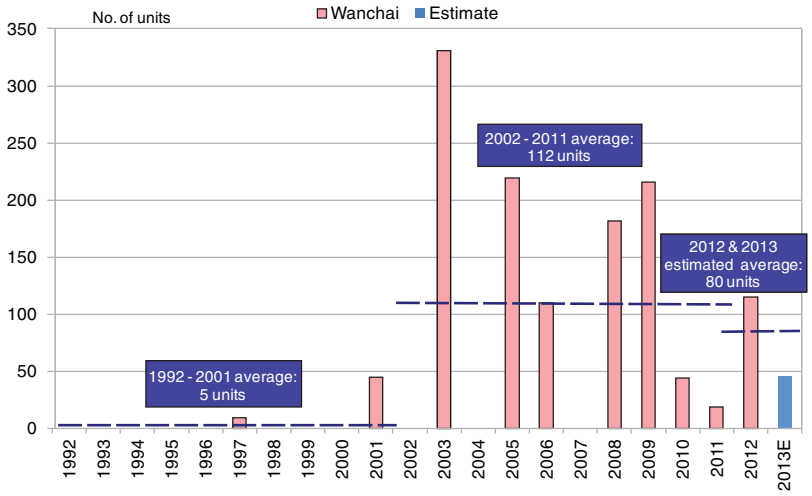
8.1.7 Overview of the serviced apartment sector in Wan Chai/Causeway Bay

8.1.7.1 Stock and supply

In Wan Chai/Causeway Bay, serviced apartment stock stood at 2,696 units in 2012, representing 14% and 32% of the total serviced apartment stock in Hong Kong and on Hong Kong Island, respectively.

In Wan Chai/Causeway Bay, there is a higher percentage (84%) of apartment-like serviced apartments than hotel-like serviced apartments, compared with 40% in the overall market.

Supply of serviced apartments in Wan Chai, 1992–2013E



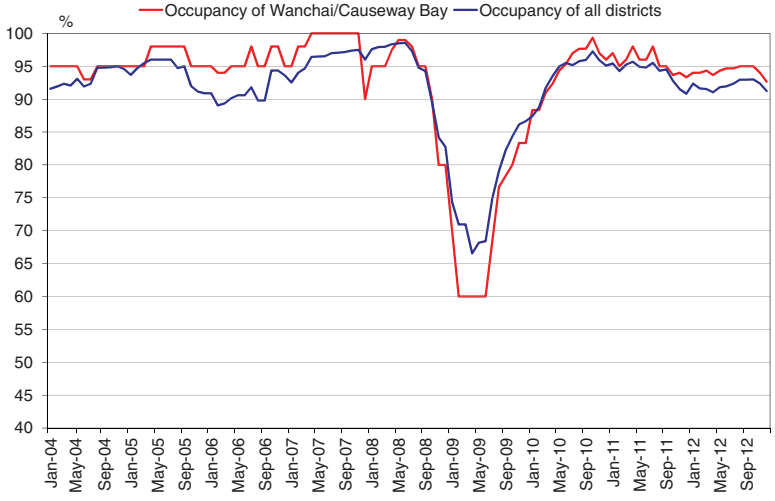
Source: Savills Research & Consultancy

Serviced apartment supply in Wan Chai has followed a trend similar to overall supply. From 2002, serviced apartment supply in Wan Chai rose to an average of 112 units completed each year, compared with only 5 units per annum between 1992 and 2001. Estimated new supply will decrease to 80 units per annum in 2012 and 2013.

Supply increased in 2003 and 2005 as a result of the completion of Kapok Apartments (280 units) and Harmony Mansion (194 units) in those respective years. Approximately 216 units were provided in 2009, solely because of supply from GardenEast. The 130–136 Johnston Road Project (45 units) will be completed in 2013.

8.1.7.2 Occupancy and rental trends

Wan Chai/Causeway Bay serviced apartment occupancy rate, Jan 2004–Dec 2012



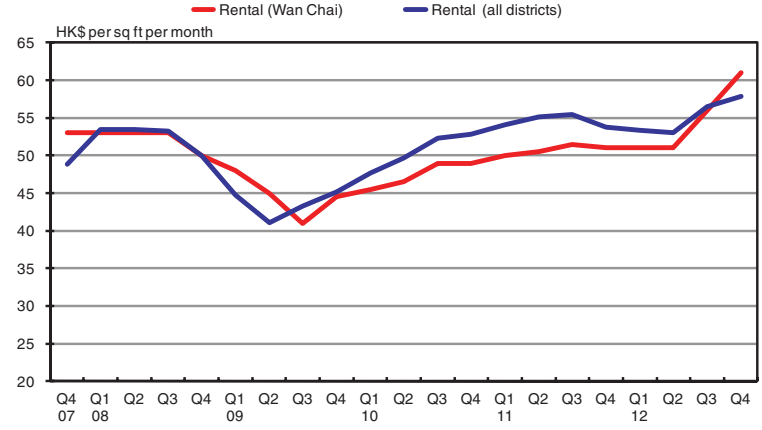
Source: Savills Research & Consultancy

Serviced apartment occupancy rates in Wan Chai/Causeway Bay followed the overall Hong Kong average before the global financial crisis. However, the district rate decreased between 2008 and 2009 to 60% compared with 67% for Hong Kong as a whole.

Wan Chai/Causeway Bay's occupancy rate increased from 2H/2009, however, as a result of the local economic rebound, especially in the finance industry, and began to outperform the average occupancy rate of Hong Kong as a whole after May 2011. The occupancy rate at year's end then decreased because of the traditional holiday period when expatriates return home.

Wan Chai/Causeway Bay serviced apartments have a higher average occupancy rate than the overall serviced apartment market. The average occupancy rate of Wan Chai/Causeway Bay serviced apartments reached 93% in December 2012, 1 percentage point higher than that of overall serviced apartments. Wan Chai/Causeway Bay's seven-year average occupancy rate (2006 to 2012) stands at 92%, in line with the overall average.

Wan Chai serviced apartment average rents, Q4/2007–Q4/2012



Source: Savills Research & Consultancy

Hong Kong experienced an economic downturn in 2008 as a result of the global financial crisis and serviced apartment markets in all business districts were particularly affected. Wan Chai landlords reduced rents by 23% from HK$53 to HK$41 per sq. ft. per month from Q2/2008 to Q2/2009. However, demand returned to previous levels in just six quarters, rising by 29%, similar to the overall property market over the period, as a result of the strong Asian markets.

Rents in Wan Chai/Causeway Bay have typically underperformed compared with the average of all districts due to the fact that most of the serviced apartments there are apartment-like and charge lower rents than hotel-like units.

Summary of average serviced apartment rents, Q4/2012

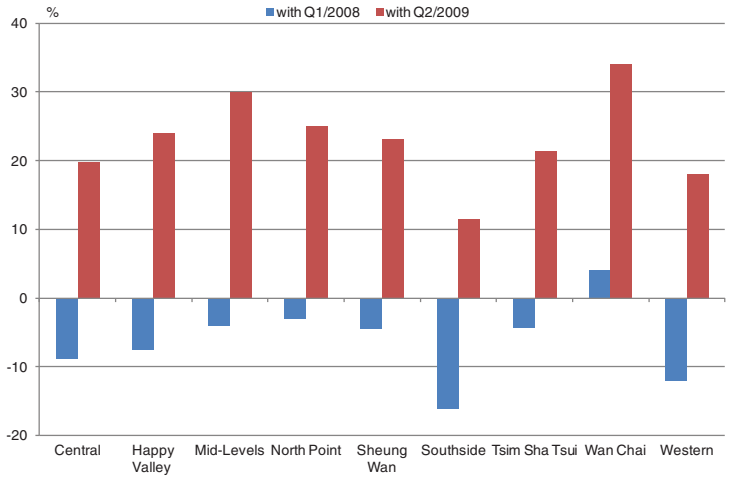
District	HK$ per sq. ft. per month
Hong Kong Island	59
Wan Chai/Causeway Bay	61
Kowloon	52
Overall	58

Source: Savills Research & Consultancy

Rents for serviced apartments on Hong Kong Island in Q4/2012 stood at HK$59 per sq. ft. per month on average, outperforming Kowloon and the overall market. This was largely due to the

fact that Hong Kong Island is the location of major business districts, including Central, Wan Chai/ Causeway Bay and Island East, resulting in higher average rents.

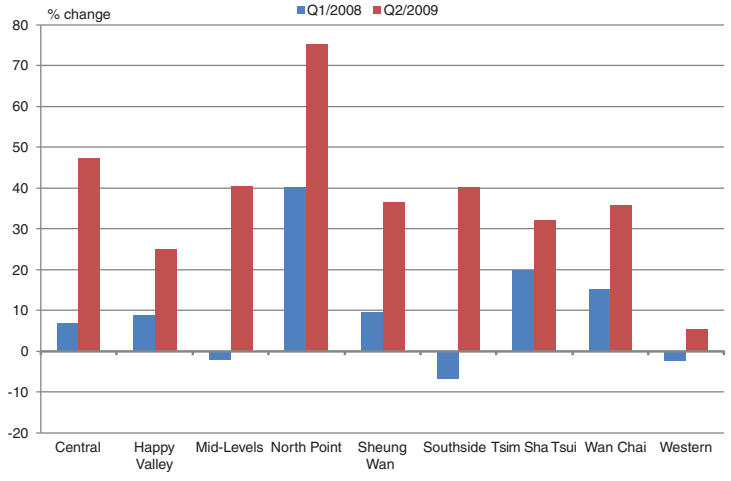
Vacancy performance of serviced apartments by district compared with Q4/2012



Source: Savills Research & Consultancy

The performance of serviced apartments varies with district. Although the overall occupancy rate of serviced apartments rose in Q4/2012 compared with the previous peak in Q1/2008 and the decrease in Q2/2009, among the nine major serviced apartment districts only Wan Chai attained an occupancy level higher than that seen in both Q1/2008 and Q2/2009. In Q4/2012, the Wan Chai occupancy level reached 94.0%, 4 percentage points above the pre-crisis peak and 34.0 percentage points higher than the level during the crisis.

Q4/2012 rental performance of serviced apartments by district compared with Q1/2008 and Q2/2008



Source: Savills Research & Consultancy

Despite the fact that rental levels are higher than those seen during the financial crisis in the nine districts, not all rental levels have recovered to the pre-crisis level. Only serviced apartments in Central, Happy Valley, North Point, Sheung Wan, Tsim Sha Tsui and Wan Chai have higher rental levels in Q4/2012 than they did in Q1/2008. Among them, North Point has a rental level 40% higher than the pre-crisis period, followed by Tsim Sha Tsui (19.8%) and Wan Chai (15.1%).

8.1.7.3 Future supply in Wan Chai

According to our in-house data, there is one serviced apartment comparable scheduled for completion in 2013, namely the 45-room CHI Residences 130 located at 130–136 Johnston Road, Wan Chai. The proposed development, located next to the Wan Chai MTR Station, will be operated by CHI Residences, a chain of luxury serviced apartment operator in Hong Kong.

Designed by architects KplusK Associates, CHI Residence 130 consists of 13 studios, 25 one-bedroom units, three two-bedroom units, and four top-floor two-bedroom duplex apartments, two of which have private access to roof gardens, ideal for families or groups.

8.1.8 Wan Chai residential market overview

Wan Chai is one of the oldest residential districts in Hong Kong, and no large residential developments of over 1,000 units are found there. The largest project so far is the 936-unit Causeway Centre in north Wan Chai. Most of Wan Chai's residential buildings are single-block formats, with street shops on the G/F.

8.1.8.1 Stock

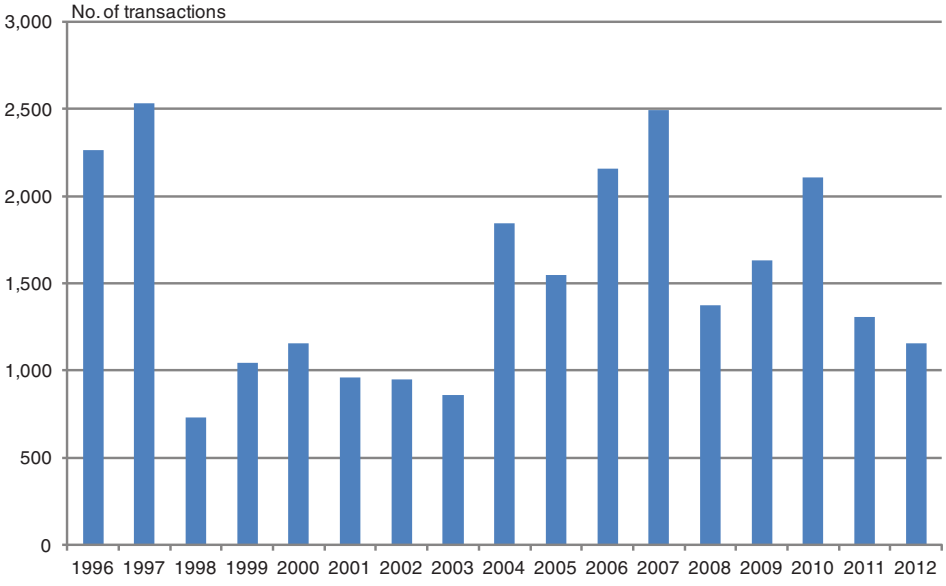
Wan Chai residential stock reached its peak in 2007 at 62,191 units. In 2008 and 2009, the units demolished for redevelopment were greater than the number of units to be erected. Hence, residential stock declined to a recent low of 61,448 units.

In 2011, Wan Chai residential stock reached 61,834 units, representing 19.1% of the residential stock on Hong Kong Island as a whole and 5.6% of the total residential stock in Hong Kong.

8.1.8.2 Demand

Residential transaction trends in Wan Chai resembled those of the overall market over the past decade. The Wan Chai residential market outperformed the overall market (in terms of year-on-year growth in transaction volume) in 2004, 2006 and 2010 due to the successful launch of the primary projects such as The Zenith (480 units), J Residence (381 units), One Wanchai (237 units), The Gloucester (177 units) and Oakhill (130 units) in those years.

Residential transaction volume in Wan Chai, 1996-2012

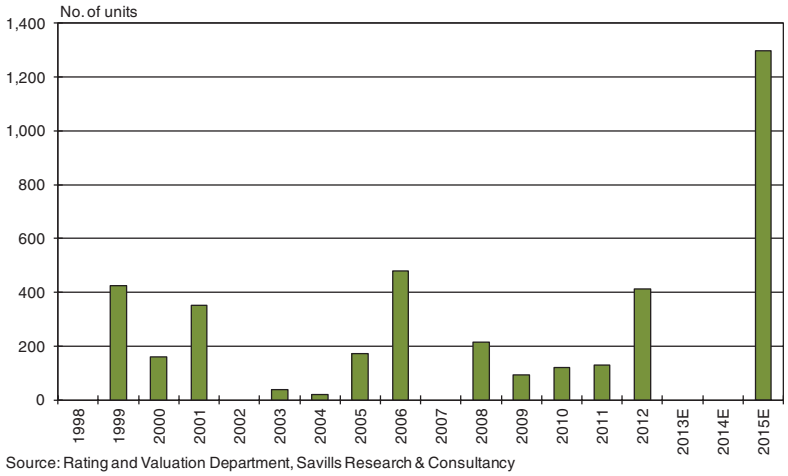


Source: EPRC, Savills Research & Consultancy

8.1.8.3 Historical and future supply

From 1998 to 2011, the average supply per annum was 158 units. In the years 1998, 2002 and 2007, there were no completions of residential units, due to limited land available in Wan Chai, with most units in the area resulting from the redevelopment of old buildings. From 2012 to 2015, the completion of a select number of redevelopment projects supplied 414 units in 2012 and will supply 1,299 units in 2015. Notably, the approximately 1,300 units to be completed in 2015 will come from 200 Queen's Road East Project.

Private residential supply in Wan Chai, 1998–2015E



Source: Rating and Valuation Department, Savills Research & Consultancy

8.1.9 Overview of Wan Chai MICE market

Wan Chai is one of the core business districts of Hong Kong, partly because it is located between two key business hubs, Central and Island East, making it a natural location for Hong Kong Island's MICE market.

8.1.9.1 MICE market in Wan Chai

HKCEC[44]

1 Expo Drive, Wan Chai, Hong Kong

HKCEC opened in November 1988, and given the demand for exhibition space, commenced its second expansion project in May 2006, which was completed in April 2009. HKCEC has a total gross area of 306,000 sq.m. with total rentable space of 91,500 sq.m. HKCEC currently provides 66,000 sq.m. of purpose-built exhibition space, 20,000 sq.m. of multi-functional venues and 5,500 sq.m. of event support space. It is owned by Hong Kong Trade Development Council and the Hong Kong Government and is managed and operated by HKCEC Management Limited, a wholly-owned subsidiary of NWS Holdings Limited.

44 All information sourced from HKCEC website unless otherwise stated.

Details of HKCEC

6 exhibitions halls	66,000 sq.m.
2 multi-purpose halls (for conventions or banquets)	5,700 sq.m.
2 theatres (with seating for 336 and 637)	800 sq.m.
52 meeting rooms	6,000 sq.m.
Other multi-functional rental space	13,000 sq.m.
7 restaurants	Total seating capacity of 1,340
2 underground car parks	Over 700 parking bays

Source: HKCEC

Exhibition capacity

Venue	GFA (sq. m.)	Ceiling height (m)	Capacity
			Number of stands
Hall 1 (A+B+C+D+E)	19,890	10.5	1,312
Hall 3 (B+C+D+E)	14,982	10.5	983
Hall 3 (F+G)	8,917	8.25	542
Hall 5 (B+C)*	7,598	10.5	498
Hall 5D*	1,185	5	30
Hall 5E	4,570	8.25	294
Hall 5 (F+G)	8,917	8.25	542
Expo Drive Hall (A+B)	6,996	2.2	288
Grand Hall*	3,880	15	216
Grand Foyer*	2,094	21	51
Convention Hall (A+B+C)*	1,819	7.7	88
Convention Foyer*	1,740	5.2	60

Convention/meeting capacity

Venue	GFA (sq. m.)	Capacity					
		Theatre	Classroom	Boardroom	U-shape	Banquet	Cocktail
N100 Series Meeting Rooms	38–740	28–600	11–296	13–110	11–80	12–432	25–530
N200 Series Meeting Rooms	38–740	28–600	11–296	13–110	11–80	12–432	25–530
S200 Series Meeting Rooms	42–581	28–506	18–300	14–102	12–81	12–288	25–385
S400 Series Meeting Rooms	42–433	28–380	18–198	14– 96	12–75	12–240	25–285
Hall 5 (B+C)*	8,098	8,000	4,000	—	—	—	—
Hall 5D*	1,185	500	306	—	—	—	—
The Forum	6,000	4,760	2,400	—	—	—	—
Grand Hall*	3,880	3,800	1,890	—	—	2,160	3,800
Grand Foyer*	—	—	—	—	—	—	1,400
Convention Hall (A+B+C)	1,819	1,800	903	—	—	1,032	1,500
Theatre 1	507	637	—	—	—	—	—
Theatre 2	293	336	—	—	—	—	—
Theatre Foyer	457	—	—	—	—	—	300

* These halls/venues can host both exhibitions and conventions/meetings.

HKCEC provides some 66,000 sq. m. of purpose-built exhibition space, another 5,700 sq. m. of multi-purpose halls and 6,000 sq. m. of meeting rooms space. Linked to the Grand Hyatt Hotel and

Renaissance Harbour View Hotel with covered walkways, HKCEC is located on the Victoria Harbour waterfront, accessible by most major means of transportation, including buses, ferries and the MTR.

HKCEC is regarded as one of the most efficient and functional meeting and exhibition centres in the region. Each year, HKCEC hosts more than 50 regional and international trade fairs, including the world's largest jewellery fair, electronics fair, timepiece event and gift fair. The regular international fairs/events for house ware, lighting, wine and spirits, beauty, leather, and fashion are Asia's largest. In FY2011/2012, HKCEC hosted 1,224 events with over 5.6 million participants (both local and international).

Serving as the venue for Hong Kong's handover ceremony in 1997, the sheer size of HKCEC has meant that it has often been the first choice for many large conference organisers. The advanced simultaneous interpretation system, state-of-the-art lighting and provisions of stage rigging can support the hosting of international conferences. The exhibition venue has hosted many international meetings, including Sibos 2009, the World Ophthalmology Congress 2008, the WTO Hong Kong Ministerial Conference 2005, the 88th Lions Clubs International Convention 2005 and the IMF World Bank Conference 1997.

The centre has won many awards, including being voted Best Convention and Exhibition Centre in Asia on ten occasions at the Industry Awards conducted by CEI Asia magazine from 2001 to 2013, and the Best Convention & Exhibition Centre for the fourth time at the TTG Travel Awards in 2012 by readers.

HKCEC has a strong exhibition portfolio and has held many of the world's largest or largest-in-Asia fairs, including the Jewellery & Gem Fair by UBM Asia Ltd, and the Hong Kong Watch and Clock Fair and the Hong Kong Toys and Games Fair by the HKTDC. HKCEC presents more top global events than any other Asian venue and over 50 of these events are major regional and international trade fairs each year.

Major exhibition events at HKCEC

Event name	Organiser
HKTDC Hong Kong Toys & Games Fair	HKTDC
HKTDC Hong Kong Fashion Week for Fall/ Winter	HKTDC
66th Valentine's Wedding Service & Banquet Expo	Hongkong-Asia Exhibition (Holdings) Ltd
HKTDC Hong Kong International Jewellery Show	HKTDC
Education UK Exhibition 2012	The British Council
Hong Kong International Film & TV Market (FILMART) 2012	HKTDC
Hong Kong International Lighting Fair (Spring Edition)	HKTDC
Hong Kong Electronics Fair (Spring Edition)	HKTDC
The 12th Hong Kong International Education Expo	Neway International Trade Fairs Limited
ART HK 2012	Asian Art Fairs Ltd

Source: HKCEC

Hong Kong Exhibition Centre ("HKEC")

HKEC is located on 3/F and 4/F of the low block of China Resources Building in Wan Chai, next to HKCEC. HKEC comprises an exhibition hall located on the 3/F with a GFA of 2,100 sq. m. and the exhibition gallery on the 4/F of 450 sq. m..

HKEC is the venue for many small- to medium-scale fairs and exhibition events, such as Dynamic Youth and the Oil Painting Exhibition, which selects contemporary Chinese artists' works from the Sichuan Fine Art Institute. HKEC also hosts art auctions, including the 2012 Hong Kong Autumn Chinese Fine Art Auction and Auction of Fine Chinese Painting.

Hopewell Centre II

A new project in the district is Hopewell Centre II on Kennedy Road which has been proposed by Hopewell. The proposed development will include a 55-storey conference hotel with approximately 1,024 rooms and will comprise 1.1 million sq. ft. (including approximately 759,000 sq. ft. of hotel space).

8.2 Kowloon East district overview

8.2.1 Kowloon East overview

8.2.1.1 Overview

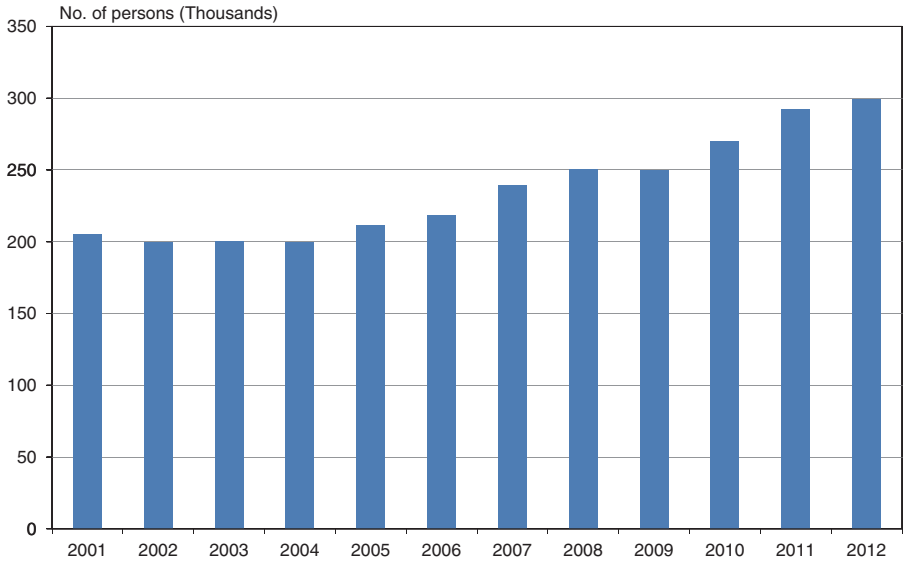
Kowloon East comprises Kowloon Bay, Kwun Tong and Kai Tak as defined by the Hong Kong Government. Kai Tak, the former Hong Kong International Airport, has already been subject to a comprehensive redevelopment plan and will be developed into a residential, commercial and tourist complex over the next ten to 15 years. Together with Kwun Tong and Kowloon Bay, the Hong Kong Government has a vision for Kowloon East as a second CBD in Hong Kong.

Kowloon East is one of the earliest industrial areas in Hong Kong, where many trading, manufacturing and garment companies are located. According to the Rating and Valuation Department, at the end of 2011, there were 44.3 million sq. ft. of private flatted factories, representing 65.4% of the total stock in Kowloon. Many of the existing industrial buildings are old and vacancy rates in these buildings are high. The district has substantial redevelopment potential and the area is in currently in a redevelopment phase.

Given the redevelopment potential of Kowloon East, developers and tenants have both been active in the district. Completed in 1995, KITEC was the first large-scale multi-purpose commercial complex in Kowloon East. Sun Hung Kai and Kerry have successfully developed their Millennium City and Enterprise Square portfolios, while Billion Development & Project Management Ltd (Billion) has been active in the redevelopment of industrial buildings into offices. Kowloon East also has a dynamic tenant profile and the high-quality new office buildings have attracted a cluster of Tsim Sha Tsui trading companies and major logistics firms. Banks with a presence in the area include Standard Chartered, Bank of East Asia and Hang Seng. Kowloon East is now the second largest Grade A office district in Hong Kong after Central with 12.6 million sq. ft. of office space at the end of 2011, according to the Rating and Valuation Department.

Given the continuous evolvement of Kowloon East into a vibrant business area, the working population increased from 205,145 in 2001 to 299,253 in 2012, a 46% increase over the past decade.

Number of employees working in Kowloon East, 2001–2012



Source: Census and Statistics Department, Savills Research & Consultancy

8.2.1.2 Energising Kowloon East

Kowloon East and CBD2 — overview

The chief executive announced in his 2011–2012 Policy Address in October 2011 plans to develop Kowloon East into CBD2, with a target to provide an additional office floor area of 4 million sq. m. in the district, as quality office space in the traditional core business districts can no longer match growing demand.

Additional development strategies for the district being drawn-up by the Hong Kong Government include enhancing connectivity within Kowloon East through the improvement of pedestrian access networks, the consideration of an environmentally friendly linkage system ("EFLS") through the entire district and the strengthening of external connectivity through the Kwun Tong MTR Line extension and the future Sha Tin — Central MTR Link.

Urban design concepts have been submitted, with green features and pedestrian promenades to create a pleasant business district. Also advocated are developments for cultural, leisure and water sports activities to energise the district.

The EKEO was set-up to implement and monitor the development of the area by the Development Bureau in June 2012, with a view to facilitating its transformation into Hong Kong's CBD2, which it is hoped will support economic growth and strengthen the territory's global competitiveness. A number of initiatives, including the KTD, as well as the cruise ship terminal and Kwun Tong Promenade, have been consolidated in the CBD2 proposal.

Conceptual Kowloon East map

Source: Savills Research & Consultancy

In order to enhance the connectivity of the area, a proposed 12-km monorail will run through the Kwun Tong, Kai Tak and Kowloon Bay MTR stations, with a total of 12 stations around Kowloon East. Currently, the Hong Kong Government plans for early commissioning in 2023. This monorail will also ease accessibility for international tourists travelling to or from the cruise ship terminal as there is a proposed station on the old runway.

The development of Kowloon East is expected to strengthen the appeal of the decentralised office market in Kowloon as a whole and establish a viable alternative to the traditional business districts.

Government initiatives

Since 2001, all industrial land in Kwun Tong and Kowloon Bay has been rezoned to "Business" use, which allows industrial buildings to be redeveloped into office and commercial uses. In April 2010, the government introduced measures to revitalise industrial buildings in Hong Kong. By the end of December 2012, 27 applications had been approved and executed for wholesale conversion or redevelopment, and 18 of them are in Kwun Tong and Kowloon Bay. These industrial buildings will be redeveloped or converted into offices, shops and services and hotels.

About 11.4 million sq. ft. of office space has been planned within the 320-ha KTD site. The Hong Kong Government is building a Kai Tak Government Office and is planning to relocate other government office buildings there. With another 8.6 million sq. ft. of retail and hotel accommodation planned, some 33,200 public and private housing units, an international cruise terminal and sports and tourism facilities, KTD will inject development density and diversity into the area. Together with 168 ha in the Kwun Tong and Kowloon Bay Business Areas, Kowloon East has great potential to evolve into a vibrant premier business district in Hong Kong.

The proposal is to increase the decentralised office supply to 57 million sq. ft. gross in Kowloon East, including Kwun Tong, Kowloon Bay and KTD. The proposed supply is equivalent to 37% of the overall grade A, B and C office stock, or 59% of the overall Grade A office stock. Assuming an average household size of 2.7, the 33,200 proposed residential units in KTD will bring an additional 90,000 residents to the area.

Key developments[45] of Kai Tak

Population	89,800
No. of residential units	33,200
Office GFA (sq. ft.)	11.4 million
Retail/hotel GFA (sq. ft.)	8.6 million
No. of hotel rooms	6,300

Source: Hong Kong Government, Savills Research & Consultancy

Cruise terminal

The Hong Kong Government is developing a new cruise terminal on the site of the former Kai Tak Airport runway. It has two alongside berths, which can accommodate the largest cruise vessels in the world. Below are some development parameters of the new cruise terminal:

Cruise terminal	
Number of berths	2
Length of apron area	850 m
Water depth	12–13 m (for dredging)
Air draft restriction	Nil
Customs, immigration and health quarantine operations	To clear 3,000 passengers per hour
Cruise vessel that can berth at the cruise terminal	
Displacement tonnage	110 000
Gross tonnage	220 000
Length overall	360 m

The cruise terminal is being developed mainly under two contracts. The first is the site formation works contract, involving the construction of berthing facilities, while the second is the cruise terminal building works contract, including the customs, immigration and health quarantine facilities and other supporting facilities.

Site formation

Site formation works commenced in November 2009. The first berth, which is able to accommodate the largest cruise vessels in the world, is expected to come into operation in mid-2013. The second berth will be commissioned in 2014 and will also be able to accommodate the largest cruise vessels in 2015 after the relevant dredging works on the seabed are completed.

Cruise terminal building

Construction commenced in May 2010. The terminal building is expected to begin operation in mid-2013. The terminal building will be iconic, highly functional and efficient in providing world-class services.

Monorail

The Hong Kong Government has also proposed a monorail system (the EFLS), which is a 9-km, 12-station line linking the Kowloon Bay MTR Station, through Wang Kwong Road, to the KTD Station Square, where it can interchange with the Kai Tak MTR Station on the future Sha Tin–Central Link. The EFLS will then run all the way through the former runway and end at the Kwun Tong MTR Station.

45 Including sites for existing residential developments in Ma Tau Kok, Pacific Trade Centre and Kowloonbay International Trade & Exhibition Centre ("KITEC").

Kai Tak Fantasy

The former runway tip in the Kai Tak Development Area has excellent potential to be developed into a tourism and entertainment hub. The Hong Kong Government proposed in the 2013 Policy Address setting up a recreational landmark on this site — Kai Tak Fantasy. On top of recreation facilities, it can be turned into an "edutainment" destination which will reflect Kai Tak's unique aviation, maritime and transportation history.

Others

A multi-purpose stadium complex as well as a metro park will also be built within KTD to provide leisure and recreation facilities for the area.

8.2.1.3 Major infrastructure initiatives

Kwun Tong Town Centre redevelopment

Kwun Tong Town Centre redevelopment

Site area	5.35 ha
No. of residential units	2,100
Retail (sq. ft.)	1.2 million
Office (sq. ft.)	708,917
Hotel (sq. ft.)	344,448
Completion Date	2013–2021

Source: URA, Savills Research & Consultancy

The URA has proposed a redevelopment plan for Kwun Tong Town Centre, one of the largest urban redevelopments in Hong Kong. Facing Millennium City in Kwun Tong, the town centre redevelopment has a site area of approximately 5.35 ha comprising residential, retail, office and hotel developments. The scale of the office space in this redevelopment is around 708,917 sq. ft.

Route 6

Route 6 is a major road planned to connect Tseung Kwan O to Kowloon West via three different sections, namely the Central Kowloon Route ("CKR"), Trunk Road T2 and the Tseung Kwan O–Lam Tin Tunnel ("TKO–LT Tunnel").

The TKO–LT Tunnel is a dual, two-lane highway of approximately 4.2 km connecting TKO at Po Shun Road in the east with the proposed Trunk Road T2 in the KTD in the west. About 2.6 km of the highway is in the form of a tunnel. This tunnel is currently listed as an ongoing project with no confirmed completion date by the Civil Engineering and Development Department.

Trunk Road T2 is a dual, two-lane trunk road of approximately 3.6 km connecting the CKR and TKO–LT Tunnel. About 2.6 km of the trunk road is in the form of a tunnel. This road is currently listed as an ongoing project with no confirmed completion date by the Civil Engineering and Development Department.

The proposed CKR will provide an access road between the East Kowloon road network and the Yau Ma Tei interchange of the West Kowloon Highway. The route will be a 4.7-km dual, three-lane trunk road, including a dual, three-lane tunnel of about 3.9 km. According to the Highways Department, It is anticipated that the works will start in around 2015 and will be completed in about 5 years.

The Sha Tin — Central Link

The development of Kowloon East will be integrated with major transportation infrastructure. The proposed MTR Sha Tin — Central Link will connect the New Territories and Central with stations in

major Kowloon districts, such as Kai Tak, Ho Man Tin and Hung Hom. The 17-km link is expected to be fully competed by 2020, with the completion of the Tai Wai to Hung Hom section scheduled for 2018.

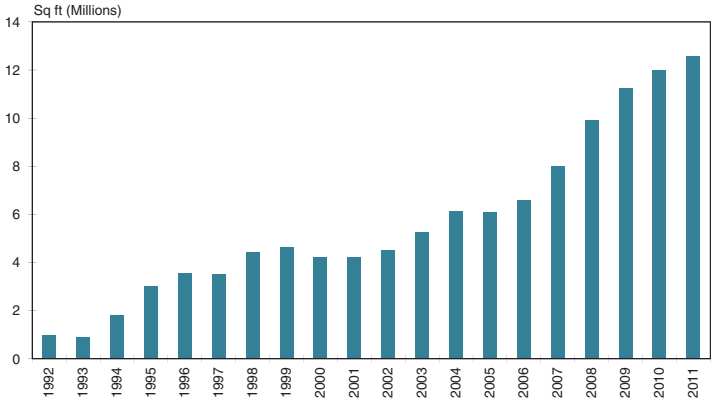
Other infrastructure

Enhanced pedestrian connectivity is another key infrastructure programme in Kowloon East. According to master plan 2.0 proposed by the EKEO, there are three pedestrian connectivity enhancement programmes in Kowloon Bay, Kwun Tong and Ngau Tau Kok. The enhancement programmes in Kowloon Bay include the formation of an elevated pedestrian network taking the proposed footbridge links with the Kowloon Bay MTR Station along Lam Wah Street and Siu Yip Street as the retail spines.

8.2.2 Kowloon East office market overview

8.2.2.1 Stock

Grade A office stock in Kowloon East, 1992–2011

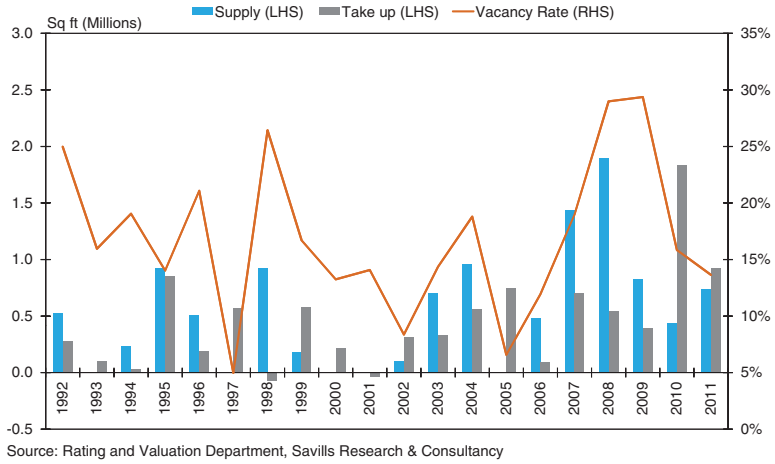


Source: Rating and Valuation Department, Savills Research & Consultancy

Grade A office stock in Kowloon East totalled 12.6 million sq. ft. in 2011, compared with only 974,140 sq. ft. at the end of 1992. A significant increase in stock was noted after 2006 when several large-scale projects were completed, including Manulife Financial Centre (2007), Landmark East (2008), Manhattan Place (2008) and Exchange Tower (2008), signalling the gradual reforming of the area into an office district and business hub.

8.2.2.2 Supply, take-up and vacancy rates

Kowloon East supply, take-up and vacancy rates, 1992–2011



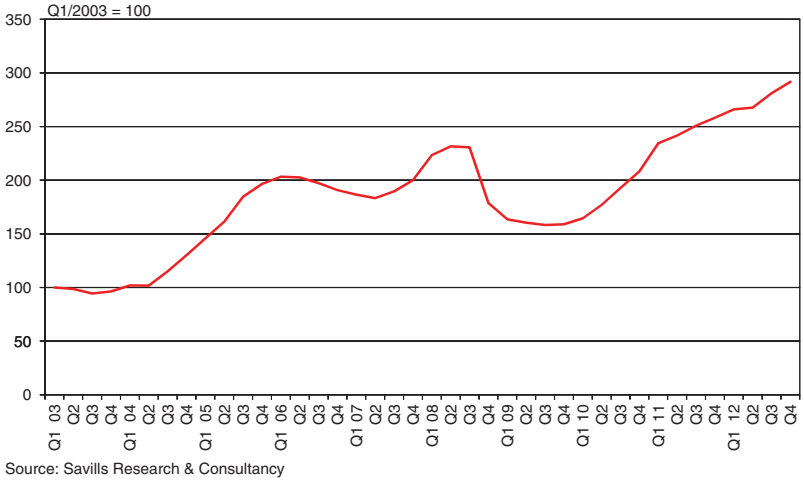
Source: Rating and Valuation Department, Savills Research & Consultancy

Supply spikes were noted in 2007 and 2008, when a total of 3.3 million sq. ft. of Grade A office space was completed, including Manulife Life Financial Centre (around 1 million sq. ft.). This increased vacancy rates from 6.6% in 2005 to 29% in 2008, the highest vacancy rate recorded in the market since 1992.

With attractive, high-quality buildings and economical rental levels, the Kowloon East market recorded increased take-up of 4.4 million sq. ft. from 2007 to 2011 by several multinational firms relocating from Hong Kong Island, as well as other districts. Demand came from insurance companies, such as Manulife, AIA and AXA, and vacancy rates gradually decreased to only 14% by the end of 2011. Many large corporations are attracted by the large floor plates available and the availability of contiguous floors, as well as naming rights for some high-quality office buildings in Kowloon East.

8.2.2.3 Rents

Kowloon East Grade A office rental index, Q1/2003–Q4/2012



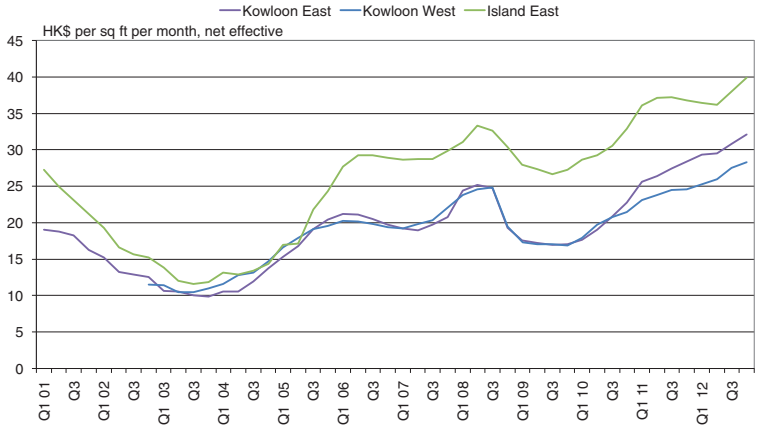
Source: Savills Research & Consultancy

Office rents in Kowloon East have shown a strong rising trend since 2003, except during the global financial crisis in 2008 and 2009 when rents fell by approximately 32% from Q2/2008 to

Q3/2009. Following increased take-up in 2011 and 2012, rents in Kowloon East resumed their rising trend, increasing by nearly 84% from Q3/2009 to Q4/2012.

In 2012, rents rose in Tsim Sha Tsui, Kowloon East and Western Corridor, supported by robust demand in all areas of Kowloon. In Tsim Sha Tsui, newcomers to the retail sector were active, taking-up increasing amounts of office space, and rents rose by 8% in 2012. Driven by relatively low rents, expansion demand from insurance firms was noted in Kowloon East and rents in the area rose by 13% in 2012.

Grade A office rents, Kowloon East, Kowloon West and Island East[46], Q1/2001–Q4/2012



Source: Savills Research & Consultancy

When comparing the rental levels of Kowloon East to comparable districts, such as Kowloon West and Island East, we can see that Kowloon East rents, standing at HK$32 per sq. ft. net effective in Q4/2012, maintained a 14% premium over Kowloon West rents but were 20% lower than rents in Island East over the same period.

The relocation of large, multi-floor occupiers from core areas is another decentralisation trend witnessed recently. Multinational companies are gradually forming a cluster in Kowloon East, with most of the demand deriving from the wholesale and trade, and insurance sectors. The Hong Kong Government has also become a large occupier in the district, for example the Hospital Authority and the Census and Statistics Department.

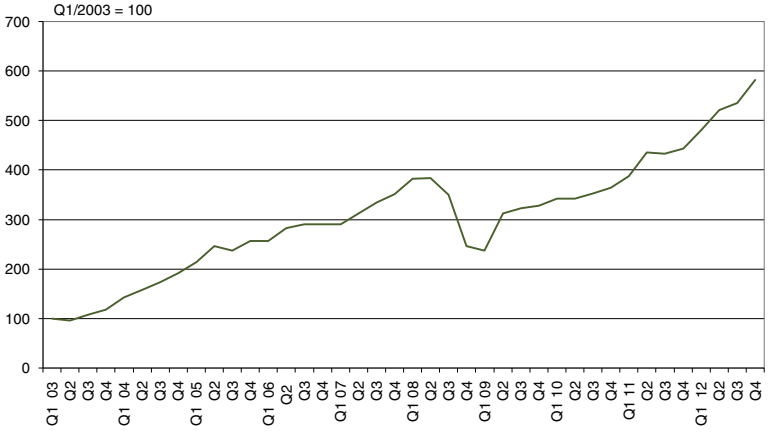
Office relocations to Kowloon East began in the late 1990s with the completion of the Millennium City portfolio in Kwun Tong by Sun Hung Kai Properties, which now houses Standard Chartered Bank and Bank of East Asia.

The relocations of Manulife and PriceWaterhouse Coopers in 2008 began another round of decentralisation in the office market. Peer and cluster effects gradually induced AIA and AXA, along with other multinational companies, to open offices in Kowloon East. The large rental differential between the core areas, especially Central, and Kowloon East provided a strong incentive for large occupiers who were also not able to find large areas of contiguous floor space in core locations. At the end of Q4/2012, the rental differential between Central and Kowloon East stood at HK$72 per sq. ft. net effective.

46 Savills estimates.

8.2.2.4 Prices

Kowloon East Grade A office price index, Q1/2003–Q4/2012



Source: Savills Research & Consultancy

The Kowloon East office sales market has been supported by a cluster of investors and end users, and prices more than tripled from 2003 to 2008, before the global financial crisis. We witnessed local and mainland Chinese investors active in the Kowloon East office market in 2010 and 2011, attracted by the CBD2 scheme, while overseas funds have recently taken an interest. Prices rebounded by 145% from Q1/2009 to Q4/2012 on the back of ample liquidly and low interest rates. Several new Grade A office developments in the area have been successfully strata titled, including King Palace Plaza at 55 King Yip Street and 49 King Yip Street.

Grade A office prices, Kowloon East, Kowloon West and Island East[47], Q1/2001–Q4/2012

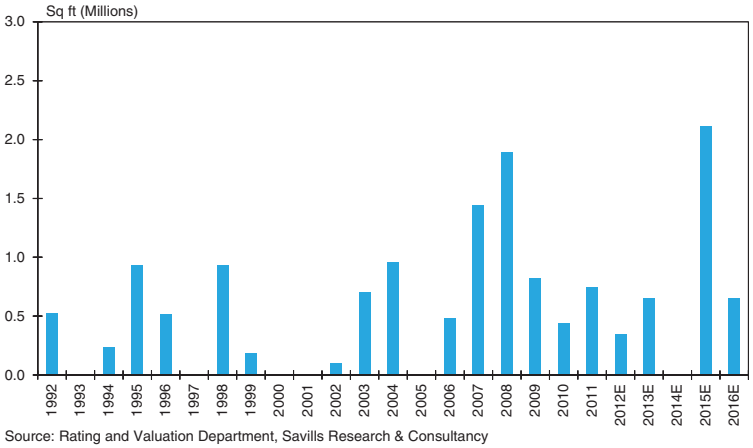
Source: Savills Research & Consultancy

With a relatively wide spectrum of rental ranges among the three districts, grade A office prices in Kowloon East, Kowloon West and Island East were much closer, trading at around HK$7,300 to HK$8,300 per sq. ft. in Q4/2012. Notably these estimated average prices were biased towards secondary stock, as primary stock in Kowloon East was selling at around HK$10,000 per sq. ft. in Q4/2012.

47 Savills estimates.

8.2.2.5 Market outlook

Kowloon East Grade A office supply, 1992–2016E



Source: Rating and Valuation Department, Savills Research & Consultancy

Supply levels are expected to be limited from 2012 to 2014 with only a total of 1 million sq. ft. completed during this period, before a supply spike in 2015. In 2015, approximately 2.1 million sq. ft. will be completed in Kowloon East.

8.2.2.6 Future comparable office supply

181 Hoi Bun Road, Kwun Tong

Address	181 Hoi Bun Road
No. of blocks	1
No. of storeys	25
GFA (sq. ft.)	307,684
Developer	Sun Hung Kai Properties
Completion date	2013

Source: Buildings Department, Savills Research & Consultancy

This high-quality project developed by Sun Hung Kai Properties and situated on the harbour front at 181 Hoi Bun Road, is a single-block, 25-storey building. It has a total GFA of 307,684 sq. ft. and is expected to be completed this year.

The building enjoys harbour views and faces the future cruise terminal. It is expected that Sun Hung Kai will put the building up for sale on a strata-titled basis.

6 Wang Kwong Road, Kowloon Bay

Address	6 Wang Kwong Road
No. of blocks	1
No. of storeys	33
GFA (sq. ft.)	264,589
Developer	Billion
Completion date	2013

Source: Buildings Department, Savills Research & Consultancy

6 Wang Kwong Road is a 33-storey office building developed by Billion. Based on Billion's track record, the building could be strata titled for sale in 2013 with an expected completion date in the same year.

Floors in the high zone have harbour views, while the views from the low-zone floors will be blocked by other developments.

NKIL 6269, junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road

Address	Junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road
No. of blocks	2
No. of storeys	21 with 2 basement floors
GFA (sq. ft.)	926,621
Developer	Wheelock
Completion date	2015

Source: Buildings Department, Savills Research & Consultancy

This site was sold to Wheelock by the Hong Kong Government in July 2011. The proposed development comprises two blocks of 21 storeys with two basement floors. This project has a total GFA of 926,621 sq. ft. with allocations for retail and office space. The towers are situated on the harbour front and have sea views.

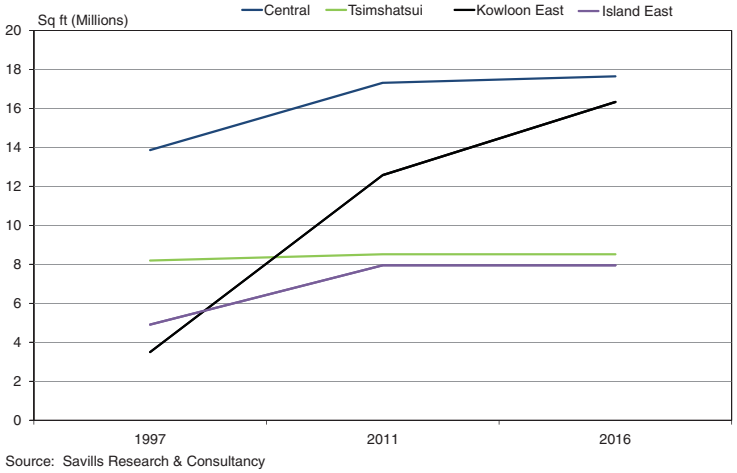
NKIL 6314, junction of Kai Shun Road, Wang Kwong Road and Kwai Cheung Road, Kowloon Bay

Address	Junction of Kai Shun Road, Wang Kwong Road and Kwai Cheung Road
No. of blocks	1
No. of storeys	28 with 3 basement floors
GFA (sq. ft.)	852,363
Developer	Goldin Properties
Completion date	2015

Source: Buildings Department, Savills Research & Consultancy

This site was held by the government and tendered to Goldin Properties in July 2011. The proposed development will be a 28-storey building with three basement floors, and a total GFA of 852,363 sq. ft. Completion is estimated to be in 2015. This is the first project by Goldin, and as a result, both the quality and the means of disposal by lease or sale remain uncertain.

Grade A office stock by district, 1997, 2011 and 2016E



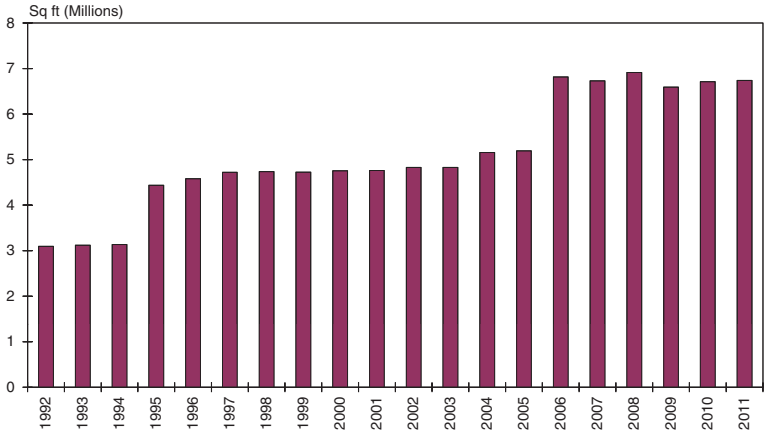
Source: Savills Research & Consultancy

Future Grade A office stock in Kowloon East is forecast to increase significantly with approximately 16.3 million sq. ft. by 2016, while office stock in Central, Tsim Sha Tsui and Island East will remain relatively stable.

8.2.3 Kowloon East retail market overview

8.2.3.1 Stock

Private commercial stock in Kowloon East[48], 1992–2011

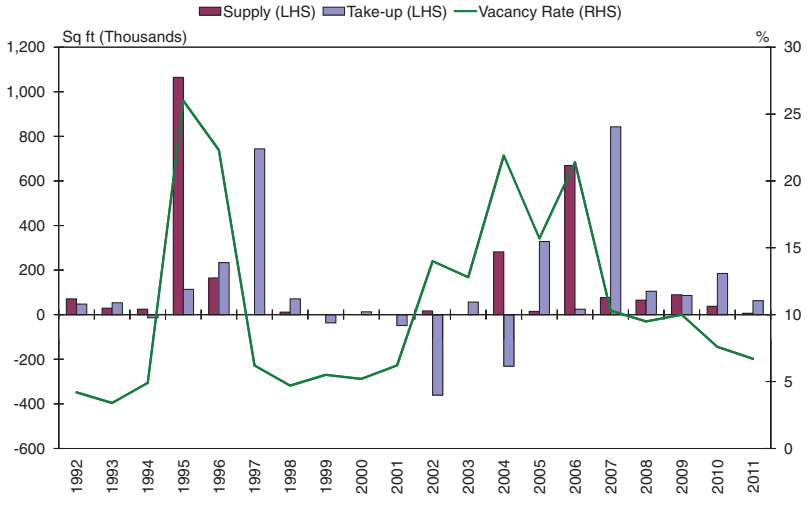


Source: Rating and Valuation Department, Savills Research & Consultancy

The increment in stock in 1995 was mainly due to the completion of KITEC, which at the time was classified as trademart and convention facilities and thus fell within the 'private commercial' category. With the reclassification of the shopping centres held under the Link REIT from public to private commercial space, as well as the completion of MegaBox in the same year, 2006 saw an increase in stock. Retail space remained stable thereafter and stood at 6.7 million sq. ft. in 2011.

8.2.3.2 Private commercial supply, take-up and vacancy rates[49]

Kowloon East private commercial supply, take-up and vacancy rate, 1992–2011



Source: Rating and Valuation Department, Savills Research & Consultancy

48 Refers to Kwun Tong District Council District, which includes Kwun Tong, Kowloon Bay and Yau Tong.

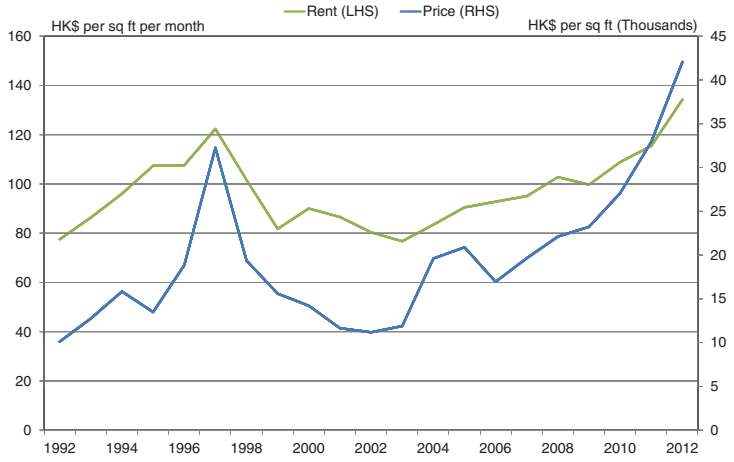
49 All floor areas quoted in this section are IFA as defined by the Rating and Valuation Department.

The large amount of supply from KITEC in 1995 was gradually taken-up from 1995 to 1997, bringing the vacancy rate down from 26% to 5%. Negative take-up in 2002 and 2004 was mainly due to economic contraction and the aftermath of SARS.

Over the past ten years, major private commercial supply in Kowloon East was concentrated in the years 2004 and 2006, when Millennium City (APM) and Megabox were completed, respectively. As a result, vacancy rates rose to 21.4% in 2006, but decreased to 6.7% in 2011 due to retail demand in the area from the larger office catchment.

8.2.3.3 Rental and price movements

Average private retail rents and prices in Kowloon, 1992–2012



Source: Rating and Valuation Department, Savills Research & Consultancy

As no separate Kowloon East private retail rental and price data series is available, we have adopted the Kowloon data series as a proxy. Retail rents in Kowloon rebounded after the containment of SARS and recorded a 33.9% increase from 2003 to 2008 as mainland arrivals provided support to luxury spending. The global financial crisis affected the core retail market with rents decreasing by 3.0% in 2009. The subsequent economic recovery brought about local and visitor spending, helping to increase retail rents in Kowloon by 34.7% from 2009 to 2012.

Kowloon retail prices followed a similar pattern and rebounded by 65.3% from 2003 to 2007. While the global financial crisis affected the financial sector, and therefore the core retail market, on Hong Kong Island, the Kowloon market was supported by mainland Chinese spending and thus retail prices increased by 12.6% in 2008, and continued to rise by 81.1% from 2009 to 2011.

A select number of major shopping centres in fringe Kowloon have been sold over the past two years due to the rising retail market, including Festival Walk in Kowloon Tong and Laguna Plaza in Kwun Tong.

Major shopping centre transactions in fringe Kowloon, 2011–2012

Transaction date	District	Property	Unit	Consideration (HK$)	Gross area (sq. ft.)	Gross unit price (HK$ per sq. ft.)	Vendor	Purchaser
Jul 2011	Kowloon Tong	Festival Walk	Whole block (office + retail)	18,800,000,000[50]	1,210,000	15,537	Swire Properties	Mapletree
Dec 2011	Tsuen Wan	Belvedere Garden	Commercial portion	1,250,000,000	276,862	4,515	Cheung Kong	Fortune REIT
Jul 2012	Tsuen Wan	Indihome	Retail podium	360,080,000	50,000	7,202	Healthy Sun Ltd	Antron Inv Ltd
Aug 2012	Kwun Tong	Laguna Plaza	Shopping centre	1,500,000,000	163,000	9,202	Hang Lung	CLSA Capital Partners

Source: EPRC

8.2.3.4 Future comparable retail supply

No comparable retail projects are in the pipeline from 2013 to 2015, although longer term retail provision may be available as part of the KTD, as well as from the ongoing revitalisation and redevelopment of industrial premises within the area.

8.2.4 Kowloon East MICE market

8.2.4.1 MICE market in Kowloon East

KITEC[51]

1 Trademart Drive, Kowloon Bay, Hong Kong

KITEC is the major exhibition and conference facility in Kowloon East. KITEC has a total GFA of 1,775,000 sq. ft., comprising office located from 7/F to 13/F, retail located from B1/F to 6/F, and conference and exhibition venue located on G/F, 3/F, 5/F, 6/F and 7/F.

Details of KITEC

Rotunda 1, 2, 3	5,411 sq. m.
Star Hall	2,912 sq. m.
Auditorium	1,137 sq.m. (702 seats)
Meeting rooms	1,545 sq. m.

Source: KITEC

Exhibition capacity

Venue	Floor area (sq. m.)	Ceiling height (m)	Capacity			
			Number of stands	Number of Persons		
				Theatre*	Classroom*	Banquet*
Star Hall	2,912	14.3–16.0	120	3,600	1,450	1,920
Rotunda 1	1,795	4.40–6.45	90	1,000	760	960
Rotunda 2	1,804	5.30–8.80	90	1,600	1,000	1,200
Rotunda 3	1,812	5.30–8.80	90	1,600	1000	1,200

*Convention capacity.

50 Total investment cost is HK$19.3 billion including taxes and related costs.

51 All information sourced from Hopewell unless otherwise stated.

Convention capacity

Venue	Usable floor area (sq. m.)	Ceiling height (m)	Capacity		
			Theatre	Classroom	Banquet
Auditorium	1,137	3.29–4.25	702	—	—
Meeting Room 601	107	2.2	120	54	36
Meeting Room 602	107	2.2	120	54	36
Rooms 1–15	56–115	2.2–2.3	45–200	30–140	24–144

KITEC comprises event space of around 22,000 sq. m., which is suitable for any kind of business and/or banqueting functions. KITEC has a total GFA of 164,903 sq. m. with office, retail and convention/exhibition space and facilities. The centre is the only major exhibition venue in Kowloon, with a shuttle bus service available between the centre and the Kowloon Bay MTR Station, and is geared towards holding a number of local events, corporate functions and entertainment concerts.

Smaller exhibition spaces such as HKEC, City Hall and New World Centre also exist but they tend to host smaller and more local events catering for more specific needs. Most exhibitors at City Hall, for example, will be performance-related, whereas HKEC is more popular for China-related exhibitions. Some exhibitions at KITEC in the past have included Hong Kong Wedding Expo and Beauty Expo.

Major exhibition events at KITEC, 2008–2012

Event name	Organiser
Hong Kong Wedding Showcase	Audace International Fairs Ltd
Hong Kong International Pet Accessory Expo	Paper Communication Exhibition Services
Sports Expo 2012	Sportsoho Media Ltd
Beauty Expo	In-Sister Express
Asia International Arts & Anitques Fair	Paper Communication Exhibition Services

Source: KITEC

KITEC offers a range of venues for meetings and conferences, accommodating up to 3,000 delegates, but is also suitable for small- to medium-scale conferences, seminars or presentations. KITEC is expected to benefit from the formation of Kowloon East into CBD2.

Major conferences, seminars and presentations at KITEC, 2008–2012

Event name	Organiser
Company monthly meeting	Centaline Property Agency Limited
Hong Kong University SPACE Graduation Ceremony	HKU SPACE
ACCA Exam	ACCA
Japanese Language Proficiency Exam	JETRO
TVB Jade Solid Gold Award Presentation	The Community Chest/TVB

Source: KITEC

Star Hall at KITEC has become an increasingly popular integrated performance venue, hosting concerts by local and overseas artists as well as other performances, such as magic shows and boxing competitions. KITEC is now a popular place for both local and overseas artists who do not require a big venue in the town centre for their performances.

Star Hall has a column-free design, 16-m high ceilings, a custom-built stage, a state-of-the-art audio system and supporting facilities. Star Hall is also equipped with backstage dressing rooms, rehearsal studios and a VIP lounge.

Star Hall provides a specifically designed venue in terms of size, location and event solutions for live performances, and KITEC has become a market leader in mid-scale integrated performance venues.

Major performances at KITEC, 2008–2012

Event name	Organiser
Janice 3000 Day & Night Concert	East Asia Record Production Co, Ltd
Pretenders — Live in Hong Kong	Lushington Entertainments (HK) Limited
Charice Live in Hong Kong	Lushington Entertainments (HK) Limited
Shine Again Concert 2012	Star Studio Ltd
PAKHO Imperfect Live 2012	Warner Music Hong Kong
Craig David — Greatest Hits Tour	Live Nation (Hong Kong) Ltd
Tamaki Hiroshi Live Tour 2009–2010 Live in Hong Kong	Bravo Entertainment International Ltd
Legend 2 Fighting Championship	Legend Entertainment Ltd
Kenny G Heart & Soul Hong Kong Live 2011	168 Production & Engineering Services Ltd
Fight Factory Arena	Arena Thai & Kickboxing

Source: KITEC

Banqueting is another key driver for KITEC; creative designs and set-ups can be adapted to the flexible floor layouts to host banquets from 20 tables to 160 tables. As more corporations are now relocating to Kowloon East, KITEC stands to benefit from the increasing demand for company events in the area, including meetings, conferences and banquets.

Major banquets at KITEC, 2008–2012

Event name	Organiser
Jones Lang LaSalle annual dinner	Jones Lane LaSalle
Dairy Farm Wellcome annual dinner	Dairy Farm — Wellcome
HSBC annual dinner	HSBC Insurance
McDonalds annual dinner	McDonalds
Swire Coca Cola HK Ltd annual dinner	Swire Coca Cola HK Ltd
DHL Global Forwarding Ltd annual dinner	DHL Global Forwarding
CSL Ltd annual dinner	CSL Ltd

Source: KITEC

Nevertheless, given their different locations, positioning and leasing strategies, the utilisation of the three convention and exhibition venues are very different.

With over 400 events per annum, the utilisation rate of KITEC is relatively high.

8.3 Tsuen Wan

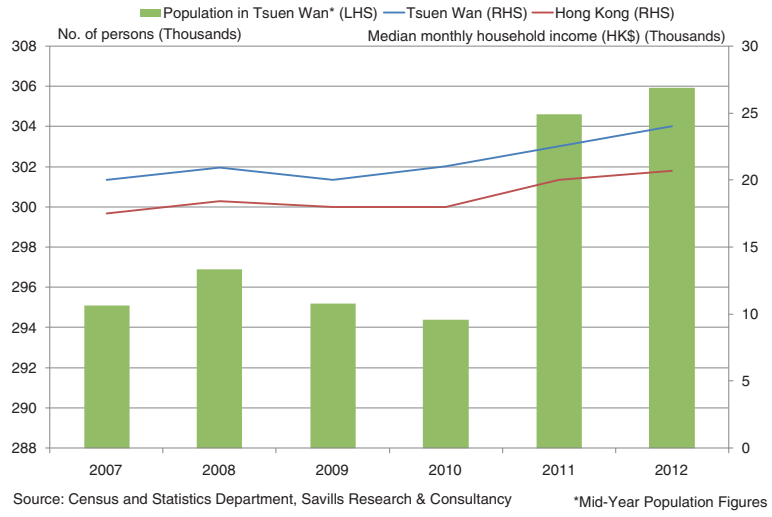
8.3.1 District overview

Tsuen Wan, one of the first three new towns developed in Hong Kong, is located in the southwest New Territories.

The town is currently moving away from its traditional manufacturing and industrial base, and is undergoing a redevelopment and transition phase towards residential, retail, hospitality and service-based industries. Many industrial buildings are being redeveloped into new private residential and commercial properties, such as Chelsea Court, H Cube and Indi Home. Key redevelopment projects include Vision City and The Dynasty, a residential-cum-retail redevelopment project, and the Nina Tower Development, a mixed-use complex comprising commercial, hotel and convention centre areas.

With more affluent families moving into the area due to the increasing number of new residential developments, the average household income of Tsuen Wan amounted to HK$24,000, as per the 2012 Population and Household Statistics Analysed by District Council District, higher than the overall Hong Kong average.

Tsuen Wan population and household income, 2007 – 2012



Source: Census and Statistics Department, Savills Research & Consultancy

*Mid-Year Population Figures

Most of the key residential developments within the district have adjacent shopping arcades, and include Luk Yueng Sun Chuen (4,072 units with 111,492 sq. ft. of retail space), Discovery Park (3,360 units with 466,400 sq. ft. of retail space), Vision City and The Dynasty (1,722 units, and Citywalk I and II with a total retail area of 432,419 sq. ft.), Belvedere Garden (6,016 units with 277,000 sq. ft. of retail space) and Riviera Garden (5,640 units with 242,685 sq. ft. of retail space).

The new residential developments completed in recent years have also induced an increase in population, with over 10,000 people moving into the district in 2011 alone.

Many hotels have been completed in Tsuen Wan to accommodate tourists, as it is strategically located on the airport corridor. These include Panda Hotel (911 rooms), Royal View Hotel (691 rooms), Silka Far East Hotel (240 rooms) and L'hotel Nina at the Convention Centre (around 1,608 rooms).

Commercial and industrial activity has also increased recently with two industrial buildings, namely 52A Sha Tsui Road (259,878 sq. ft.) and One Midtown (585,072 sq. ft.), being completed and successfully stratified in 2010 and 2012, respectively.

The three coastal sub-districts in the west of Tsuen Wan are Ting Kau, Sham Tseng and Tsing Lung Tau, where a number of villages can be found. Residential units in these areas are a combination of villa-style, low-rise developments and mid- to high-rise private apartments, and major residential developments in these sub-districts include Rhine Garden (1,066 units), Bellagio

(3,345 units), Sea Crest Villa (2,409 units), Ocean Pointe (560 units) and Hong Kong Garden (2,830 units).

Another sub-district of Tsuen Wan is Ma Wan, an island situated between Lantau Island and Tsing Yi Island. Developments on the island include a 5,292-unit residential project, Park Island, as well as Noah's Ark Hong Kong, a tourist attraction.

Tsuen Wan is a gateway to HKIA on Lantau Island, and one of the major transportation hubs in the western New Territories. The comprehensive road network connects the district to various locations, and major trunk roads include Castle Peak Road, Sha Tsui Road and Tsuen Wan Road. The district is connected to the airport via the Tsing Ma Bridge and to the northwest New Territories via the Ting Kau Bridge.

Three MTR lines serve the district — the Tsuen Wan Line, the West Rail Line and the Airport Express Line. In December 2009, Route 8 between Tsing Yi and Cheung Sha Wan was completed and opened to traffic.

The convenience of Tsuen Wan can be highlighted by the relatively short travelling time to key business districts and infrastructure on the MTR. It takes 14 minutes to travel to Tsim Sha Tsui, 21 minutes to Central, and 34 minutes to HKIA, all on the MTR.

8.3.2 Future developments

Most of the future property developments in Tsuen Wan will take place in western Tsuen Wan, along the coastal strip near the Tsuen Wan West MTR Station which is further out from the town centre.

The largest of these future developments is the potential private residential development above the Tsuen Wan West MTR Station. The entire development will comprise three different phases: Tsuen Wan West TW5; Tsuen Wan West TW6; and Tsuen Wan West TW7. In September 2008, Tsuen Wan West TW7, which will provide 1,720 residential flats, was tendered to Cheung Kong Holdings and the project is expected to be completed in 2013.

The Tsuen Wan West TW5 site is further subdivided into Cityside and Bayside, with Cityside tendered to Chinachem in January 2012, which will provide 942 units and 120,000 sq. ft. of retail space. The other site, Bayside, was tendered to Cheung Kong in August 2012 and will provide 2,384 units and 436,500 sq. ft. of retail space. Both sites are expected to be completed in 2018.

The Tsuen Wan West TW6 site, which is yet to be tendered, will provide a further 894 units but has no definite completion dates. The four sites at the Tsuen Wan West MTR Station will together provide 5,940 units and around 550,000 sq. ft. of retail space when fully completed.

Major developments in Tsuen Wan

Location	Development information					Expected completion
	Residential	Retail	Hotel	Office	Industrial	
Development/infrastructure						
1) TW7, Tsuen Wan West MTR Station	1,720 units					2013
2) 106–114 Kwok Shui Road	402 units					2013
3) 13–17 Fu Uk Road	105 units					2014
372–380 Castle Peak Road, Casam Beach, Ting Kau	46 units					2014
TLTL 67, Tsing Lung Tau	4 units					2014
4) TW5, Tsuen Wan West MTR Station Cityside	942 units	120,000 sq. ft.				2018
5) TW5, Tsuen Wan West MTR Station Bayside	2,384 units	436,500 sq. ft.				2018
6) TW6, Tsuen Wan West MTR Station	894 units					Planning
7) HOS development at the old Tai Wo Hau Factory Estate	877 units					Planning
8) Dorsett Regency, Hong Kong Tsuen Wan, 659 Castle Peak Road			548 rooms			2013
Chuen Lung Spa Hotel, Chuen Lung Street TWTL 389			78 rooms			2013
9) Billion Square, 3 Hoi Shing Road					703,042 sq. ft.	2013
Transport infrastructure						
Extension of footbridge network in Tsuen Wan – Footbridge A along Tai Ho Road						2013
Reconstruction and improvement of Tuen Mun Road – eastern section						2014

Source: HKTB, Buildings Department

Location map of major new developments

In terms of commercial developments, two hotels providing over 600 rooms are to be completed in 2013, while another large-scale quasi-office/industrial building, Billion Square, is poised for completion in the same year.

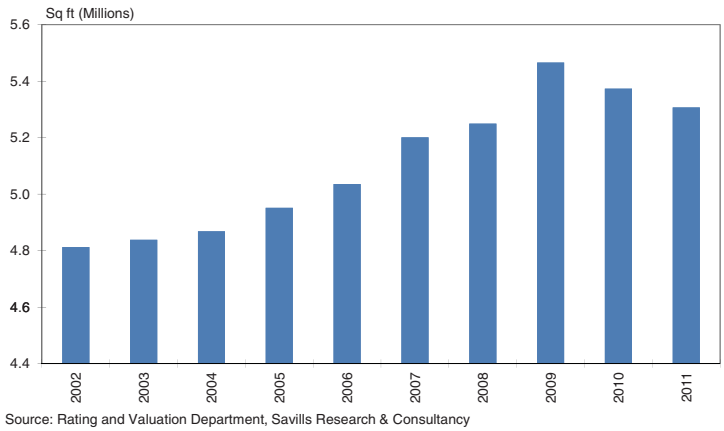
There are only two transport infrastructure projects in the pipeline — an extension of the footbridge system in the town centre which should further enhance pedestrian flow, and the reconstruction of Tuen Mun Road which should improve Tsuen Wan's links with the sub-districts to the west.

Upon completion of these developments and infrastructure projects, we expect more high-income households, which would benefit the retail market in the area. The easier accessibility of Tsuen Wan will also attract more overnight visitors looking for more affordable accommodation.

8.3.3 Tsuen Wan retail market overview

8.3.3.1 Stock

Private commercial stock in Tsuen Wan, 2002–2011

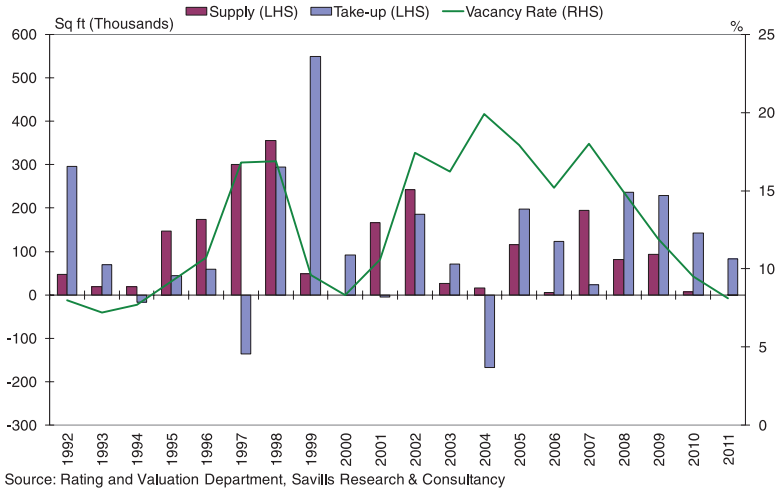


Source: Rating and Valuation Department, Savills Research & Consultancy

According to the Rating and Valuation Department's area definition, Kwai Tsing was included in the Tsuen Wan district before 2002. For consistency, we have only shown private commercial stock in Tsuen Wan from 2002. Retail stock gradually increased from 4.8 million sq. ft. in 2002 to 5.5 million sq. ft. in 2009, mainly due to the phased completions of the Nina Tower retail podium, as well as Citywalk.

8.3.3.2 Private commercial supply, take-up and vacancy rates[52]

Tsuen Wan private commercial supply, take-up and vacancy rates, 1992–2011



Source: Rating and Valuation Department, Savills Research & Consultancy

The strong take-up of commercial space in 1999 reflected the delayed take-up of Maritime Square in Tsing Yi, which was completed in 1998 during the Asian financial crisis.

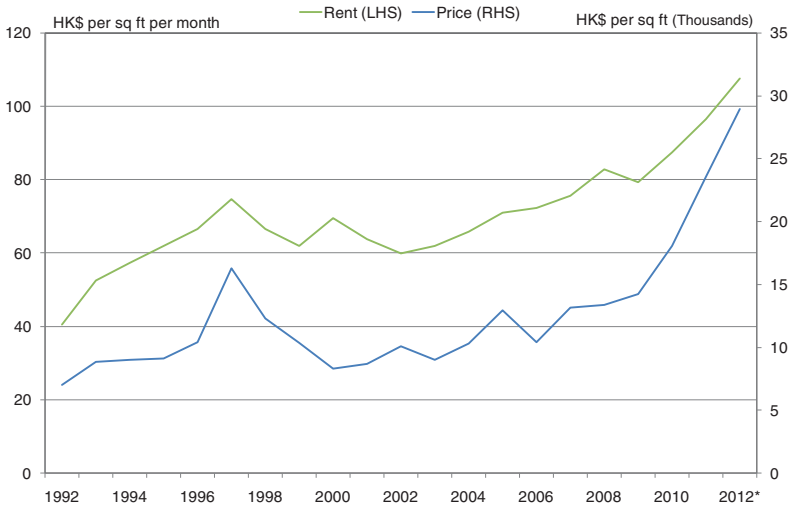
The decreased take-up of 166,840 sq. ft. in 2004 was mainly due to the delayed impact of SARS, which pushed vacancy rates up as high as 19.9%. Annual average supply between 2005 and 2011 amounted to 71,000 sq. ft. per annum, when the two phases of Citywalk were completed. Average take-up outpaced supply at 150,000 sq. ft. per annum over the same period due to the gradual transition of the area into a new, vibrant residential area attracting a more affluent residential population, and bringing vacancy rates down to 8.1%.

In the short run, no retail space of any significant scale will be added to the Tsuen Wan retail scene. The proposed shopping centres at the two sites on TW5, which total 556,500 sq. ft., are scheduled for completion in 2018.

52 All floor areas quoted in this section are IFA as defined by the Rating and Valuation Department.

8.3.3.3 Rental and price movements

Average private retail rents and prices in the New Territories, 1992–2012



Source: Rating and Valuation Department, Savills Research & Consultancy

* Provisional

As no separate private retail rental and price data series is available for Tsuen Wan, we have adopted the New Territories data series as a proxy. Retail rents in the New Territories rebounded swiftly after the containment of SARS and recorded a 33.5% increase from 2003 to 2008 amid the economic recovery and increased levels of local spending. The global financial crisis only affected the New Territories retail market slightly, with rents decreasing by 4.1% in 2009. The subsequent economic recovery brought about a rebound in the local retail market and New Territories retail rents increased by 35.4% from 2009 to 2012, the highest among the three sub-districts.

New Territories retail prices followed a similar pattern and rebounded by 46.3% from 2003 to 2007. While the global financial crisis impacted the financial sector and the core retail market (especially in Central), the more necessity-driven suburban retail markets in the New Territories were relatively unaffected, with retail prices continuing to increase by 1.3% in 2008. This upward momentum continued from 2009 to 2012, and saw prices increasing further by 102.7%, the highest among the three sub-districts, likely due to a lower base of comparison.

A select number of shopping centres were transacted in Tsuen Wan over the past two years due to positive investment sentiment, including the retail podiums of Belvedere Garden and Indihome, as well as Emperor Plaza.

Major shopping centre transactions in Tsuen Wan, 2011–2012

Transaction date	District	Property	Unit	Consideration (HK$)	Gross area (sq. ft.)	Gross unit price (HK$ per sq. ft.)	Vendor	Purchaser
Dec 2011	Tsuen Wan	Belvedere Garden	Commercial portion	1,250,000,000	276,862	4,515	Cheung Kong	Fortune REIT
May 2012	Tsuen Wan	Emperor Plaza	En-bloc	1,450,000,000	215,000	6,744	Pleasure View Inv Ltd	Man Hei International Inv Ltd
Jul 2012	Tsuen Wan	Indihome	Retail podium	360,080,000	50,000	7,202	Healthy Sun Ltd	Antron Inv Ltd

Source: EPRC

8.3.3.4 Future comparable retail supply

Tsuen Wan West MTR Station, Cityside

Address	Tsuen Wan West MTR Station, Cityside
No. of blocks	1
No. of storeys	NA
GFA (sq. ft.)	120,000
Developer	Chinachem
Completion date	2018

Source: MTRC website, Savills Research & Consultancy

The retail podium of the Cityside residential development (942 residential units) will have direct access to the Tsuen Wan West MTR Station and will potentially also have direct access to the residential towers above. The retail space may benefit from some synergy with the adjacent Bayside development which also comprises residential units and a retail podium. The expected completion date is around 2018.

Tsuen Wan West MTR Station, Bayside

Address	Tsuen Wan West MTR Station, Bayside
No. of blocks	1
No. of storeys	NA
GFA (sq. ft.)	436,500
Developer	Cheung Kong
Completion date	2018

Source: MTRC website, Savills Research & Consultancy

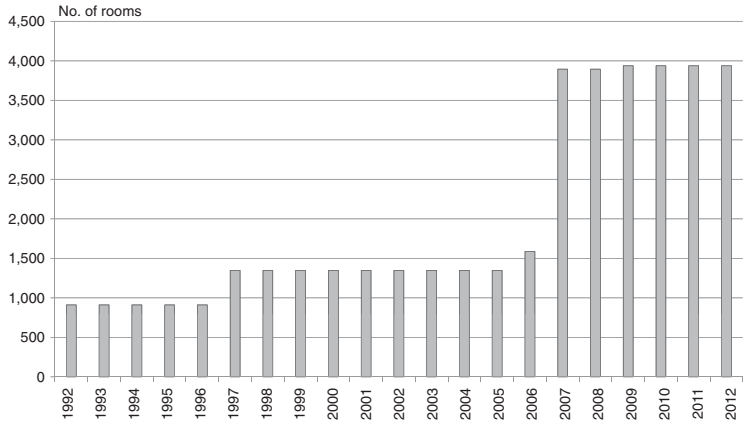
Similar to the Cityside project, this 436,500-sq. ft. shopping arcade is the retail podium of the entire Bayside residential development comprising 2,384 residential units and direct access from both the Tsuen Wan West MTR Station and the residential towers above. Although on a much larger scale, this shopping centre may also synergise with the adjacent Cityside development and create a critical mass of retail shops around the Tsuen Wan West MTR Station. The expected completion date of the project is in 2018.

8.3.4 Tsuen Wan hotel market overview

8.3.4.1 Stock

According to the HKTB, there were six hotels located in the Tsuen Wan area in 2012, comprising approximately 3,938 rooms, or 6% of the territory's total.

Hotel stock in Tsuen Wan, 1992–2012



Source: HKTB, Home Affairs Department, Savills Research & Consultancy

Panda Hotel (911 rooms, 1992) was the first hotel opened in Tsuen Wan. Following its completion, there were no hotels completed until Bay Bridge in 1997 (438 rooms). Hotel development continued to be scarce in the area until 2006 and 2007, when the completion of three hotels, namely Silka Far East Hotel (240 rooms, 2006), L'hotel Nina et Convention Centre (1,615 rooms, 2007) and Royal View Hotel (691 rooms, 2007), more than doubled stock in the area.

8.3.4.2 Tsuen Wan hotel occupancy rates

As there is no hotel occupancy rate data available for Tsuen Wan we have adopted All Others[53] as a proxy. Occupancy rates of All Others have moved relatively in line with the overall market over the past five years, with occupancy rates in the area averaging 86% from January 2007 to December 2012, slightly below the overall average of 87%. Occupancy rates in Tsuen Wan began to diverge from the overall trend in early 2012, with Tsuen Wan maintaining a 2-percentage point premium over the overall market in 2012, mainly due to the increasing influx of mainland Chinese visitors from 2010 onwards favouring hotels in fringe areas.

Average occupancy rates by year

	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)	2012 (%)
Overall	86	85	78	87	89	89
All others	84	84	76	88	92	91

Source: HKTB, Savills Research & Consultancy

8.3.4.3 Tsuen Wan future comparable hotel supply

There are two scheduled hotel developments in Tsuen Wan from 2013 to 2015, totalling 626 rooms, both of which are expected to be completed in 2013. While the Dorsett Regency Hotel is of a smaller scale to the subject property (Panda Hotel), it may have a similar market positioning and thus may constitute some competition.

53 All Others: All areas excluding Central/Western, Wan Chai/Causeway Bay, Eastern and Southern Hong Kong, Tsim Sha Tsui and Yau Ma Tei/Mong Kok. Source: HKTB.

Proposed hotel developments in Tsuen Wan, 2012–2015

Development	No. of rooms	Expected completion
Dorsett Regency Hong Kong Tsuen Wan, 659 Castle Peak Road, Kwai Chung	548	Q1/2013
Chuen Lung Spa Hotel, TWTL 389, Tsuen Wan	78	Q3/2013
Total	**626**	

Source: HKTB, Savills Research & Consultancy

Limitations on the report

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The Consultant therefore can give no assurance that the forecasts outlined in this report will be achieved or that such forecasts and forward-looking statements will prove to have been correct and you are cautioned not to place undue reliance on such statements. The Consultant undertakes no obligation to publicly update or revise any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise, except as required by law, and all forward-looking statements contained in this summary report are qualified by reference to this cautionary statement.

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Yours sincerely,
Savills (Hong Kong) Limited

Simon Smith
Senior Director
Head of Research & Consultancy

A. SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 13 May 2013 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in "*Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection*".

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on 13 May 2013 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of the conditional adoption of the Articles is HK$1,000,000,000 divided into 10,000,000,000 Shares of HK$0.10 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed at a general meeting other than an annual general meeting shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

Every Director (including a Director appointed for a specific term) shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of (i) his last appointment by the Directors; (ii) his last election at a general meeting of the Company by ordinary resolution; or (iii) his last election at an annual general meeting of the Company (other than a re-election at an annual general meeting (other than a re-election pursuant to (i) and (ii) above), and shall be eligible for re-election thereat. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or, in the case of a member which is a corporation, duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person (or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand of poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least five members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or

(c) any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meeting; or

(d) any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sum in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy.

If a clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are

appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the date time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such sum as the Directors may from time to time determine but subject to the maximum amount as the Stock Exchange may from time to time determine to be payable is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice (or on six business days' notice in the case of a rights issue), or such other minimum period of notice as from time to time be required under the Listing Rules, being given by advertisement published in the newspapers, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of

members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument

proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest

thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice (or on six business days' notice in the case of a rights issue), or such other minimum period of notice as from time to time be required under the Listing Rules, being given by advertisement published in the newspapers, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne

by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

B. SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 January 2013 under the Cayman Companies Law. As such, its operations must

be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3. Share Capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no

longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of Assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and Auditing Requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special Resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12. Subsidiary Owning Shares in Parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Mergers and Consolidations

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For

these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (for example, for purporting to provide indemnification against the consequences of committing a crime).

17. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary

resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in "*Appendix VII — Statutory and General Information*". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 23 January 2013. The Company has established a principal place of business in Hong Kong at Room 63-01, 63rd Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong and the Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 29 April 2013.

Mr. Cho Wa LAW of Flat F, 10th Floor, Scholastic Garden, 48 Lyttelton Road, Mid-Levels, Hong Kong has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, its operation is subject to the relevant laws and regulations of the Cayman Islands and its constitution, comprising its Memorandum and Articles of Association, a summary of which is set out in *"Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law"*.

2. Changes in the share capital of the Company

As at the date of incorporation of the Company, the Company had an authorised share capital of US$50,000.00 divided into 50,000 shares of US$1.00 each.

On 23 January 2013, one subscriber's share was allotted and issued to Mapcal Limited for cash at par, and was subsequently transferred to Boyen Investments on 1 February 2013.

On 29 April 2013, (1) the authorised share capital of the Company was increased by HK$1,000,000,000.0 by the creation of an additional 10,000,000,000 Shares; (2) the Company allotted and issued 1,000,000,000 Shares credited as fully paid to Boyen Investments, the sole Shareholder, by way of capitalisation of an aggregate amount of HK$19,000.0 million owing by the Company to Boyen Investments (representing the total consideration payable for the acquisition by the Group of the entire shareholding interest in Wetherall Investments (B.V.I.) Limited and Hopewell Hitec as further described in "— *Reorganisation*" below); (3) the Company repurchased and cancelled the one issued share with a nominal value of US$1.00 in the capital of the Company at the consideration of US$1.00 (which was paid out of the share premium account to which a sum representing the premium resulted from the capitalisation issue of the aforementioned 1,000,000,000 Shares to Boyen Investments was credited); and (4) the authorised but unissued share capital of the Company was reduced by the cancellation of all the 50,000 unissued shares with a nominal value of US$1.00 each in the capital of the Company.

Save as mentioned hereinabove and under *"— Resolutions in writing of the sole Shareholder passed on 29 April 2013 and 13 May 2013"* and "— *Reorganisation*" below, there has been no alteration in the Company's share capital since the incorporation of the Company.

The following table describes the authorised and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and immediately upon the completion of the Global Offering and the Capitalisation Issue.

		HK$
Authorised share capital:		
10,000,000,000	Shares	1,000,000,000.0
Issued and to be issued, fully paid or credited as fully paid[(1)(2)(3)]:		
1,000,000,000	Shares in issue as at the date of this prospectus	100,000,000.0
500,000,000	Shares to be issued pursuant to the Capitalisation Issue	50,000,000.0
340,000,000	Shares to be issued pursuant to the Global Offering	34,000,000.0
1,840,000,000	**Total**	**184,000,000.0**

Notes:

(1) The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering.

(2) As at the Latest Practicable Date, the Company had an authorised share capital of HK$1,000,000,000.0, divided into 10,000,000,000 Shares, and an issued share capital of HK$100,000,000.0, divided into 1,000,000,000 Shares, all fully paid or credited as fully paid.

(3) Immediately following the completion of the Global Offering and the Capitalisation Issue, the issued share capital of the Company will be HK$184,000,000.0, divided into 1,840,000,000 Shares, all fully paid or credited as fully paid and 8,160,000,000 Shares will remain unissued.

3. Resolutions in writing of the sole Shareholder passed on 29 April 2013 and 13 May 2013

Pursuant to resolutions in writing of the sole Shareholder passed on 29 April 2013 and 13 May 2013, among others, conditional upon the conditions for completion of the Global Offering mentioned in *"Structure of the Global Offering — Conditions of the Global Offering"* being fulfilled or waived as mentioned therein:

(i) the Global Offering was approved and the Directors were authorised to determine and approve the Offer Price, and to allot and issue the new Shares pursuant to the Global Offering;

(ii) a general unconditional mandate was granted to the Directors to issue, allot and deal with any unissued Shares or securities convertible into Shares and to make or grant offers, agreements or options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such powers, provided that the aggregate nominal value of the share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors other than pursuant to (a) a rights issue, (b) an issue of Shares upon the exercise of any subscription or conversion rights attaching to any bonds, warrants, debenture, notes or any securities which carry rights to subscribe for or are convertible into Shares; (c) any scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (d) the exercise of any options which may be granted pursuant to the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers, employees and/or consultants of the Company and/or any of its subsidiaries and/or any other persons of Shares or rights to acquire Shares; or (e) a specific authority granted by the shareholders of the Company in general meeting, which shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering; and (2) the total nominal value of the share capital of the Company repurchased by the Company (if any) under the general mandate to repurchase in paragraph (d) below, such mandate to remain in effect during the period from passing of the resolution

until the earliest of (A) the conclusion of the next annual general meeting, (B) the expiration of the period within the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; and (C) the date on which the authority set out in the resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**");

(iii) a general unconditional mandate was granted to the Directors to exercise all the powers of the Company to repurchase Shares on the Stock Exchange, or on any other stock exchanges on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following completion of the Global Offering, such mandate to remain in effect during the Relevant Period;

(iv) the rules of the Share Option Scheme were approved and adopted (subject to such amendments as may be required by the Stock Exchange) and the Directors were authorised to modify or amend the Share Option Scheme as may be required by or acceptable to or not objected to by the Stock Exchange or as they deem necessary and/or desirable, to offer and grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme, and to take all such actions as they consider necessary or desirable to implement or give effect to the Share Option Scheme; and

(v) the adoption of the amended and restated Memorandum and Articles of Association, the terms of which are summarised in "*Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law*", was approved.

4. Reorganisation

In preparation for the Listing, we took a series of restructuring steps for the purpose of consolidating the Hong Kong property development and investment, property related services and hospitality businesses of the Hopewell Group into the Group. As a result, the Company became the holding company of the Group subsequent to, among others, the following events:

(i) On 26 February 2013, Strategy Key was incorporated in the BVI. After the incorporation of Strategy Key, one share of US$1.00 was issued and allotted for cash at par to the Company on 11 March 2013.

(ii) On 28 January 2013, Praise Ever was incorporated in the BVI. After the incorporation of Praise Ever, one share of US$1.00 was issued and allotted for cash at par to Strategy Key on 11 March 2013.

(iii) On 22 January 2013, Grand Lyton was incorporated in the BVI. After the incorporation of Grand Lyton, one share of US$1.00 was issued and allotted for cash at par to Praise Ever on 11 March 2013.

(iv) On 22 January 2013, Ever Urban was incorporated in the BVI. After the incorporation of Ever Urban, one share of US$1.00 was issued and allotted for cash at par to Strategy Key on 11 March 2013.

(v) On 21 January 2013, Gold Cascade was incorporated in the BVI. After the incorporation of Gold Cascade, one share of US$1.00 was issued and allotted for cash at par to Ever Urban on 11 March 2013.

(vi) On 18 February 2013, Oasis Castle was incorporated in the BVI. After the incorporation of Oasis Castle, one share of US$1.00 was issued and allotted for cash at par to Ever Urban on 11 March 2013.

(vii) On 18 January 2013, Tactics Ace was incorporated in the BVI. After the incorporation of Tactics Ace, one share of US$1.00 was issued and allotted for cash at par to the Company on 11 March 2013.

(viii) On 5 March 2013, HHP Finance was incorporated in Hong Kong. After the incorporation of HHP Finance, one share issued and allotted for cash at par to the subscriber was transferred to the Company by the subscriber at a cash consideration of HK$1.00 on 28 March 2013.

(ix) On 28 March 2013, Wetherall Investments Limited, a limited liability company incorporated in Hong Kong on 20 October 1978, transferred the entire shareholding interest in Yuba Company Limited, a limited liability company incorporated in Hong Kong on 10 August 1976, to Maryfield Investments Limited, a limited liability company incorporated in the BVI and an indirect wholly-owned subsidiary of Hopewell, for a cash consideration of HK$10,000.

(x) On 28 March 2013, HPFM transferred one share, representing 50% of the issued share capital of Goldvista, to Hopewell Hospitality, for a cash consideration of US$1.00, following which, Hopewell Hospitality held the entire issued share capital of Goldvista.

(xi) On 28 March 2013, Hopewell Project Development transferred the entire shareholding interest in Hopewell Construction Company, Limited, a limited liability company incorporated in Hong Kong, to Big King, for a cash consideration of HK$20,000,000.

(xii) On 28 March 2013, Hopewell Hitec transferred the entire shareholding interest in Yeeko, to Hopewell Properties BVI, for a cash consideration of US$1.00.

(xiii) On 28 March 2013, Praise Ever acquired from Hopewell Properties BVI:

(a) the entire shareholding interest in Wetherall Investments (B.V.I.) Limited, a limited liability company incorporated in the BVI on 25 March 1992, for a consideration of HK$13,000,000,000;

(b) the entire shareholding interest in Intek Resources Limited, a limited liability company incorporated in the BVI on 24 April 2001, for a cash consideration of US$1.00;

(c) the entire shareholding interest in Converse Limited, a limited liability company incorporated in the BVI on 2 January 2002, for a cash consideration of US$1.00;

(d) the entire shareholding interest in Vibo Limited, a limited liability company incorporated in the BVI on 12 February 2002, for a cash consideration of US$1.00;

(e) the entire shareholding interest in Procelain Properties Ltd., a limited liability company incorporated in the BVI on 19 January 1993, for a cash consideration of US$1.00;

(f) the entire shareholding interest in Hopewell Hitec, for a consideration of HK$6,000,000,000; and

(g) the entire shareholding interest in Kowloon Panda Hotel (B.V.I.) Limited, a limited liability company incorporated in the BVI on 25 March 1992, for a cash consideration of US$1.00.

(xiv) On 28 March 2013, Praise Ever acquired the entire issued share capital of Rich Treasure, from Fastwin Investment Limited, a limited liability company incorporated in the BVI and a wholly-owned subsidiary of Hopewell, for a consideration of US$1.00.

(xv) On 28 March 2013, Hopewell Properties BVI transferred the entire shareholding interest in Hopewell Asset Management, to Ever Urban, for a cash consideration of HK$1.00.

(xvi) On 28 March 2013, International Trademart transferred to Oasis Castle:

(a) the entire shareholding interest in Music Zone Company Limited, a limited liability company incorporated in Hong Kong on 6 November 1998, for a consideration of HK$2.00; and

(b) the entire shareholding interest in The Marquee Wedding Concept Company Limited, a limited liability company incorporated in Hong Kong on 25 June 2010, for a consideration of HK$1.00.

(xvii) On 28 March 2013, Hopewell Hospitality transferred the entire shareholding interest in Hopewell Entertainment, to Oasis Castle, for a consideration of HK$600,000.

(xviii) On 28 March 2013, Big King transferred the entire shareholding interest in Hopewell Project Development to Ever Urban, for a consideration of HK$1.00.

(xix) On 28 March 2013, Hopewell Project Development transferred one share in Hopewell Property Management, representing 50% of the entire issued share capital of Hopewell Property Management, to HPFM, for a consideration of HK$942,395.50, following which, HPFM held the entire issued share capital of Hopewell Property Management.

(xx) On 28 March 2013, Hopewell Engineering & Construction (B.V.I.) Limited, a limited liability company incorporated in the BVI and a wholly-owned subsidiary of Hopewell, transferred the entire shareholding interest in HOPEC Engineering Design Limited, a limited liability company incorporated in Hong Kong on 5 May 1992, to Hopewell Project Development for a consideration of HK$2.00.

(xxi) On 28 March 2013, International Trademart transferred the entire shareholding interest in IT Catering and Services Limited, a limited liability company incorporated in Hong Kong on 20 September 1994, to Gold Cascade for a consideration of HK$2.00.

(xxii) On 28 March 2013, Hopewell Properties BVI transferred the shareholding interest in Hopewell Hospitality Management Limited, a limited liability company incorporated in Hong Kong on 29 December 2010, to Gold Cascade for a consideration of HK$1.00.

(xxiii) On 28 March 2013, Hopewell Hospitality transferred the entire shareholding interest in Hopewell Food Industries Limited, a limited liability company incorporated in Hong Kong on 30 May 1980, to Gold Cascade for a consideration of HK$1,000,000.

(xxiv) On 28 March 2013, Hopewell transferred to Tactics Ace:

(a) its entire shareholding interest in Goldmax Resources Limited, a limited liability company incorporated in the BVI on 8 April 2004, for a consideration of US$1.00;

(b) its entire shareholding interest in Kinghill Investment Limited, a limited liability company incorporated in the BVI on 9 August 2004, for a consideration of US$1.00; and

(c) its entire shareholding interest in Firstco Enterprises Limited, a limited liability company incorporated in the BVI on 3 July 2012, for a consideration of US$1.00.

(xxv) On 14 May 2013, Hopewell Hospitality transferred the entire shareholding interest in Hopewell Hotels Management Limited, a limited liability company incorporated in Hong

Kong on 6 October 1989, formerly known as Mega Hotels Management Limited, to Gold Cascade for a consideration of HK$6,596,100.

(xxvi) On 14 May 2013, Hopewell transferred to Grand Lyton:

(a) the entire shareholding interest in Banbury Investments Limited, a limited liability company incorporated in Hong Kong on 20 December 1977, for a cash consideration of HK$2.00; and

(b) the entire shareholding interest in Exgratia Company Limited, a limited liability company incorporated in Hong Kong on 1 April 1977, for a cash consideration of HK$2.00.

(xxvii) On 8 January 2013, Lepanto Ventures was incorporated in the BVI. After the incorporation of Lepanto Ventures, one share of US$1.00 was issued and allotted for cash at par to Strategy Key on 28 March 2013.

(xxviii) On 14 May 2013, Ladden Limited, a limited liability company incorporated in Hong Kong on 18 June 2008 and an indirect wholly-owned subsidiary of Hopewell, transferred the entire shareholding interest in Linford to Lepanto Ventures for a cash consideration of US$1.00.

On 29 April 2013, through a series of novation, a debt in an amount of HK$19,000.0 million, representing the total consideration payable by Praise Ever for the entire shareholding interest in Wetherall Investments (B.V.I.) Limited and Hopewell Hitec acquired by it as referred to in paragraph 4 (xiii) above, was novated from Praise Ever to Strategy Key, then from Strategy Key to the Company and then from the Company to Boyen Investments. After such series of novation, the Company became indebted to Boyen Investments in the same amount of such debt, which amount was fully settled by the Company by way of capitalising such amount and issuing and allotting 1,000,000,000 Shares credited as fully paid up to Boyen Investments.

Upon completion of the Reorganisation, the simplified structure chart of the Group is set out in *"History and Corporate Structure."*

5. Particulars of our principal subsidiaries

Our principal subsidiaries are set out in the Accountants' Report, the text of which is set out in "*Appendix I — Accountants' Report*".

6. Changes in share capital of our subsidiaries

In addition to those as already disclosed under "— *Reorganisation*" above, the following alterations in the share capital of our subsidiaries (not being subsidiaries which were the registered owners of any Unexposed Amalgamation Properties) have taken place within the two years immediately preceding the date of this prospectus:

(i) **Rich Treasure**

As of the date of its incorporation on 1 November 2011, Rich Treasure is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. On 21 November 2011, Rich Treasure allotted and issued one share which was fully paid up at a consideration of US$1.00.

(ii) **Eldridge**

As of the date of its incorporation on 7 September 2011, Eldridge had an authorised share capital of HK$10,000.00 divided into 10,000 shares with a nominal value of HK$1.00 each and on the same day, one subscriber share was issued and allotted and was fully paid up at a consideration of HK$1.00.

(iii) **Firstco Enterprises**

As at the date of its incorporation on 3 July 2012, Firstco Enterprises is authorised to issue a maximum of 50,000 shares with no par value. On 12 July 2012, Firstco Enterprises allotted and issued one share which was fully paid up at a consideration of US$1.00.

(iv) **Island Century**

As of the date of its incorporation on 27 June 2011, Island Century had an authorised share capital of HK$10,000.00 divided into 10,000 shares with a nominal value of HK$1.00 each and on the same day, one subscriber share was issued and allotted and was fully paid up at a consideration of HK$1.00.

(v) **Homark Investment**

As of the date of its incorporation on 3 July 2012, Homark Investment is authorised to issue a maximum of 50,000 shares with no par value. On 13 July 2012, Homark Investment allotted and issued one share which was fully paid up at a consideration of US$1.00.

(vi) **Kingbon**

As of the date of its incorporation on 7 March 2012, Kingbon is authorised to issue a maximum of 50,000 shares with no par value. On 25 April 2012, Kingbon allotted and issued one share which was fully paid up at a consideration of US$1.00.

(vii) **Sanho Investment**

As of the date of its incorporation on 23 February 2012, Sanho Investment is authorised to issue a maximum of 50,000 shares with no par value. On 14 March 2012, Sanho Investment allotted and issued one share which was fully paid up at a consideration of US$1.00.

Save as mentioned hereinabove and under "— *Reorganisation*" above, there has been no other alteration in the share capital of any of our subsidiaries (other than our subsidiaries which are registered owners of any Unexposed Amalgamation Properties, in respect of them we have obtained waiver from the Stock Exchange from strict compliance with the disclosure requirement under paragraph 26 of Part A of Appendix 1 to the Listing Rules as further described in "— *Waivers from Compliance with the Listing Rules*" below) within the two years immediately preceding the date of this prospectus.

7. Repurchases by the Company of our own Shares

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange (which must be fully paid up in case of shares) by a company with a primary listing on the Stock Exchange subject to certain restrictions must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval in relation to specific transaction(s).

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time. Subject to the foregoing, repurchases may be made out of funds legally permitted to be utilised in this connection, including profits of the Company or a fresh issue of shares made for purpose of the repurchase or, if authorised by the Articles and subject to the Cayman Companies Laws, out of capital of the Company and in the case of any premium payable on the repurchase, out of the Company's share premium account, out of the profits of the Company or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital.

(iii) Trading restrictions

The total number of Shares which the Company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the prescribed minimum percentage as required by the Stock Exchange which is the Applicable Minimum Public Float in the case of the Company. A listed company is required to procure that the broker appointed by it to effect repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

The Listing Rules require any share repurchase programme to be suspended at any time after inside information has come to the knowledge of a listed company until such information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for

publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, a listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the financial year under review, including a monthly analysis of the number of shares repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid. The Directors' report shall contain reference to the purchases made during the year and the Directors' reasons for making the purchase.

(vii) Connected persons

The Listing Rules prohibit a listed company from knowingly repurchasing securities on the Stock Exchange from a "connected person" that is, a director, chief executive or substantial shareholder of a company or any of its subsidiaries or their respective associates and a connected person is prohibited from knowingly selling his securities to such listed company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the best interests of the Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of repurchases

In repurchasing securities, the Company may only apply funds lawfully available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not proposed to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 1,840,000,000 Shares in issue immediately following the completion of the Global Offering could accordingly result in up to approximately 184,000,000 Shares being repurchased by the Company during the Relevant Period.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Articles and all the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase in the Shareholders interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. The Directors are presently not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases made pursuant to the repurchase mandate immediately after the Listing.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than the Applicable Minimum Public Float could only be implemented if the Stock Exchange agrees to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No purchase of Shares (whether on the Stock Exchange or otherwise) has been made by the Company in the six months prior to the date hereof. No connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company and our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(i) an agreement dated 5 June 2013 entered into between Hopewell and the Company pursuant to which, among other things, Hopewell has agreed to procure Boyen Investments to subscribe for 500,000,000 Shares at a total subscription price equal to, and the Company has agreed to issue and allot 500,000,000 Shares credited as fully paid up to Boyen Investments by way of capitalisation of, the entire amount of the net outstanding intra-group loans owing by the companies within the Group to the Remaining Group as at the date of issue and allotment of such Shares, such Shares to rank *pari passu* in all respects with the Shares then in issue, in each case, conditional upon the conditions for completion of the Global Offering mentioned in *"Structure of the Global Offering — Conditions of the Global Offering"* being fulfilled or waived as mentioned therein;

(ii) a deed dated 5 June 2013 given by Hopewell in favour of the Company pursuant to which, among others, Hopewell (a) has granted the option and/or first right of refusal; and/or (b) has given the non-development or redevelopment undertaking, in respect of the Nam Koo Property, the Miu Kang Property and the Retained Car Park Lots as described under *"Relationship with our Controlling Shareholder — Independence from the Controlling Shareholder"*;

(iii) a deed dated 5 June 2013 given by Hopewell in favour of the Company (for itself and as trustee for its subsidiaries), pursuant to which Hopewell has given certain indemnities in favour of the Group in connection with, among others, (a) certain taxation liability of the Group in respect of income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the Listing Date; (b) certain fines, penalties,

premium, losses and other liabilities which may be suffered or incurred by, imposed on or charged against the Group arising out of or in connection with the circumstances relating to the Concerned Land and the alleged unauthorised building works at KITEC, in each case as further described under *"Business — Legal Compliance and Other Matters"* on the terms and conditions set out therein;

(iv) the Deed of Non-competition; and

(v) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

As at the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights which are material to our business.

(a) Trademarks

(i) As at the Latest Practicable Date, the following trademarks which are material to our business have been licensed to the Group by Hopewell:

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.	HOPEWELL 合 和	36, 37	Hopewell	Hong Kong	1995B09024AA	2 March 2023
2.		36, 37	Hopewell	Hong Kong	199710364AA	2 March 2023

(ii) As at the Latest Practicable Date, we had registered the following trademarks, which are material to our business:

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.		35, 36, 39, 41	International Trademart	Hong Kong	300879508	28 May 2017
2.	滙星	41, 43	International Trademart	Hong Kong	300897995	24 June 2017
3.		41, 43	International Trademart	Hong Kong	301133568	5 June 2018
4.	Petmax	35, 36	International Trademart	Hong Kong	301726083	28 September 2020
5.		41, 43	International Trademart	Hong Kong	300898002	24 June 2017
6.	悦來坊 悦來坊 悦來坊	35, 41	Kowloon Panda Hotel Limited	Hong Kong	300899074	25 June 2017
7.	PANDA place PANDA PLACE	35, 41	Kowloon Panda Hotel Limited	Hong Kong	300899083	25 June 2017

(iii) As at the Latest Practicable Date, we have applied for the registration of the following trademarks, which are material to our business:

No.	Trademark	Type and Class	Name of Applicant	Place of Registration	Application Number
1.	HHP HOPEWELL HONG KONG PROPERTIES LIMITED 合和香港房地產有限公司 HHP HOPEWELL HONG KONG PROPERTIES LIMITED 合和香港房地產有限公司 HHP HOPEWELL HONG KONG PROPERTIES LIMITED 合和香港房地產有限公司 HHP HOPEWELL HONG KONG PROPERTIES LIMITED 合和香港房地產有限公司	36, 37, 43	the Company	Hong Kong	302582532
2.	E-Max Music Zone	41	International Trademart	Hong Kong	302288917
3.	Music Zone @ E-Max	41	International Trademart	Hong Kong	302309012
4.	the East Queen's Road East the East Queen's Road East the East Queen's Road East the East Queen's Road East	16,19,35, 36,41	HREA	Hong Kong	302526101
5.	the East the East the East the East	16,19,35, 36,41	HREA	Hong Kong	302526093

(b) Domain names

As at the Latest Practicable Date, the Group had registered or had applied for the registration of the following domain names which are material to our business:

No.	Domain Name	Registrant	Expiry Date
1.	broadwood12.com	Hopewell Asset Management	5 November 2013
2.	broadwood12.com.hk	Hopewell Asset Management	12 November 2013
3.	broadwoodtwelve.com	Hopewell Asset Management	5 November 2013
4.	broadwoodtwelve.com.hk	Hopewell Asset Management	12 November 2013
5.	emaxhk.com	International Trademart	28 June 2013
6.	emaxhk.net	International Trademart	28 June 2013
7.	e-maxmusiczone.com.hk	International Trademart	1 June 2014
8.	gardeneast.com.hk	HREA	16 July 2017
9.	hitec.com.hk	International Trademart	19 March 2014
10.	hopewellcenter2.com	Hopewell Asset Management	10 September 2017
11.	hopewellcentre.com	Hopewell Asset Management	20 September 2018
12.	hopewellcentre.com.hk	Hopewell Asset Management	10 September 2014
13.	hopewellcentre2.com	Hopewell Asset Management	10 September 2017
14.	hopewellleasing.com	Hopewell Asset Management	12 September 2013
15.	hrea.com.hk	Hopewell Asset Management	2 January 2018
16.	kitec.com.hk	International Trademart	12 October 2015
17.	kitec.hk	International Trademart	8 October 2015
18.	pandaplace.com.hk	Hopewell Asset Management	4 May 2015
19.	ppzone.com.hk	Hopewell Asset Management	26 October 2014
20.	qplaza.com.hk	Hopewell Asset Management	12 December 2017
21.	qre.com.hk	Hopewell Asset Management	1 November 2016
22.	qreplaza.com	Hopewell Asset Management	29 November 2013
23.	theeast.com.hk	Hopewell Asset Management	6 December 2017
24.	trademart.com.hk	International Trademart	1 October 2014

No.	Domain Name	Registrant	Expiry Date
25.	hhmlmail.com	Hopewell Hospitality Management Limited	16 March 2014
26.	hopewellhospitality.com	Hopewell Hospitality Management Limited	16 March 2014
27.	hopewellhotels.com.hk	Hopewell Hospitality Management Limited	1 September 2016
28.	pandahotel.com.hk	Kowloon Panda Hotel Limited	10 August 2013
29.	pandahotel.HK	Kowloon Panda Hotel Limited	22 April 2014
30.	悦來酒店.公司.香港	Kowloon Panda Hotel Limited	10 August 2013
31.	悦來酒店.香港	Kowloon Panda Hotel Limited	22 April 2013
32.	ilovepanda.hk	Kowloon Panda Hotel Limited	4 June 2013
33.	ilovepandahotel.hk	Kowloon Panda Hotel Limited	4 June 2013
34.	ilovepanda.com.hk	Kowloon Panda Hotel Limited	5 June 2013
35.	ilovepandahotel.com.hk	Kowloon Panda Hotel Limited	5 June 2013
36.	我愛悦來.香港	Kowloon Panda Hotel Limited	4 June 2013
37.	我愛悦來酒店.公司.香港	Kowloon Panda Hotel Limited	5 June 2013
38.	我愛悦來.公司.香港	Kowloon Panda Hotel Limited	5 June 2013
39.	我愛悦來酒店.香港	Kowloon Panda Hotel Limited	4 June 2013
40.	ipanda.com.hk	Kowloon Panda Hotel Limited	20 June 2013
41.	Ilovepandahotel.com	Kowloon Panda Hotel Limited	5 June 2013
42.	r66.com.hk	Hopewell Food Industries Limited	12 September 2013
43.	hopewellhkproperty.com	Hopewell Asset Management	3 January 2014
44.	hopewellhkproperty.com.hk	Hopewell Asset Management	15 January 2014
45.	hopewellhkproperty.hk	Hopewell Asset Management	15 January 2014
46.	hopewellhkproperties.com	Hopewell Asset Management	3 January 2014
47.	hopewellhkproperties.com.hk	Hopewell Asset Management	15 January 2014

No.	Domain Name	Registrant	Expiry Date
48.	hopewellhkproperties.hk	Hopewell Asset Management	15 January 2014
49.	hopewellhongkongproperty.com	Hopewell Asset Management	3 January 2014
50.	hopewellhongkongproperty.com.hk	Hopewell Asset Management	15 January 2014
51.	hopewellhongkongproperty.hk	Hopewell Asset Management	15 January 2014
52.	hopewellhongkongproperties.com	Hopewell Asset Management	3 January 2014
53.	hopewellhongkongproperties.com.hk	Hopewell Asset Management	15 January 2014
54.	hopewellhongkongproperties.hk	Hopewell Asset Management	15 January 2014
55.	hhkp.com.hk	Hopewell Asset Management	15 January 2014
56.	hhkp.hk	Hopewell Asset Management	15 January 2014
57.	hhp.hk	Hopewell Asset Management	15 January 2014
58.	合和香港地產.香港	Hopewell Asset Management	15 January 2014
59.	合和香港地產.公司.香港	Hopewell Asset Management	21 January 2014
60.	hopewellproperty.com	Hopewell Asset Management	3 January 2014
61.	hopewellproperty.com.hk	Hopewell Asset Management	15 January 2014
62.	hopewellproperty.hk	Hopewell Asset Management	15 January 2014
63.	hopewellproperties.com.hk	Hopewell Asset Management	15 January 2014
64.	hopewellproperties.hk	Hopewell Asset Management	15 January 2014
65.	合和地產.香港	Hopewell Asset Management	15 January 2014
66.	合和地產.公司.香港	Hopewell Asset Management	21 January 2014
67.	合和香港房地產.香港	Hopewell Asset Management	23 April 2014
68.	合和房地產.香港	Hopewell Asset Management	23 April 2014
69.	hhpmail.com.hk	Hopewell Asset Management	7 May 2016

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests of the Directors and the chief executives of the Company

Immediately following the completion of the Global Offering and the Capitalisation Issue without taking into account of Shares which may be taken up pursuant to the Preferential Offering and the Employee Preferential Offering, the interest or short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed are as follows:

(I) Hopewell[1]

	Hopewell Shares					
Directors	**Personal interests (held as beneficial owner)**	**Family interests (interests of spouse or child under 18)**	**Corporate interests[2] (interests of controlled corporation)**	**Other interests**	**Total Interests**	**Approximate percentage of issued share capital**
Sir Gordon Ying Sheung WU	75,083,240	25,420,000[4]	111,250,000[5]	30,680,000[3]	242,433,240	27.70
Mr. Thomas Jefferson WU	27,600,000	—	—	—	27,600,000	3.15
Mr. Albert Kam Yin YEUNG	170,000	—	—	—	170,000	0.02
Mr. Wing Lam WONG	338,000	—	—	—	338,000	0.04

Notes:

(1) All interests in the Hopewell Shares were as at the Latest Practicable Date and were long positions.

(2) The corporate interests were beneficially owned by companies in which the relevant Directors were deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.

(3) The other interests in 30,680,000 shares represented the interests held by Sir Gordon Ying Sheung WU jointly with his wife Lady WU Ivy Sau Ping KWOK.

(4) The family interests in 25,420,000 Hopewell Shares represented the interests of Lady WU Ivy Sau Ping KWOK.

(5) The corporate interests in 111,250,000 Hopewell Shares held by Sir Gordon Ying Sheung WU included the interests in 61,190,000 Hopewell Shares held through corporations owned by Sir Gordon Ying Sheung WU and Lady WU Ivy Sau Ping KWOK as to 50% each.

(II) Hopewell Highway[5]

	Shares in Hopewell Highway ("HHI Shares")					
Directors	**Personal interests (held as beneficial owner)**	**Family interests (interests of spouse or child under 18)**	**Corporate interests[1] (interests of controlled corporation)**	**Other Interests**	**Total Interests**	**Approximate percentage of issued share capital**
Sir Gordon Ying Sheung WU	13,717,724	5,244,000[2]	21,249,999[3]	6,136,000[4]	46,347,723	1.50
Mr. Thomas Jefferson WU	16,000,000	—	—	—	16,000,000	0.52
Mr. Albert Kam Yin YEUNG	29,000	—	—	—	29,000	0.00
Mr. Wing Lam WONG	15,000	—	—	—	15,000	0.00

Notes:

(1) These HHI Shares were beneficially owned by companies in which the relevant Directors were deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.

(2) The interests in 5,244,000 HHI Shares were interests held by Lady WU Ivy Sau Ping KWOK.

(3) The corporate interests in 21,249,999 HHI Shares held by Sir Gordon Ying Sheung WU included the corporate interests in 12,237,998 HHI Shares held through corporations owned by Sir Gordon Ying Sheung WU and Lady WU Ivy Sau Ping KWOK as to 50% each.
(4) The other interests in 6,136,000 HHI Shares represented the interests held jointly by Sir Gordon Ying Sheung WU and Lady WU Ivy Sau Ping KWOK.
(5) All interests in the HHI Shares were as at the Latest Practicable Date and were long positions.

(b) Interests of the substantial shareholders of the Company

So far as is known to any Director or chief executive of the Company, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be sold by Boyen Investments pursuant to the exercise of the Over-allotment Option), the following persons have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Long positions in the Shares and underlying Shares

Name of shareholder	Nature of interest and capacity	Number of Shares held[1]	Approximate percentage of issued share capital
Hopewell	Interested in controlled corporation	1,500,000,000	81.5
Novel Spring	Interested in controlled corporation	1,500,000,000	81.5
Boyen Investments	Legal and beneficial owner	1,500,000,000	81.5

Note:
(1) *The interests of Boyen Investments, Novel Spring and Hopewell in the 1,500,000,000 Shares are long positions, represented the same block of Shares and Boyen Investments, Novel Spring and Hopewell are deemed under the SFO to have the same interests with each other.*

2. Directors' service contracts

None of the Directors has entered into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

3. Remuneration

No remuneration was paid or is payable to any directors of the companies comprising the Group during the Track Record Period. However, certain Directors received remuneration from the Parent Group in respect of their services to both the Parent Group and the Group. The amounts paid by the Parent Group were not specifically allocated between their services to the Group and to the Parent Group, respectively, as such allocation of services of the directors to the various group companies in the Parent Group is not feasible.

The remunerations (including fees, salaries, contributions to pension schemes, housing allowances, discretionary bonuses, and other allowances and benefit in kind) paid to the Group's five highest paid individuals by the Parent Group for the years FY2010, FY2011 and FY2012 and the six months ended 31 December 2012 were approximately HK$5.9 million, HK$7.0 million, HK$8.1 million and HK$3.5 million, respectively. None of the Directors had waived any remuneration during the above period.

It is estimated that remuneration equivalent to an aggregate of approximately HK$472,000 (excluding share options granted) will be paid and granted to the Directors by the Company in respect of the period between the Listing Date and the end of FY2013 under arrangements in force as at the date of this prospectus. In addition to their cash remuneration, certain Directors will receive share options granted by the Board as set out in "*Appendix VII — Statutory and General Information*".

For further information on the remuneration of the Directors, please refer to "*Appendix I — Accountants' Report*".

4. Disclaimers

Save as disclosed in "*Appendix VII — Statutory and General Information*":

(a) immediately following the completion of the Global Offering and the Capitalisation Issue, without taking into account of Shares which may be taken up pursuant to the Preferential Offering and the Employee Preferential Offering, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of the Company, no person has an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

(c) none of the Directors or experts referred to in *"— Qualification of Experts"* is interested directly or indirectly in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of the Directors or experts referred to in *"— Qualification of Experts"* below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group taken as a whole;

(e) save in connection with the Underwriting Agreements, none of the Directors or the persons listed in *"— Qualification of Experts"* below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) save for the Underwriting Agreements, none of the persons listed in *"— Qualification of Experts"* below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;

(g) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(h) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or shareholders of the Company who are interested in more than 5.00% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group; and

(i) none of the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved and adopted pursuant to (i) a written resolution of the sole Shareholder passed on 29 April 2013; and (ii) an ordinary resolution passed by the Hopewell Shareholders on 23 May 2013. It does not form, nor is it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(i) The purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the Company with an alternative means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants (as defined below) and for such other purposes as the Board may approve from time to time. The Share Option Scheme will provide the Participants with an opportunity to have a personal stake in the Company with a view to achieving the following objectives:-

(i) to motivate the Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) to track and retain or otherwise maintain relationships with the Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(ii) Participants of the Share Option Scheme and basis for determining the eligibility

Our Board may, at its absolute discretion, grant options pursuant to the Share Option Scheme to (i) any director, chief executive or employee (whether full-time or part-time) of any member of the Group; (ii) any discretionary object of a discretionary trust established by any director, chief executive or employee (whether full-time or part-time) of any member of the Group; (iii) a company beneficially owned by any director, chief executive or employee (whether full-time or part-time) of any member of the Group; (iv) any consultant, professional and other adviser to any member of the Group or any consultant, professional and other adviser proposed to be appointed to any member of the Group (including any of their employees, partners, directors or executives); (v) any associates of any director, chief executive, or substantial shareholder of any member of the Group; and (vi) any director, chief executive or employee (whether full-time or part-time) of the Parent Group (the "**Participants**").

(iii) Status of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect upon the fulfillment of the following conditions:

(a) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the Shareholders and authorising the Directors to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options granted under the Share Option Scheme;

(b) the approval of the Share Option Scheme by the Hopewell Shareholders in general meeting;

(c) the Listing Committee granting approval of the listing of, and permission to deal in, (i) the Shares in issue and to be issued as described in this prospectus and (ii) any Shares to be issued pursuant to the exercise of options under the Share Option Scheme, whether the granting of the Listing and permission is subject to conditions or not;

(d) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters), and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(e) the commencement of dealings in the Shares on the Main Board of the Stock Exchange (collectively, the "**Conditions**").

(b) Term of the Share Option Scheme

Subject to the fulfillment of the Conditions, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which all the Conditions have been fulfilled (the "**Term**"), after which period no further options will be granted, but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue after the end of the Term.

(iv) Grant of options

(a) The making of an offer

An offer for the grant of an option under the Share Option Scheme shall be made to a Participant in such form as the Board may from time to time determine, specifying the terms upon which the option is to be granted (the "**Offer Letter**"). The period during which the offer would remain open for acceptance by the Participant will also be provided in the Offer Letter.

Unless otherwise determined by the Board and specified in the Offer Letter, there are neither any performance targets that need to be achieved by a Participant before an option can be exercised nor any minimum period for which an option must be held before the option can be exercised.

(b) Restriction on grant of an offer

A grant of options under the Share Option Scheme shall not be made after inside information has come within the knowledge of the Company until the information has been announced. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

(a) the date of the meeting of the Board (as such date is first notified by the Company to the Stock Exchange in accordance with the Listing Rules) for approving the Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

(c) The acceptance of an offer

An offer for the grant of an option under the Share Option Scheme shall be deemed to be accepted by the Participant (the "**Grantee**") when the Company receives from the Grantee a duplicate Offer Letter comprising acceptance of the offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company. Such remittance shall in no circumstances be refundable or be considered as part of the Exercise Price (as defined below at sub-paragraph (iv) (d)).

The offer shall remain open for acceptance for such time to be determined by our Board, provided that no offer shall be open for acceptance after the expiry of the Term and/or the period stipulated in the Offer Letter, or after the termination of the Share Option Scheme in accordance with its terms or after the Participant to whom the offer is made has ceased to be a Participant (subject to the Board's absolute discretion to grant an extension in respect of the same whichever is earlier). To the extent that the offer is not accepted within the time period and in the manner specified in the Offer Letter, the offer will be deemed to have been irrevocably declined.

(d) The Exercise Price in respect of each Share issued pursuant to the exercise of options

Subject to any adjustments pursuant to paragraph (xv) below, the subscription price in respect of each Share issued pursuant to the exercise of options under the Share Option Scheme shall be at a price solely determined by the Board and notified to a Participant (the "**Exercise Price**"), being at least the highest of:

(a) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a Participant (the "**Offer Date**"), and if such date is not a business day, the next following business day;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the Shares where the Company has been listed for less than 5 business days); and

(c) the nominal value of a Share.

(v) The exercise of an option under the Share Option Scheme

(a) General

An option under the Share Option Scheme may be exercised in whole or in part in the manner as set out in the Offer Letter by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each notice must be accompanied by a remittance for the full amount of the total Exercise Price for the Shares in respect of which the notice is given.

Subject to the Shareholders in a general meeting approving any necessary increase in the authorised share capital of the Company, within 28 days after receipt of the notice and the remittance, and where appropriate, receipt of the certificate from the independent financial adviser or the auditors of the Company (as the case may be) in the event of any alteration in the capital structure of the Company as described below, the Company shall allot the relevant Shares to the Grantee credited as fully paid and issue to the Grantee a share certificate in respect of the Shares so allotted.

(b) Rights in event of a takeover

If a general offer by way of take-over (other than by way of scheme of arrangement pursuant to sub-paragraph (v)(c) below) is made to all Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror (the "**Dissenting Shareholders**") and if such offer becomes or is declared unconditional and the offeror is entitled to and does give notice pursuant to the Cayman Companies Law to acquire Shares held by the Dissenting Shareholders prior to the expiry of the relevant period in respect of a granted option, the Grantee may by notice in writing to the Company within 21 days of the notice of the offeror, exercise the option to its full extent or to the extent specified in such notice. Subject to the foregoing, the option will lapse automatically on the date which such offer or revised offer (as the case may be) closes.

(c) Rights on a scheme of arrangement

If a general offer by way of scheme of arrangement is made to all Shareholders and has been approved by the necessary majority of Shareholders at the requisite meetings, notwithstanding any other terms on which the option was granted, the Grantee may thereafter by notice in writing to the Company, exercise the option (to the extent not already exercised) to its full extent or to the extent specified in relevant notification provided by the Company. Subject to the foregoing, the option will lapse automatically on the record date for determining entitlements under such scheme of arrangement.

(d) Rights on a compromise or arrangement

If, pursuant to the laws of Cayman Islands, a compromise or arrangement (other than by way of a general offer or a scheme of arrangement pursuant to sub-paragraphs (v)(b) and (v)(c) above) between the Company and the Shareholders and/or the creditors of the Company's proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee may forthwith and, until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options (to the extent that it has not already been exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective.

Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(e) Rights in event of winding-up

In the event of a notice is given by the Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the general meeting, give notice thereof to all Grantees and thereupon, the Grantees may, subject to the provisions of all applicable laws, by notice in writing to the Company (such notice to be received by the Company not later than 2 business days prior to the proposed general meeting of the Company) exercise the option (to the extent that it has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given,

whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(f) In event of death of a Grantee

In the event the Grantee passes away before exercising the option in full and none of the events which would be a ground of termination of the Grantee's status as a Participant arises, the personal representative(s) of the Grantee shall be entitled within a period of 6 months or such longer period as the Board may determine from the date of death, to exercise the option up to the entitlement of such Grantee as at the date of death (to the extent that it has become exercisable and has not already be exercised).

(vi) The maximum number of Shares available for subscription

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Listing (i.e. 184,000,000 Shares) unless the Company obtains a fresh approval from the Shareholders in general meeting in the following circumstances:

(a) to refresh the 10% limit as provided above such that the total number of Shares that may be issued upon exercise of all options granted under the Share Option Scheme as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval of the limit, and options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating such limit; and/or

(b) to seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided that such options are granted only to previously specifically identified Participants.

In both the above circumstances, the Company shall send a circular to the Shareholders containing the necessary information and disclaimer as required under the Listing Rules.

Notwithstanding the above provisions under this sub-paragraph (vi), and subject to the provisions described in sub-paragraph (xv) below, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company will not exceed 30% of the Shares in issue from time to time (or such higher percentage as may be allowed under the Listing Rules). No options may be granted under the Share Option Scheme and any other share option schemes of the Company (or any of its subsidiaries) if this will result in such limit being exceeded.

(vii) The maximum entitlement of Shares by a Participant

Subject to the paragraph below, the maximum number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue, unless:

Where any further grant of options to a Participant would, together with any exercised, cancelled and outstanding options in the 12-month period up to and including the date of such further grant to represent, in aggregate, over 1% of the total number of Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. In such event, the Company must fix the number and terms (including the exercise price) of options to be granted to such Participant and then, send a circular to the Shareholders containing, amongst other terms, the identity of such Participant, such number and

terms of the options to be granted to him, and such other information is required under the Listing Rules.

(viii) The grant of options to connected persons

Any grant of options to any Director, chief executive or substantial Shareholder of the Company or their respective associates shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee).

(ix) The grant of options to substantial Shareholders and independent non-executive Directors

Where the Board proposes to grant any option under the Share Option Scheme to a Participant who is a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the proposed date of such grant:

(a) representing in aggregate more than 0.1% of the total number of Shares in issue on the proposed date of such grant; and

(b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the proposed date of such grant, in excess of HK$5,000,000,

such proposed grant of options must be approved by the Shareholders in general meeting by way of poll and all connected persons must abstain from voting in favour of the resolution at general meeting, unless their prior intention to do so has been stated in a circular to be sent by the Company to the Shareholders containing all those information as required under the Listing Rules.

(x) The rights attached to the options

The options do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (including those arising on the winding up of the Company). No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an option pursuant to the Share Option Scheme, unless and until the Shares underlying the option are actually issued to the Grantee pursuant to the exercise of such option.

(xi) The rights attached to the Shares

The Shares to be allotted upon the exercise of an option will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle their holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

(xii) The assignment of options

An option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (whether legal or beneficial) in favour of any third party over or in relation to any option.

(xiii) The lapse of options

An option shall lapse automatically and not be exercisable (to the extent that it has not already been exercised) on the earliest of:

(a) the expiry of the period as stipulated in the Offer Letter for the exercise of the option (subject to the provisions of the Share Option Scheme);

(b) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment, office, directorship, appointment or engagement as director, chief executive or employee of, or as consultant, professional or other adviser to, the relevant company on one or more of the following grounds, namely, that he has (a) committed an act of theft, embezzlement, fraud, dishonesty, ethical breach or other similar acts or committed a criminal offence or has otherwise been guilty of misconduct, or (b) has been in breach of a material term of the relevant employment contract or service contract with the Company and/or any of its subsidiaries, including any non-competition, confidentiality or other agreement (c) misrepresented or omitted any material fact in connection with his employment or services, (d) materially failed to perform the customary duties as an employee, director, chief executive of the Company and/or any of its subsidiaries, to obey reasonable directions of a supervisor or failed to abide by the policies or codes of conduct of the Group or (e) conducted in a way that is materially adverse to the name, reputation or interests of the Group, or (f) has stopped payment to creditors generally or been unable to pay his debts within the meaning of any applicable legislation relating to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served with a petition for bankruptcy, or has made any arrangements or composition with his creditors generally, or (if so determined by the Board or the board of the relevant company, as the case may be) on any other ground on which any employer or any engaging party would be entitled to terminate his employment, office, directorship, appointment or engagement at common law; and pursuant to any applicable laws or under the Grantee's employment contract or service contract with the Company or the relevant company (as the case may be), in the event which a resolution of the Board or the board of directors or governing body of the relevant company (as the case may be) to the effect that the employment, office, directorship, appointment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph shall be conclusive and binding on the Grantee;

(c) the close of 2 business days prior to the general meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of the commencement of the winding-up of the Company;

(d) the date on which the Board exercises the Company's right to cancel the option at any time after the Grantee commits a breach of sub-paragraph (xii) above;

(e) the date on which the option is cancelled by the Board at its absolute discretion;

(f) the expiry of the period for exercising the option in event of a takeover, as referred to in sub-paragraph (v)(b) above;

(g) the date on which the compromise or arrangement referred to in sub-paragraph (v)(c) becomes effective;

(h) the date of the commencement of the winding-up of the Company; and

(i) the expiry of the period for exercising the option in event of death of the Grantee, as referred to in sub-paragraph (v) (f) above.

The Company shall owe no liability to any Grantee for the lapse of any option under this paragraph (xiii).

(xiv) Cancellation of options granted

The Board may, at any time at its absolute discretion cancel any option granted but not exercised. Where the Company cancels options and makes an offer of the grant of new options to the same option holder, the offer of the grant of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (vi) above.

(xv) Alteration of capital structure

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, open offer, sub-division, consolidation, or reduction of the share capital of the Company or otherwise howsoever in accordance with the applicable legal requirements and requirements of the Stock Exchange (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company or any of its subsidiaries is a party or in connection with any share option or other equity incentive schemes of the Company) at any time after the date on which dealings in the Shares first commence on the Stock Exchange, such corresponding alterations (if any) shall be made to:

(a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or

(b) the Exercise Price in respect of the Shares granted under the Share Option Scheme.

But no such adjustments shall be made to the extent that a Share would be issued through the exercise of an option at less than its nominal value. In respect of such adjustments, an independent financial adviser appointed by the Company or the auditors of the Company shall at the request of the Board certify in writing to the Directors that the adjustments are, in their opinion fair and reasonable, will give the Grantee the same proportion of issued share capital of the Company as that to which the Grantee was previously entitled provided that no alteration shall be made to the extent that a Share would be issued at less than its nominal value, and be in full compliance with Rule 17.03 of the Listing Rules. Such certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

(xvi) Alteration of the Share Option Scheme

Save as provided in the Share Option Scheme, our Board may, at its absolute discretion, alter any of the terms of the Share Option Scheme at any time. The specific provisions of the Share Option Scheme that relate to Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants except with the prior approval of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of the Shareholders under the Articles of Association for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(xvii) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted during the life of the Share Option Scheme and which are not exercised immediately prior to the termination of operation of the Share Option Scheme.

(xviii) Administration of the Share Option Scheme

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to this Scheme or its interpretation or effect (save as otherwise provided herein) shall be final, conclusive and binding on all parties. The Company shall bear the costs of establishing and administering the Share Option Scheme. The amended terms of the Share Option Scheme or the terms of the options granted thereunder must still comply with the relevant requirements under Chapter 17 of the Listing Rules. Any change to the authority of the Directors in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(xix) General

Insofar and for so long as (i) the Listing Rules so require; (ii) the Company remains as a subsidiary of Hopewell; and (iii) the Hopewell Shares are listed on the Stock Exchange, any provision of the Share Option Scheme requiring the approval of the Shareholders or independent non-executive Directors (as the case may be) shall be construed as also requiring the approval of the Hopewell Shareholders or independent non-executive directors of Hopewell (as the case may be). Where such provisions require the Company to issue a circular to the Shareholders prior to seeking their approval, Hopewell shall also issue a circular to the Hopewell Shareholders prior to seeking their approval.

The Share Option Scheme and all options granted thereunder are governed by and construed in accordance with the Listing Rules and the laws of Hong Kong in force from time to time.

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

As at the Latest Practicable Date, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of the Company, and our employee costs arising from the grant of options will be disclosed in our next annual report.

E. WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

1. Waiver in relation to non-exempt continuing connected transactions

Members of the Group have entered into certain transactions which will continue following the Listing Date and thereby constituting continuing connected transactions of the Company under the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to certain non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. For further details of such continuing connected transactions and the waiver, please refer to *"Connected Transactions"*.

2. Waiver in relation to public float requirements

Rule 8.08 of the Listing Rules sets out the public float requirements in relation to a new listing application. It requires there to be an open market in the securities for which listing is sought and provides that this normally means that:

(a) at least 25% of an issuer's total issued share capital must at all times be held by the public; and

(b) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital.

However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalisation at the time of listing of not less than HK$50 million.

Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(a) the issuer will have an expected market capitalisation at the time of listing of over HK$10 billion;

(b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

(d) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and

(e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

The Company has applied to the Stock Exchange to request the Stock Exchange to exercise and the Stock Exchange has confirmed that it will exercise its discretion under Rule 8.08(1)(d) of the Listing Rules to allow the Applicable Minimum Public Float. The Company will continuously monitor its public float after Listing. In the event that its public float percentage falls below the Applicable Minimum Public Float, the Directors and the Controlling Shareholder will take appropriate steps,

which may include, where necessary, a further issue of Shares to independent third parties and/or requesting the Controlling Shareholder to assist in the implementation of other measures to ensure that the Applicable Minimum Public Float is complied with.

The Joint Sponsors and the Company will ensure there will be at least 300 Shareholders at the time of Listing and when allocating the Offer Shares, ensure not more than 50% of the securities in public hands at the time of the Listing will be allocated to the three largest public beneficial Shareholders, thus, we shall be able to demonstrate satisfactory compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of the Listing.

3. Waiver in relation to clawback mechanism

Paragraph 4.2 of Practice Note 18 to the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels with respect to the Hong Kong Public Offering are reached. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the clawback requirements set out in paragraph 4.2 of Practice Note 18 to the Listing Rules. For further details, please refer to "*Structure of the Global Offering*".

4. Waiver in relation to the disclosure of certain information of certain members of the Group

Under paragraph 26 of Part A of Appendix 1 to the Listing Rules, this prospectus is required to disclose, among others, particulars of any alterations in the capital of any member of the Group within the two years immediately preceding the issue of this prospectus. Such information is disclosed under *"Appendix VII — Statutory and General Information — Changes in Share Capital of Our Subsidiaries"*.

The Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant, a waiver from strict compliance with paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of members of the Group that are the registered owners of any Unexposed Amalgamation Properties on the ground that disclosing the names of such members of the Group in this prospectus could possibly lead to members of the public speculating that certain properties having been assembled by the Group are for amalgamation purposes and as a result of which, may become "open secrets" and therefore rendering the Group's acquisitions of which futile, as described further in detail in *"Business — Amalgamation Properties"* above. Such members of the Group have no other business other than acquiring and/or holding the Unexposed Amalgamation Properties.

5. Permission for allocations of Reserved Shares to Directors and their associates

On the condition that the Applicable Minimum Public Float is met, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.03 of the Listing Rules in relation to the participation by the Directors (and their associates) who are Qualifying Hopewell Shareholders (the "**Directors Related Hopewell Shareholders**") in the Preferential Offering on the basis that, among others, the Reserved Shares are being offered to the Directors Related Hopewell Shareholders on a preferential basis in their capacity Qualifying Hopewell Shareholders (rather than in their capacity as Directors or associates of Directors) and that no preferential treatment will be given to the Directors Related Hopewell Shareholders in the allocation of the Reserved Shares under the Preferential Offering.

6. Permission for allocations of Employee Reserved Shares to Directors and their associates

On the condition that the Applicable Minimum Public Float is met, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.03 of the Listing Rules in relation to the participation by the Eligible Directors (and their

associates who are Eligible Employees) in the Employee Preferential Offering on the basis that, among others, the Employee Reserved Shares are being offered to the Eligible Directors and their associates who are Eligible Employees on a preferential basis in their capacity as Eligible Employees (rather than in their capacity as Directors or associates of Directors) and that no preferential treatment will be given to the Eligible Directors (and their associates who are Eligible Employees) in the allocation of the Employee Reserved Shares under the Employee Preferential Offering.

F. OTHER INFORMATION

1. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued pursuant to the Global Offering. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

2. Professional tax advice recommended

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in the Shares. No responsibility is accepted by us or by any of the Relevant Parties for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

3. Miscellaneous

(a) Save as disclosed in "*Appendix VII — Statutory and General Information*", within the two years immediately preceding the date of the prospectus:

(i) no share or loan capital of the Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither the Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) no commissions have been paid or are payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;

(v) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of any member of the Group;

(vi) none of equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is listing or permission to deal being or proposed to be sought; and

(vii) the Company has no outstanding convertible debt securities.

There has not been any interruption in our business which may have or has had a significant effect on our financial position in the 12 months preceding the date of this prospectus.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

(b) The principal register of our members will be maintained in the Cayman Islands by our Cayman Islands Share Registrar and a register of our members will be maintained in Hong Kong by our Hong Kong Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our register in Hong Kong and may not be lodged in the Cayman Islands.

4. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus (in alphabetical order):

Name	Qualifications
BOCI Asia Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Credit Suisse (Hong Kong) Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (dealing on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Independent property valuer
Maples and Calder	Legal advisers to the Company on laws of the Cayman Islands
Savills (Hong Kong) Limited	Independent market consultant

5. Consents of experts

Each of BOCI Asia Limited, Credit Suisse (Hong Kong) Limited, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Maples and Calder and Savills (Hong Kong) Limited (in alphabetical order) has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion (as the case may be) and the references to its name included herein in the form and context in which it is respectively included.

6. Promoter

The Company has no promoter for the purpose of the Listing Rules, within the two years immediately preceding the date of this prospectus, no cash securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given, to any promoters in connection with the Global Offering and the related transactions described.

7. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK$120,000 and payable by the Company.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

10. Boyen Investments

If the Over-allotment Option is exercised in full, an aggregate of 51,000,000 Shares are to be sold by Boyen Investments. Particulars of Boyen Investments are as follow:

Name:	Boyen Investments Limited
Address:	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Nature of business:	Investment holding

A statement of particulars of Boyen Investments has been attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration and the statement should be regarded as one of the documents delivered as mentioned under "*Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Delivered to the Registrar of Companies*".

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW**, **GREEN**, **BLUE** and **PINK** Application Forms;

(b) the written consents referred to in "*Appendix VII — Statutory and General Information*"; and

(c) a copy of each of the material contracts referred to in "*Appendix VII — Statutory and General Information*".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Woo, Kwan, Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from Thursday, 6 June 2013 to Wednesday, 19 June 2013:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the text of which are set out in *"Appendices I — Accountants' Report"* and *"Appendix II — Unaudited Pro Forma Financial Information"*, respectively;

(c) the audited consolidated financial statements of the Company for FY2010, FY2011, FY2012 and 1HFY2013;

(d) the letters relating to the profit forecast, the texts of which are set out in *"Appendix III — Profit Forecast"*;

(e) the letter from Maples and Calder, our Cayman Islands law legal adviser, summarising the constitution of the Company and certain aspects of Cayman Islands Law referred to in *"Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law"*;

(f) the Cayman Companies Law;

(g) the material contracts referred to in *"Appendix VII — Statutory and General Information"*;

(h) the written consents referred to in *"Appendix VII — Statutory and General Information"*;

(i) the market research report prepared by Savills (Hong Kong) Limited, the text of which is set out in *"Appendix V — Market Research Report"*;

(j) the letter, summary of valuations and valuation certificates relating to the property interests of the Group (other than Amalgamation Properties) prepared by DTZ, the texts of which are set out in *"Appendix IV — Property Valuation"*; and

(k) the rules of the Share Option Scheme.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in "Appendix X — Glossary".

"1HFY2012"	the six months ended 31 December 2011
"1HFY2013"	the six months ended 31 December 2012
"2HFY2013"	the six months ending 30 June 2013
"200 Queen's Road East Project"	formerly known as the "Lee Tung Street Project", a URA redevelopment project with residential, commercial and government, institution or community elements situated at Lee Tung Street/McGregor Street, Wan Chai, Hong Kong and developed through a 50:50 joint venture between the HHP Group and Sino Land, the residential portion of which is known as "The Avenue", and the retail portion of which is known as "Avenue Walk"
"Amalgamation Properties"	individual units in several sites in Hong Kong which are being assembled for amalgamation by the Group
"Applicable Minimum Public Float"	a minimum public float of the higher of (a) 15% of the Company's total issued share capital; (b) such percentage of the Company's total issued share capital to be held by public immediately after the completion of the Global Offering; or (c) such percentage of the Company's total issued share capital to be held by public immediately after the exercise of the Over-allotment Option
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s), **GREEN** Application Form(s), **BLUE** Application Form(s) and **PINK** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the Articles of Association of the Company (as amended from time to time), conditionally adopted on 13 May 2013 and which will become effective on the Listing Date, a summary of which is set out in "*Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law*"
"associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Assured Entitlement"	the entitlement of the Qualifying Hopewell Shareholders to apply for the Reserved Shares on an assured basis under the Preferential Offering to be determined on the basis of their respective shareholdings in Hopewell at 4:30 p.m. on the Record Date
"Basic Law"	The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, the constitutional document of Hong Kong which came into effect on 1 July 1997
"Beneficial Hopewell Shareholder"	any beneficial owner of Hopewell Shares whose Hopewell Shares are registered, as shown in the register of members of Hopewell, in the name of a registered Hopewell Shareholder at 4:30 p.m. on the Record Date

"Big King"	Big King Investments Limited, a company incorporated in BVI with limited liability on 8 February 2008 and a direct wholly-owned subsidiary of Hopewell
"BLUE Application Form(s)"	the application form(s) to be sent to Qualifying Hopewell Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering
"Blue Form eIPO"	the application for the Reserved Shares to be issued in a Qualifying Hopewell Shareholder's own name by submitting applications online through the designated website of **Blue Form eIPO** at **www.eipo.com.hk**
"Board" or "Board of Directors"	the board of directors of the Company
"Boyen Investments"	Boyen Investments Limited, a company incorporated in BVI with limited liability on 8 January 2013, a direct wholly-owned subsidiary of Novel Spring and an indirect wholly-owned subsidiary of Hopewell
"Building Authority"	the Director of Buildings, as provided under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
"Buildings Department"	the Buildings Department of the Hong Kong Government
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 500,000,000 Shares to Boyen Investments credited as fully paid up subject to and simultaneous with the completion of the Global Offering by way of capitalisation of the entire amount of the net outstanding intra-group loans owing by the companies within the Group to the Remaining Group as at the date of such issue, such Shares to rank *pari passu* in all respects with the existing Shares then in issue, referred to in "*Statutory and General Information — Further Information about our Business — Summary of material contracts*"
"carrying amount"	has the meaning ascribed to it under the Listing Rules
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Cayman Islands Share Registrar"	Maples Fund Services (Cayman) Limited
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan, unless otherwise specified
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company", "our", "we" or "us"	Hopewell Hong Kong Properties Limited (合和香港房地產有限公司), an exempted company incorporated in the Cayman Islands on 23 January 2013 with limited liability and, except where the context otherwise requires, all of its subsidiaries
"Conkey Investment"	Conkey Investment Limited, a company incorporated in BVI with limited liability on 1 February 2011, and an indirect wholly-owned subsidiary of the Company
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	Hopewell
"Deed of Non-competition"	the deed of non-competition dated 5 June 2013 entered into by Hopewell in favour of the Company pursuant to which Hopewell has agreed to give certain non-competition undertakings as further described in "*Relationship with our Controlling Shareholder — Independence from the Controlling Shareholder — Clear delineation of business — Deed of Non-competition*"
"Director(s)"	the director(s) of the Company
"Development Agreement"	the development agreement entered into between Grand Site and the URA in respect of the 200 Queen's Road East Project
"DOL"	the Director of Lands of the Lands Department of the Hong Kong Government
"DTZ"	DTZ Debenham Tie Leung Limited, an independent firm of professional property valuer not connected to the Group
"Eldridge"	Eldridge Investments Limited, a company incorporated in Hong Kong with limited liability on 7 September 2011, and an indirect wholly-owned subsidiary of the Company

"Eligible Director"	a director of the Company or any of its subsidiaries who falls within the definition of Eligible Employee
"Eligible Employee"	a full-time employee of either (i) the Group (including a full-time secondee to the Group) or (ii) the Parent Group and who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of either the Group (including a full-time secondee to the Group (if applicable)) or the Parent Group, and is not on probation, as at 24 May 2013; (d) has not tendered his/her resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before 11 June 2013; and (e) is neither an, nor an associate of an, existing beneficial owner of the Shares or of shares of any of the subsidiaries of the Company
"Employee Preferential Offering"	the preferential offer of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price on a preferential basis as to allocation only, as further described in "*Structure of the Global Offering — The Employee Preferential Offering*"
"Employee Reserved Shares"	the 3,400,000 Offer Shares (representing approximately 6.7% and 1.0% of the total number of Offer Shares initially being offered under the Hong Kong Public Offering and Global Offering (assuming that the Over-allotment Option is not exercised), respectively) being offered pursuant to the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares
"Emron Investment"	Emron Investment Limited, a company incorporated in BVI with limited liability on 10 January 2011, and an indirect wholly-owned subsidiary of the Company
"Enson Resources"	Enson Resources Limited, a company incorporated in BVI with limited liability on 28 March 2011, and an indirect wholly-owned subsidiary of the Company
"Ever Urban"	Ever Urban Limited, a company incorporated in BVI with limited liability on 22 January 2013, a direct wholly-owned subsidiary of Strategy Key and an indirect wholly-owned subsidiary of the Company
"Exposed Amalgamation Properties"	has the meaning as ascribed to it in "*Business — Property Development — Properties under development or held for future development — Amalgamation Properties*"
"financial assistance"	has the same meaning as ascribed to it under the Listing Rules
"Firstco Enterprises"	Firstco Enterprises Limited, a company incorporated in BVI with limited liability on 3 July 2012, and an indirect wholly-owned subsidiary of the Company
"FY2010"	the financial year ended 30 June 2010

"FY2011"	the financial year ended 30 June 2011
"FY2012"	the financial year ended 30 June 2012
"FY2013"	the financial year ending 30 June 2013
"FY2014"	the financial year ending 30 June 2014
"FY2015"	the financial year ending 30 June 2015
"FY2016"	the financial year ending 30 June 2016
"FY2017"	the financial year ending 30 June 2017
"FY2018"	the financial year ending 30 June 2018
"FY2019"	the financial year ending 30 June 2019
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Gold Cascade"	Gold Cascade Limited, a company incorporated in BVI with limited liability on 21 January 2013, a direct wholly-owned subsidiary of Ever Urban and an indirect wholly-owned subsidiary of the Company
"Goldvista"	Goldvista Properties Limited, a company incorporated in BVI with limited liability on 10 May 1994 and an indirect wholly-owned subsidiary of Hopewell
"Grand Lyton"	Grand Lyton Limited, a company incorporated in BVI with limited liability on 22 January 2013, a direct wholly-owned subsidiary of Praise Ever and an indirect wholly-owned subsidiary of the Company
"Grand Site Development Limited" or "Grand Site"	Grand Site Development Limited, a joint venture project company, incorporated in Hong Kong with limited liability on 3 September 2008, which is held in equal shares by Linford and Mega Sino, an indirect wholly-owned subsidiary of Sino Land, being an Independent Third Party, and being the developer of the 200 Queen's Road East Project
"GREEN Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group"	the Company and its subsidiaries, or where the context so requires in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) their predecessors
"HCDSL"	Hopewell China Development (Superhighway) Limited, a company incorporated in Hong Kong with limited liability on 30 October 1981, held as to 97.5% by Hopewell Highway and 2.5% by Independent Third Parties

"Henderson Land"	Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 12)
"HHP Finance"	HHP Finance Limited, a company incorporated in Hong Kong with limited liability on 5 March 2013, a direct wholly-owned subsidiary of the Company
"HIBOR"	Hong Kong Interbank Offered Rate
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAIHL"	Hong Kong Academy of Ice Hockey Limited, a company incorporated in Hong Kong on 15 February 2007 and limited by guarantee, the equity capital of which Mr. Thomas Jefferson WU is directly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings
"HKD Revolving Facility"	a HK$7.0 billion revolving facility previously obtained by the Remaining Group from a syndicate of banks which was guaranteed by Hopewell and bore an interest rate of HIBOR plus 0.32% and with a maturity date in September 2014
"HKFRS(s)"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"HKTB"	Hong Kong Tourism Board
"Homark Investment"	Homark Investment Limited, a company incorporated in BVI with limited liability on 3 July 2012, and an indirect wholly-owned subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Bowling City Limited"	Hong Kong Bowling City Limited, a joint venture company incorporated in Hong Kong with limited liability on 24 January 2006 and is held as to approximately 50% by Hopewell and 50% by Top Bowl Limited, an Independent Third Party
"Hong Kong Government"	the Government of Hong Kong
"Hong Kong Offer Shares"	the 51,000,000 Offer Shares (subject to reallocation) initially being offered by the Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, as further described in "*Structure of the Global Offering*"
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in "*Structure of the Global Offering*"

"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters listed in "*Underwriting — Hong Kong Underwriters*", being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 5 June 2013 relating to the Hong Kong Public Offering entered into among the Company, the Controlling Shareholder and the Hong Kong Underwriters, as further described in "*Underwriting*"
"Hopewell"	Hopewell Holdings Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 54), and is the Controlling Shareholder of the Company
"Hopewell Asset Management"	Hopewell Asset Management Limited, a company incorporated in Hong Kong with limited liability on 7 April 2010 and an indirect wholly-owned subsidiary of the Company
"Hopewell Board"	the board of directors of Hopewell
"Hopewell Controlling Shareholders"	Hopewell, Novel Spring and Boyen Investments
"Hopewell Entertainment"	Hopewell Promotion and Entertainment Limited (formerly known as Happy Gain Resources Limited), a company incorporated in Hong Kong with limited liability on 12 October 2001 and an indirect wholly-owned subsidiary of the Company
"Hopewell Group"	Hopewell and its subsidiaries from time to time
"Hopewell Highway"	Hopewell Highway Infrastructure Limited, a company incorporated in the Cayman Islands with limited liability on 14 January 2003 and whose shares are listed on the Main Board of the Stock Exchange (stock code: 737 (Hong Kong dollar counter) and 80737 (Renminbi counter)), and is held as to approximately 68.1% by Hopewell as at the Latest Practicable Date
"Hopewell Highway Group"	Hopewell Highway, its subsidiaries and jointly controlled entities from time to time
"Hopewell Hitec"	Hopewell Hitec (B.V.I.) Limited, a company incorporated in BVI with limited liability on 25 March 1992 and an indirect wholly-owned subsidiary of the Company
"Hopewell Hospitality"	Hopewell Hospitality Company Limited, a company incorporated in the Cayman Islands with limited liability on 2 June 1999 and a direct wholly-owned subsidiary of Hopewell

"Hopewell Project Development"	Hopewell Project Development Limited, a company incorporated in Hong Kong with limited liability on 20 March 2008 and an indirect wholly-owned subsidiary of the Company
"Hopewell Properties BVI"	Hopewell Properties (B.V.I.) Limited, a company incorporated in BVI with limited liability on 6 April 1992 and a direct wholly-owned subsidiary of Hopewell
"Hopewell Property Management"	Hopewell Property Management Company Limited, a company incorporated in Hong Kong with limited liability on 9 February 1973 and an indirect wholly-owned subsidiary of the Company
"Hopewell Shareholders"	holders of Hopewell Shares
"Hopewell Shares"	shares with a par value of HK$2.50 each in the share capital of Hopewell
"HPFM"	Hopewell Property and Facility Management Limited, a company incorporated in Hong Kong with limited liability on 17 March 2011 and an indirect wholly-owned subsidiary of the Company
"HREA"	Hopewell Real Estate Agency Limited, a company incorporated in Hong Kong with limited liability on 20 February 1970 and an indirect wholly-owned subsidiary of the Company
"Independent Third Party"	an individual or a company who is not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
"International Offer Shares"	the 289,000,000 Offer Shares (subject to reallocation and the Over-allotment Option) initially being offered by the Company for subscription pursuant to the International Offering, as further described in "*Structure of the Global Offering*"
"International Offering"	the offering of the International Offer Shares (i) in the United States to QIBs in reliance on Rule 144A under the US Securities Act, or another available exemption from, or in transactions, not subject to, the registration requirements of the US Securities Act, or (ii) outside the United States in offshore transactions in accordance with Regulation S to certain investors (including offering to professional investors in Hong Kong other than retail investors in Hong Kong), for subscription or purchase (as the case may be) at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in "*Structure of the Global Offering*"

"International Trademart"	International Trademart Company Limited, a company incorporated in Hong Kong with limited liability on 10 November 1987 and an indirect wholly-owned subsidiary of the Company
"International Underwriters"	the underwriters named in the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering to be entered into among the Company, Hopewell, Boyen Investments and the International Underwriters on or about the Price Determination Date, as further described in "*Underwriting*"
"IRD"	Inland Revenue Department of the Hong Kong Government
"Island Century"	Island Century Limited, a company incorporated in Hong Kong with limited liability on 27 June 2011, and an indirect wholly-owned subsidiary of the Company
"Joint Bookrunners"	BOCI Asia Limited, Credit Suisse (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited, The Hongkong and Shanghai Banking Corporation Limited and Citigroup Global Markets Asia Limited
"Joint Global Coordinators" or "Joint Sponsors"	BOCI Asia Limited and Credit Suisse (Hong Kong) Limited (*in alphabetical order*)
"Kingbon Investment"	Kingbon Investment Limited, a company incorporated in BVI with limited liability on 7 March 2012, and an indirect wholly-owned subsidiary of the Company
"KITEC"	Kowloonbay International Trade & Exhibition Centre, located at 1 Trademart Drive, Kowloon Bay, Hong Kong
"Lands Tribunal"	the Lands Tribunal of Hong Kong, established under the Lands Tribunal Ordinance (Chapter 17 of the Laws of Hong Kong)
"Latest Practicable Date"	29 May 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Lepanto Ventures"	Lepanto Ventures Limited, a company incorporated in BVI with limited liability on 8 January 2013, a direct wholly-owned subsidiary of Strategy Key and an indirect wholly-owned subsidiary of the Company
"Linford Investments Limited" or "Linford"	Linford Investments Limited, a company incorporated in BVI with limited liability on 8 August 2008 and is held as to 100% by the Company
"LIS"	leasing information system

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 19 June 2013, on which the Shares become listed on the Main Board of the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Mega Sino"	Mega Sino Limited, a company incorporated in BVI with limited liability on 8 August 2008 and an indirect wholly-owned subsidiary of Sino Land
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company (as amended from time to time), a summary of which is set out in "*Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law*"
"MICE"	meetings, incentives, conferences and exhibitions
"Miu Kang Property"	the units of Miu Kang Terrace acquired and held by the Remaining Group
"Miu Kang Terrace"	a property located at No. 53 Ship Street and Nos. 1-5 Schooner Street, Wan Chai, Hong Kong, and which is immediately adjacent to the Nam Koo Property
"Nam Koo Property"	the property located at No. 55 Ship Street and Nos. 1, 1A, 2, 3 and 4, Hillside Terrace, Wan Chai, Hong Kong
"Non-Qualifying Hopewell Shareholders"	Hopewell Shareholders whose names appeared in the register of members of Hopewell at 4:30 p.m. on the Record Date and whose addresses as shown in such register are in any of the Specified Territories and any Hopewell Shareholders or Beneficial Hopewell Shareholders at that time who are otherwise known by Hopewell to be resident in any of the Specified Territories
"Novel Spring"	Novel Spring Limited, a company incorporated in BVI with limited liability on 9 January 2013, a direct wholly-owned subsidiary of Hopewell
"Oasis Castle"	Oasis Castle Holdings Limited, a company incorporated in BVI with limited liability on 18 February 2013, a direct wholly-owned subsidiary of Ever Urban and an indirect wholly-owned subsidiary of the Company

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK$17.80 and expected to be not less than HK$15.30, such price to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares (including, for the avoidance of doubt, the Employee Reserved Shares and the Reserved Shares), together with, where relevant, any additional Shares to be sold by Boyen Investments pursuant to the exercise of the Over-allotment Option
"Outstanding Borrowings"	the amount drawn under the HKD Revolving Facility and utilised by the Group and accounted for as bank borrowings by the Group, the amount of which as at 31 March 2013 was HK$3,700.0 million
"Over-allotment Option"	the option expected to be granted by Boyen Investments under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which Boyen Investments may be required to sell up to an additional 51,000,000 Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to, among others, cover over-allocations in the International Offering, if any, as described in "*Structure of the Global Offering*"
"Overseas Employee"	an employee of the Company, the Hopewell Group (including the Hopewell Highway Group but excluding the Group) or any of their respective subsidiaries or branches who is not a Hong Kong resident
"Parent Group"	Hopewell Group (excluding the Group)
"PIA"	PIA Entertainment (H.K.) Co., Limited, a company incorporated in Hong Kong with limited liability on 8 December 2008, held as to approximately 48% by Mr. Ahito NAKAMURA and approximately 52% by Independent Third Parties
"PINK Application Form(s)"	the application form(s) to be sent to Eligible Employees to subscribe for Shares pursuant to the Employee Preferential Offering
"Pink Form eIPO"	the application for Employee Reserved Shares to be issued in an Eligible Employee's own name by submitting applications online through the designated website of **Pink Form eIPO** at **www.eipo.com.hk**

"PPL"	Procelain Properties Limited, a company incorporated in BVI with limited liability on 19 January 1993 and an indirect wholly-owned subsidiary of the Company
"Praise Ever"	Praise Ever Investments Limited, a company incorporated in BVI with limited liability on 28 January 2013, a direct wholly-owned subsidiary of Strategy Key and an indirect wholly-owned subsidiary of the Company
"Preferential Offering"	the preferential offering to the Qualifying Hopewell Shareholders of 35,006,100 Offer Shares (representing no more than 10.3% of the Shares initially being offered under the Global Offering) as Assured Entitlement (assuming the Over-allotment Option is not exercised) and subject to the terms and conditions stated herein and in the **BLUE** Application Form, as further described in *"Structure of the Global Offering — The Preferential Offering"*
"Price Determination Date"	the date, expected to be on or about 12 June 2013, on which the Offer Price will be determined for the purposes of the Global Offering and, in any event, not later than 18 June 2013
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Qualifying Hopewell Shareholders"	Hopewell Shareholders, other than the Non-Qualifying Hopewell Shareholders, whose names appeared in the register of members of Hopewell at 4:30 p.m. on the Record Date
"Record Date"	Wednesday, 29 May 2013, being the record date for determining the Assured Entitlement of the Qualifying Hopewell Shareholders to the Shares
"Refinancing Facility"	a loan facility of an aggregate principal amount of HK$4,000.0 million obtained by the Group from a financial institution pursuant to an agreement dated 8 May 2013 and entered into between, among others, HHP Finance and Bank of China (Hong Kong) Limited, for the purposes of financing the repayment of the Outstanding Borrowings
"Regulation S"	Regulation S under the US Securities Act, as amended or supplemented from time to time
"Relevant Parties"	the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in this Global Offering
"Remaining Group"	Hopewell Group (excluding the Group and the Hopewell Highway Group)

"Reorganisation"	the reorganisation of the Group in preparation for the Listing, details of which are set out in "*Appendix VII — Statutory and General Information*"
"Reserved Shares"	the 35,006,100 Offer Shares (representing approximately 12.1% and 10.3% of the total number of Shares initially being offered under the International Offering and Global Offering, respectively (assuming that the Over-allotment Option is not exercised)) being offered by the Company to Qualifying Hopewell Shareholders pursuant to the Preferential Offering as Assured Entitlement and which are to be allocated out of the International Offer Shares
"Rich Treasure"	Rich Treasure Enterprises Limited, a company incorporated in BVI with limited liability on 1 November 2011 and an indirect wholly-owned subsidiary of the Company
"Rule 144A"	Rule 144A under the US Securities Act
"Sanho Investment"	Sanho Investment Limited, a company incorporated in BVI with limited liability on 23 February 2012, and an indirect wholly-owned subsidiary of the Company
"Savills Report"	an independent market research report dated 6 June 2013 on the Hong Kong property market, which was prepared by Savills (Hong Kong) Limited and commissioned by the Company, and set out in "*Appendix V — Market Research Report*"
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"SGSL"	Security Garage Services Limited, a company incorporated in Hong Kong with limited liability on 23 January 2008, is wholly-owned by Mr. Thomas Jefferson WU
"Share(s)"	ordinary share(s) in the capital of the Company with a nominal value of HK$0.10 each
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 29 April 2013 and by the Hopewell Shareholders on 23 May 2013, the principal terms of which are summarised in *"Appendix VII — Statutory and General Information — Share Option Scheme"*
"Shareholder(s)"	holder(s) of Shares
"Singapore Hopewell Shareholders"	Hopewell Shareholders as at the Record Date whose registered addresses are in Singapore
"Singway BVI"	Singway (B.V.I.) Company Limited, a company incorporated in BVI with limited liability on 25 March 1992 and an indirect wholly-owned subsidiary of the Company

"Sino Land"	Sino Land Company Limited, a company incorporated in Hong Kong with limited liability on 5 January 1971 and whose shares are listed on the Main Board of the Stock Exchange (stock code: 83) and is an Independent Third Party
"Specified Territories"	in respect of the Preferential Offering, mean Canada, Malaysia, New Zealand, Singapore, the United Kingdom and the United States, or such other territories which the Directors and the Company consider it necessary or expedient to exclude from the Preferential Offering on account of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
"Spin-off"	the spin-off of the Company by way of the Listing in accordance with Practice Note 15 to the Listing Rules
"Stabilising Manager"	Credit Suisse (Hong Kong) Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Boyen Investments and the Stabilising Manager on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Key"	Strategy Key Limited, a company incorporated in BVI with limited liability on 26 February 2013, a direct wholly-owned subsidiary of the Company
"subsidiaries"	shall have the meaning as ascribed to it in section 2 of the Companies Ordinance
"substantial shareholder(s)"	has the same meaning ascribed to it under the Listing Rules
"Sunlight REIT"	Sunlight Real Estate Investment trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO, the units of which are listed on the Main Board of the Stock Exchange (stock code: 435)
"Tactics Ace"	Tactics Ace Limited, a company incorporated in BVI with limited liability on 18 January 2013, a direct wholly-owned subsidiary of the Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases
"Track Record Period"	the three financial years of the Company ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unexposed Amalgamation Properties"	the Amalgamation Properties other than the Exposed Amalgamation Properties
"URA"	the Urban Renewal Authority in Hong Kong
"US Securities Act"	the United States Securities Act of 1933, as amended or supplemented from time to time and the rules and regulations promulgated under it
"US$"	United States dollars, the lawful currency of the United States
"US" or "United States"	the United States of America, its territories and possessions and all areas subject to its jurisdiction
"WHITE Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in an applicant's own name
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yeeko"	Yeeko Investment Limited, a company incorporated in BVI with limited liability on 20 March 2006 and an indirect wholly-owned subsidiary of Hopewell
"YELLOW Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS

In this prospectus, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

In this prospectus, unless otherwise stated, amounts denominated in US dollars have been translated into HK dollars at an exchange rate of US$1.00 = HK$7.80 and certain amounts denominated in HK dollars have been translated into US dollars at an exchange rate of HK$1.00 = US$0.13, in each case for illustrative purposes only. Such conversions shall not be construed as representations that amounts in HK or US dollars were or could have been or could be converted into HK dollars or US dollars (as the case may be) at such rates or any other exchange rates on such date or any other date.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and charts may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all references to any shareholdings in the Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

This glossary of technical terms contains terms used in this prospectus (except the Market Research Report contained in "Appendix V — Market Research Report") as they relate to our business. As such, these terms and their meanings may not always correspond to the standard industry meaning or usage of these terms, in particular, in the context of valuation methodology.

"average monthly effective rent"	in relation to any investment property, is the simple average of the monthly effective rent per leased square foot, which is defined as the monthly net rental income divided by the gross rentable area of that property, adjusted for the occupancy rate
"average monthly spot rent"	in relation to any investment property, is the monthly base rent of a property, excluding management fee, transacted during a defined period of time. The average monthly spot rent is essentially the market rental rate of the premises when the Group executes a tenancy agreement with its tenant. The calculation of the average monthly spot rent is only limited to office premises and cannot be applied in the case of retail premises given that the calculation of spot rent takes into account the various tenancy agreements signed for the calendar month. As there are limited tenancy transactions for retail premises, if not none, within a calendar month, the Company is unable to make such calculations if there are no tenancy transactions for retail premises. In the case of the Group's office premises, given the number of office premises for each property are significantly more than the number of retail outlets, the higher turnover of tenancy transactions within a calendar month provides the Company with the data to calculate the average monthly spot rent for office premises. Furthermore, the spread in the rental rate for different locations of a retail premise within a building (for example, rent for the ground floor is significantly more than higher floors) is more significant in the case of retail premises than in office premises where the difference in rental between different floors is less significant. As the difference in rental rate for different floors of a retail premise can be significant, it may be misleading to calculate the average monthly spot rent for retail premises. The average monthly spot rent is not applicable in the case of the Group's serviced apartments as the monthly rental rate is already marked to the market rate given the majority of leases at GardenEast is between one to six months. The short tenancy period allows the Group to continuously match or update its rental rate for serviced apartments to the market rate.
"average occupancy rate"	the average of the occupancy rate as at the end of each month in the relevant period

"base rent"	in relation to any property in any period, the aggregated total of the rental income accrued under all the lease agreements in effect during that period
"CAGR"	compound annual growth rate
"CBD"	central business district
"conference hotel"	a hotel which provides facilities and services geared to meet the needs of large group and association meetings and trade shows. Typically, a conference hotel has more than 500 guest rooms and contains substantial amount of function and banquet space, normally over 30,000 sq. ft.
"deed of mutual covenant"	in respect of a multi-ownership building in Hong Kong, the legal document registered in the Land Registry of Hong Kong which sets out the rights, interests and obligations of the owners, occupiers, tenants and property management agents in respect of the control, administration, maintenance and management of private properties, common parts and facilities of the building
"Grade A"	modern with high quality finishes, flexible layout, large floor plates, spacious, well decorated lobbies and circulation area, effective central air-conditioning, good lift services zoned for passengers and goods deliveries, professional management and parking facilities normally available
"gross floor area" or "GFA"	the area contained within the external walls of the building measured at each floor level (including any floor below ground level) including the overall area of any balcony and the thickness of the external walls of the building, which in general excludes any area which has been disregarded as constituting gross floor area by the Buildings Department
"gross rentable area" or "GRA"	the area of a property as determined by the Company at any given time to be rentable with the inclusion of its apportioned share of common or service areas used in common for the property as a whole and also those areas used for ancillary purposes in relation to the management and care-taking of the property (excluding area of car parking spaces)
"gross rental income" or "rental income"	in relation to any property, the gross amount of the rental income recognised from the property, comprising base rent, turnover rent, licence fees, car park gross income, and other income recognised in respect of the property together with service charges, management fees, air conditioning charges, promotional levy and any other supplementary charges in respect of the property
"marketable title"	a title which is saleable by an appropriate special condition in the agreement for sale and purchase, making full disclosure of all the title issues or circumstances of the relevant property

"MTR"	mass transit railway, a rapid transit railway system in Hong Kong operated by MTR Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 66)
"net rental income"	gross rental income less outgoings
"occupancy permit"	a written permit issued by the Building Authority in Hong Kong certifying that the relevant development or building is fit for occupation (and stipulating the designated user of the development or building) or the corresponding document issued by the relevant authority in another jurisdiction
"occupancy rate"	the percentage of total area comprising those already leased and occupied by tenants, reserved for specific uses and those where in respect of which leases have been committed but not yet commenced over total gross rentable area
"outgoings"	all costs associated with the management of the property including but not limited to, staff costs, chilled water charges and electricity, marketing expenses, ice rink expenses, carpark expenses, air conditioning expenses, cleaning charges, building maintenance and services, lift maintenance and, in respect of vacant areas, government rent
"rental reversion"	in respect of any property, the difference between the new rental rate achieved upon lease renewal or entry into a new lease and the expiring or prior rental rate for that property
"retention rate"	in relation to any property during any period, the quotient of (a) the aggregate area attributable to leases which are renewed (whether in respect of the same space or other space in that property) in that period in that property divided by (b) the aggregate area attributable to leases which expire in that period in that property
"RevPAR"	revenue per available room, which is calculated by dividing the total hotel room revenue by the total number of room nights available for sale in a given period
"segment revenue"	segment revenue is comprised of (i) turnover as presented in combined statements of profit or loss and other comprehensive income, (ii) gross proceeds from sale of investment properties held for sale and (iii) our share of revenue of jointly controlled entities
"sq. ft."	square feet. Where an area in square metres is converted into sq. ft., it is converted at the ratio of 1 sq. m. : 10.764 sq. ft.
"sq. m."	square metre (see also definition of "sq. ft." above)

"weighted average lease term to expiry"	in relation to any property as at 31 December 2012, means the quotient of (1) the aggregate total of (a) the GRA of the property subject to each existing lease as at 31 December 2012 multiplied by (b) the number of calendar months in that existing lease, divided by (2) the aggregate total of the GRA subject to all the leases in respect of that property as at 31 December 2012