



Stock Code 股份代號: 54

HOPEWELL Holdings Limited Annual Report 2007

合和實業有限公司二零零七年年報



HOPEWELL 35TH ANNIVERSARY CELEBRATION



Hopewell Holdings Limited, based in Hong Kong, was listed on the Stock Exchange of Hong Kong in 1972 (stock code: 54). With diversified interests spread across **property investment and development, highway infrastructure, power plants, hotel and hospitality businesses**, the Hopewell Group is considered one of the premier class of companies in Hong Kong. We are celebrating our 35th anniversary during the year.

BUSINESS SHOWCASE



Hopewell Centre
in Wanchai

Phase I of the Western
Delta Route linking
Guangzhou to Shunde



Guangzhou-Shenzhen
Superhighway

Panda Place in Tsuen Wan



EMax in Kowloon Bay



Panda Hotel in Tsuen Wan



Hopewell New Town in Huadu, Guangzhou



QRE Plaza in Wanchai



Hong Kong-Zhuhai-Macau
Bridge Project
(proposed by Hopewell)



Construction of Phase II of the Western
Delta Route linking Shunde to Zhongshan
(Under Construction)

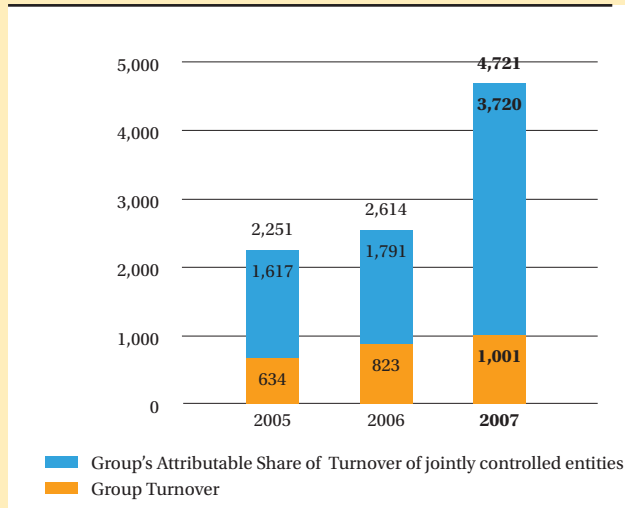
Heyuan Power Plant
(Under Construction)

CONTENTS

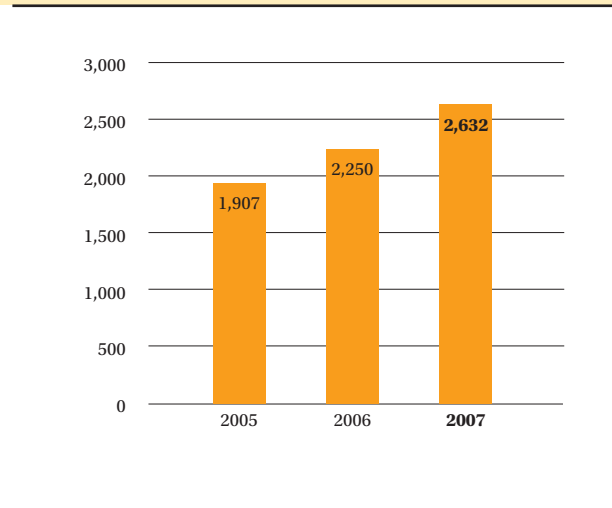
| | |
|------------|---|
| 2 | Financial Highlights |
| 3 | 5-Year Financial Summary |
| 4 | Chairman's Statement |
| 8 | Profile of Directors |
| 14 | Management Discussion & Analysis |
| 14 | <i>Operations Review</i> |
| 15 | Property |
| 21 | Infrastructure |
| 31 | Hotel and Catering |
| 33 | Others |
| 34 | <i>Financial Review</i> |
| 38 | Corporate Governance Report |
| 44 | Report of the Directors |
| 59 | Corporate Information |
| 61 | Financial Report |
| 62 | Independent Auditor's Report |
| 63 | Consolidated Income Statement |
| 64 | Consolidated Balance Sheet |
| 66 | Company Balance Sheet |
| 67 | Consolidated Statement of Recognised Income and Expense |
| 68 | Consolidated Cash Flow Statement |
| 71 | Notes to the Consolidated Financial Statements |
| 123 | List of Major Properties |

FINANCIAL HIGHLIGHTS

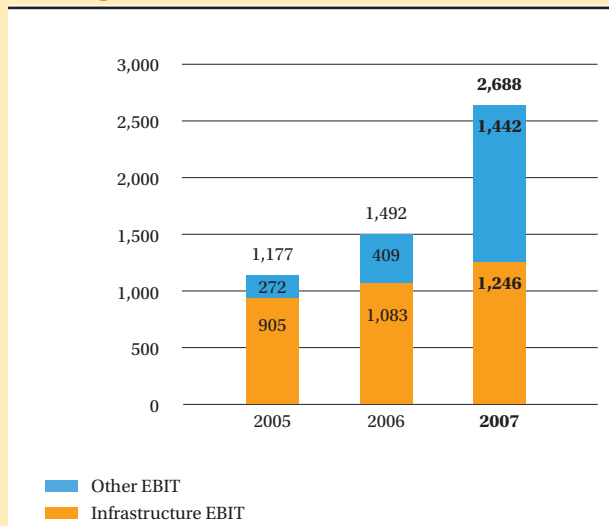
Turnover (HK\$m)



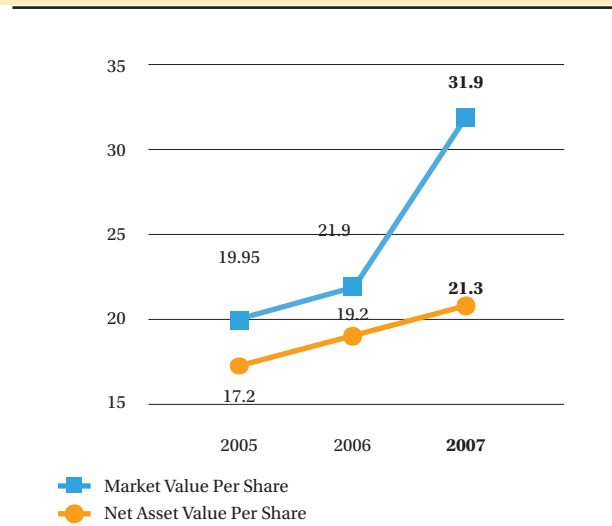
Profit Attributable to Equity Holders (HK\$m)



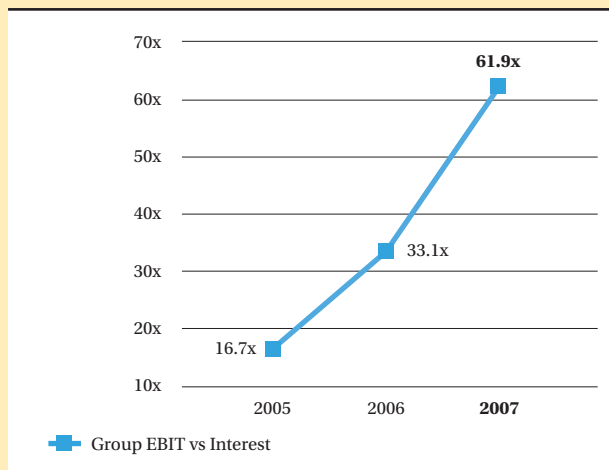
Earnings before Interest and Tax (HK\$m)



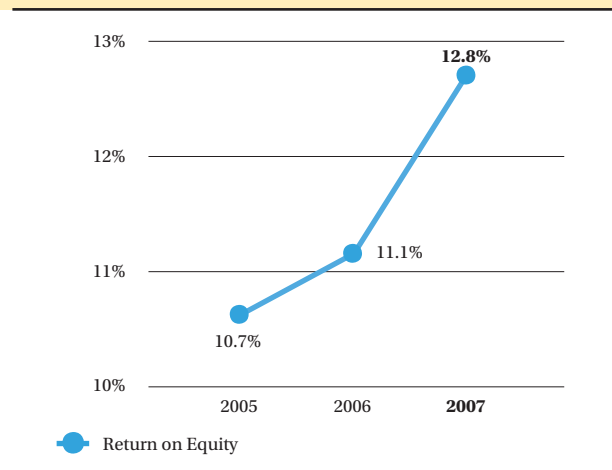
Market Value Per Share vs NAV Per Share (HK\$)



Group EBIT vs Interest



Return on Equity*



* Based on net profit before property revaluation gain and attributable deferred tax

5-YEAR FINANCIAL SUMMARY

Consolidated Results

| (in HK\$ million) | Year ended 30th June | | | | |
|--|----------------------|--------------|--------------|--------------|--------------|
| | 2003* | 2004* | 2005* | 2006* | 2007 |
| Turnover | 741 | 613 | 634 | 823 | 1,001 |
| Profit before taxation | 833 | 1,955 | 2,318 | 2,670 | 3,139 |
| Taxation | (122) | (26) | (74) | (68) | (112) |
| Profit before minority interests | 711 | 1,929 | 2,244 | 2,602 | 3,027 |
| Minority interests | (99) | (311) | (337) | (352) | (395) |
| Profit attributable to equity holders | 612 | 1,618 | 1,907 | 2,250 | 2,632 |

* Interest income from loans to jointly controlled entities (undertaking infrastructure projects) which was previously included in turnover, has been reclassified and included in share of profits of jointly controlled entities. Comparative amounts have been restated accordingly. The reclassification has had no impact on the profit before taxation for the years presented. Please refer to note 6 to the consolidated financial statements for details.

Consolidated Balance Sheet

| (in HK\$ million) | As at 30th June | | | | |
|--|-----------------|----------------|----------------|----------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Investment properties | 5,655 | 5,563 | 6,116 | 6,537 | 6,870 |
| Property, plant and equipment | 1,493 | 462 | 441 | 459 | 449 |
| Prepaid land lease payment | - | 640 | 791 | 973 | 983 |
| Properties for or under development | 1,018 | 189 | 201 | 232 | 336 |
| Interests in jointly controlled entities | 8,207 | 6,122 | 6,526 | 6,950 | 7,103 |
| Long-term loans and receivables | - | 2,199 | 1,216 | 1,039 | 283 |
| Defeasance/pledged deposits | 1,681 | 95 | 94 | - | - |
| Other non-current assets | 575 | 747 | 33 | 310 | 379 |
| Current assets | 1,241 | 4,873 | 4,233 | 4,884 | 7,959 |
| Total assets | 19,870 | 20,890 | 19,651 | 21,384 | 24,362 |
| Non-current liabilities | (3,921) | (1,699) | (811) | (743) | (816) |
| Current liabilities | (2,171) | (2,673) | (905) | (545) | (1,314) |
| Total liabilities | (6,092) | (4,372) | (1,716) | (1,288) | (2,130) |
| Share based compensation reserves of a subsidiary | - | - | - | - | (2) |
| Minority interests | (125) | (2,419) | (2,469) | (2,862) | (3,059) |
| Shareholders' equity | 13,653 | 14,099 | 15,466 | 17,234 | 19,171 |

Per Share Basis

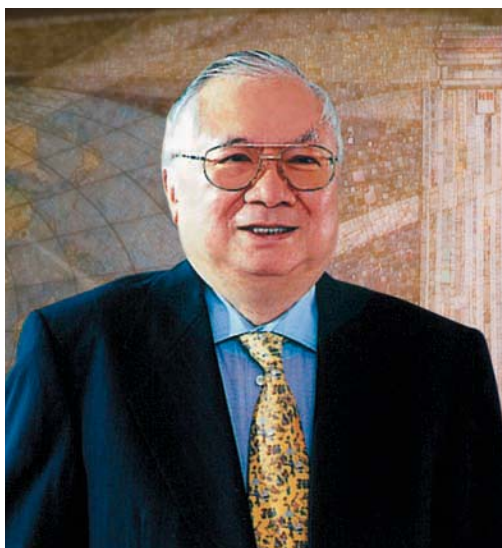
| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------|------|-----------------|-----------------|------|------------------------|
| Basic earnings per share (HK cents) | 70 | 183 | 213 | 250 | 293 |
| Dividend per share (HK cents) | 25 | 70 [#] | 80 [#] | 84 | 155[#] |
| Net asset value per share (HK\$) | 15.6 | 16.0 | 17.2 | 19.2 | 21.3 |

[#] Special dividend included - 2007: HK35 cents, 2005: HK30 cents, 2004: HK30 cents

Financial Ratios

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------------|------|-------|-------|-------|--------------|
| Net debt to equity | 14% | N/A | N/A | N/A | N/A |
| Net debt to total capitalisation | 11% | N/A | N/A | N/A | N/A |
| Return on equity | 4.5% | 10.2% | 10.7% | 11.1% | 12.8% |

CHAIRMAN'S STATEMENT



I am pleased to report to shareholders that the Group had another excellent year with profit attributable to equity holders of HK\$2,632 million for the financial year ended 30th June, 2007, an increase of 17% over HK\$2,250 million of last year. Basic earnings per share was HK\$2.93, an increase of 17% over HK\$2.50 of last year.

I am also pleased to announce that our Group celebrates its 35th Anniversary in August 2007.

Final Dividend and Special Dividend

The Board of Directors has proposed a final dividend of HK82 cents per share in respect of the year ended 30th June, 2007 which, together with the interim dividend of HK38 cents per share, will result in total dividends for the year of HK120 cents per share, up 43% from last year's HK84 cents. In view of the good performance and strong financial position, on the occasion of the 35th Anniversary of the Group, the Board of Directors has also decided to recommend the additional payment of a special dividend of HK35 cents per share. The dividends for this year (including the special dividend) represents a 57% payout of net profits (before effect of property revaluation gain).

Subject to approval of the shareholders at the forthcoming annual general meeting to be held on 4th October, 2007, the proposed final dividend and the special dividend will be paid on or about 5th October, 2007 to shareholders as registered at the close of business on 4th October, 2007.

Closure of Register

The Register of Members of the Company will be closed from Friday, 28th September, 2007 to Thursday, 4th October, 2007, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend and the special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 27th September, 2007.

Business Review

The Hong Kong economic environment remained strong, supported by robust domestic demand and strong financial markets. The PRC economy, particularly the Pearl River Delta

(“PRD”) region, continued to enjoy strong growth. The Macau economy was active in the aggressive expansion in its entertainment and gaming industry. Globally, major industrialized nations have recorded steady positive growth. The Group benefited from the favorable business environment in the past year. The three core businesses of the Group, namely, Property, Infrastructure and Hospitality, all recorded good results for the financial year.

In Hong Kong, the Group’s rental property business has recorded satisfactory growth. The average occupancy rate of Hopewell Centre, the flagship of the Group’s properties, maintained an optimal level of about 94%. Following the completion of the major renovation and ongoing enhancement works, Hopewell Centre is attracting more renowned corporations as tenants and the rental rates for both renewals and new lettings have increased substantially. The revamp of part of the Hongkong International Trade and Exhibition Centre into EMax, a major entertainment and destination shopping complex in Kowloon Bay, is planned to be completed in the fourth quarter of 2007. Pre-letting of EMax has started and market response is encouraging. The Star Hall, a new multi-purpose hall, is planned to be completed in the fourth quarter of 2007. Bookings have commenced and strong market response was received with the first show scheduled already. The QRE Plaza in Wanchai was topped out in December 2006 and it is currently planned to be completed in the third quarter of 2007. Upon completion, it will add to the Group’s investment portfolio of rental properties. Leasing activities of the QRE Plaza are well in progress and market response is encouraging. Superstructure work of the residential and commercial tower at 214-224 Queen’s Road East in Wanchai, also as rental property of the Group, commenced in February 2007 with completion currently planned to be in the fourth quarter of

2008. Foundation and site formation works of 12 Broadwood Road, Happy Valley, a residential property development which will also be held for long term investment purpose, commenced in January 2007 and the superstructure work is currently planned to be completed in the first quarter of 2010. Upon completion, these developments will further strengthen the Group’s recurring rental income base.

In Macau, for our Nova City project (of which the Group has a 50% interest), almost all the residential units of Phase I and II have been sold and construction of Phase III is well under way. The pre-sale of three blocks (out of four) of Phase III units was launched during the year with about 98% of them sold so far. In June 2007, the Group entered into a conditional agreement with a group company of one of the project joint venture partners to dispose of its 50% interest in the project as well as its interests in two related property management companies for a total consideration of HK\$4,580 million in cash. The disposal, when completed, will enable the Group to capture the opportunity to early realize the value of its interests in the project and to secure a gain on disposal.

In the PRC, all the apartments and townhouses of Phase 1A of our Hopewell New Town project in Huadu, Guangzhou were completed and sold out. The development of Phase 1B is currently planned to be completed in the fourth quarter of 2008.

Being a socially responsible and environmentally friendly company, we have formed a special team to study and implement a variety of green initiatives in our properties, including power saving and recycling. These initiatives will not only help to protect our environment, but will also help to control operating costs.

The Group's infrastructure business continued to achieve steady growth. During the year, to manage the increasing traffic demand, we have spent much efforts and resources on improving the traffic management of the expressways in operation. Resources have also been deployed to enhance the safety facilities, strengthen the patrol and rescue services aiming to improve emergency handling efficiency and minimize traffic congestion caused by traffic accidents. As a result, the number of fatal in accidents had been substantially reduced. The joint venture agreement for Phase II of the Western Delta Route ("Phase II West") was approved by the relevant authorities with equity injection for the joint venture commenced during the year, and the construction of the expressway is proceeding. Preparation for Phase III of the Western Delta Route ("Phase III West") is under way and construction work will commence after obtaining approval from the relevant authorities. As reported in the media, feasibility studies on the Hong Kong-Zhuhai-Macau Bridge project have been substantially completed and the Central Government is highly supportive of the project. Hopewell Highway Infrastructure Limited ("HHI"), the Group's listed subsidiary, is confident that it will be in an advantageous position to assume an important role in this project once it proceeds to the tendering stage.

On 9th August, 2007, a wholly-owned subsidiary of HHI entered into an agreement with one of the joint venture partners of the Guangzhou East-South-West Ring Road joint venture for the sale of its entire interest, including rights, duties and obligations in the Guangzhou East-South-West Ring Road joint venture, for a consideration of RMB1,712.55 million. Completion of the agreement is subject to approval of the transaction by the respective shareholders of the Company and HHI and the

approval of the relevant PRC authorities within 180 days of the date of the agreement (or such other date as the parties may mutually agree).

The Group's hospitality business also continued to achieve healthy improvement. The Panda Hotel maintained an average room occupancy rate of about 84% level whereas the average room rate has increased slightly. For the proposed Mega Tower Hotel project, the Group's appeal against the Town Planning Board's rejection to the Group's planning application of 2004 is in process. Other alternatives in realizing the project are under review from time to time by the Group.

For the new power plant project in Heyuan City, Guangdong province, project approval of the 2 x 600 MW ultra super-critical coal-fired power plant project has been obtained and construction work of the project is in progress. Commercial operation is presently planned to commence in 2009.

On the financial side, the Group benefited from the continuing appreciation of Renminbi. The Group has net cash balances of about HK\$5.8 billion (the Company : HK\$1.9 billion; HHI : HK\$3.9 billion) and undrawn banking facilities of HK\$13.8 billion (the Company : HK\$10.2 billion; HHI : HK\$3.6 billion) as at the balance sheet date. This strong financial position enables us to capture any good investment opportunities in future.

Prospects

The prospects for the global economy continue to be positive. The PRC is expected to continue its robust economic growth especially in the PRD region from which Hong Kong will continue to benefit.

The Group's activities will remain focus on its three core businesses - Property, Infrastructure and Hospitality. The property business is expected to be an important growth driver. The buoyant office and retail rental market in Hong Kong will provide us with a strong growth impetus. With the opening of EMax and completion of the QRE Plaza in the coming months, the Group's office and retail rental property portfolio will be strengthened. The other two new rental property projects in Hong Kong, which, upon completion in the next few years, will further strengthen the Group's investment portfolio of rental properties and thus enhance its recurring rental income base. We will work to increase the revenue from our Hong Kong investment properties. The present target under planning is to have an over 50% increase in such revenue by financial year 2011/12. The Group currently plans to continue the development of Hopewell New Town in phases according to market demand, and to seek opportunities to improve its landbank for future development.

It is our view that the stable growth in traffic flow and toll revenue and the increasing importance of the Guangzhou-Shenzhen Superhighway and the Phase I of the Western Delta Route in the PRD expressway network will continue. The construction work of Phase II West has been proceeding and is currently planned to be completed by end of 2009. The preparation work for project approval application of Phase III West is underway.

With HK\$19.6 billion of cash and available banking facilities, the Group is on a very solid ground to capture future investment opportunities.

Change of Director

The Board welcomes Mr. Yuk Keung IP joining the Company as an Independent Non-Executive Director and a member of the Audit Committee with effect from 13th August, 2007. Mr. IP also serves as an independent non-executive director and a member of the audit committee of HHI with effect from the same date.

Acknowledgement

I would like to take this opportunity to thank our shareholders, customers, suppliers and business partners for their continuous support and contributions. I would also like to express my gratitude to my fellow directors, management team and all staff members for their loyalty, support and hard work. Their efforts are invaluable in contributing to the strong performance of the Group in the past year and for future years to come.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 21st August, 2007

PROFILE OF DIRECTORS

EXECUTIVE DIRECTORS

Sir Gordon Ying Sheung WU GBS, KCMG, FICE



Aged 71, he is the Chairman of the Board of the Company. He is also the Chairman of Hopewell Highway Infrastructure Limited (“HHI”), the listed subsidiary of the Company, a director of various members of the Group and an independent non-executive director of i-CABLE Communications Limited.

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

He is very active in civic activities and community service, his civic and community duties include :

In Hong Kong

| | |
|-------------------------|--|
| Member | Commission on Strategic Development |
| Member | Hong Kong Logistics Development Council |
| Vice President | The Real Estate Developers Association of Hong Kong |
| Member | The Greater Pearl River Delta Business Council |
| Patron | Hong Kong Logistic Association |
| Honorary Vice President | Hong Kong Football Association Limited |

In the PRC

| | |
|-----------------|--|
| Deputy Director | Chinese People’s Political Consultative Conference – Overseas Chinese Affairs Committee |
| Director | United Nations Association of China |
| Invited Expert | China Development Bank |

Sir Gordon received Honorary Doctorate Degrees from Hong Kong Polytechnic University, University of Strathclyde, UK and University of Edinburgh, UK. He is a Fellow of The Institution of Civil Engineers, UK, The Chartered Institute of Logistics and Transport in Hong Kong and Hong Kong Academy of Engineering Sciences. He is also a Honorary Fellow of Australian Society of Certified Practising Accountants. He has been appointed the Honorary Consul of The Republic of Croatia in the Hong Kong SAR. His other awards include:

Honorary Citizen

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

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

Mr. Eddie Ping Chang HO

Aged 74, he has been the Managing Director of the Company since January 2002, the Vice Chairman of the Company since August 2003 and is responsible for the overall management of the Group. He is the Chairman of the Remuneration Committees of both the Company and HHI, Vice Chairman of HHI and a director of various members of the Group. He was previously the Deputy Managing Director since the Company was listed on the Stock Exchange in 1972. He has extensive experience in implementation of property development and major infrastructure strategic development projects and has been involved in developing all of the Group projects in the PRC, including highway, hotel and power station projects. He is an Honorary Citizen of the cities of Guangzhou, Foshan and Shenzhen, and the Shunde District in the PRC. He is father of Mr. Eddie Wing Chuen HO Junior, an Executive Director of the Company.





Mr. Thomas Jefferson WU

Aged 34, an Executive Director of the Company since June 2001 and the Chief Operating Officer since January 2002. He was appointed Deputy Managing Director of the Company in August 2003 and was promoted to Co-Managing Director of the Company in July 2007. He is also the Managing Director of HHI and a director of various members of the Group. Mr. WU joined the Group in 1999 as manager of Executive Committee Office, and was promoted to Group Controller in March 2000. He has been involving in the review of the Group's operational performance, strategic planning and organizational effectiveness and has upgraded the financial and management accounting systems of the Group. He holds a Master of Business Administration degree from Stanford University and a Bachelor of Science degree in Mechanical and Aerospace Engineering from Princeton University. In 2006, the World Economic Forum selected Mr. WU as a "Young Global Leader". He is a member of the Huadu District Committee of The Chinese People's Political Consultative Conference and an Honorary Citizen of the City of Guangzhou in the People's Republic of China. Mr. WU is also a member of the Advisory Committee of the Securities and Futures Commission and acts as the Honorary Consultant of the Institute of Accountants Exchange, Honorary President of the Association of Property Agents and Realty Developers of Macau, Honorary President of the Association of Huadu in Macau, Honorary President of the Macau Ice Sports Federation, Chairman of Hong Kong Amateur Hockey Club Limited and Hong Kong Academy of Ice Hockey Limited, Vice Chairman of The Chamber of Hong Kong Listed Companies and an independent director of Melco PBL Entertainment (Macau) Limited. He is a son of Sir Gordon Ying Sheung WU, Chairman of the Board and Lady Ivy Sau Ping KWOK WU JP, Non-Executive Director of the Company.



Mr. Josiah Chin Lai KWOK

Aged 55, he was appointed Deputy Managing Director of the Company in January 2002 and is also a director of various members of the Group. He is a solicitor. Previously, he worked as a consultant to the Group on various important projects such as Guangzhou-Shenzhen-Zhuhai Superhighway, Shajiao B and C Power Stations, etc. Afterwards, he worked as Secretary for The Hong Kong Association of Banks, Legal Director of The Airport Authority, Hong Kong and Group Legal and Compliance Director of the BNP Paribas Peregrine Group.



Mr. Robert Van Jin NIEN

Aged 59 and an Executive Director of the Company since 1980, he is responsible for corporate affairs, administration, property and leasing management of the Group. He is also a director of various members of the Group and a non-executive director of Uni-Asia Finance Corporation, a company listed in Singapore. He holds a Master of Business Administration degree from University of Pennsylvania's Wharton Graduate Business School.

Mr. Albert Kam Yin YEUNG

Aged 56, he was appointed as an Executive Director of the Company in November 2002 and is also a director of various members of the Group. Prior to joining the Group, he was a director of WMKY Limited from 1986 to 1998 and acted as a consultant of the Group's development and construction projects. He holds a Bachelor of Architecture degree from the University of Hong Kong. He is a Registered Architect, an Authorized Person, and a member of The Hong Kong Institute of Architects and various professional bodies.



Mr. David Yau-gay LUI

Aged 62, he was appointed as an Executive Director of the Company in 1997 and is currently a director of certain member of the Group. He was previously a director of Hopewell (Thailand) Limited and has been involved in the Group's Bangkok Elevated Road and Train System project in Thailand since 1990. He was the Founding Director of Pat Davie Ltd., one of the leading interior design and contracting firms in Hong Kong.



Mr. Andy Lee Ming CHEUNG

Aged 41, he was appointed as an Executive Director of the Company in July 2003 and is also a director of various members of the Group. He joined the Group in 1997. He is involved in the Group's financial activities and development and control of the Group's investment projects. He holds a Bachelor degree in Business Administration from Boston University and a Master of Business Administration degree from McMaster University. He is a Certified Public Accountant of the State of Illinois in the United States. He has considerable experience in the areas of business development, finance and audit.



Mr. Eddie Wing Chuen HO Junior

Aged 38, he was appointed as an Executive Director of the Company in August 2003. He joined the Group in 1994 and held various management positions, including Director of Marketing and Sales and Deputy General Manager, at the Group's Hongkong International Trade and Exhibition Centre in Kowloon Bay. He holds a Bachelor of Arts degree from California State University in the United States. He is a son of Mr. Eddie Ping Chang HO, the Vice Chairman and Managing Director of the Company.



Mr. Barry Chung Tat MOK

Aged 48, he was appointed an Executive Director of both the Company and HHI in August 2005. He has a Bachelor Degree in Economics/Accounting from the University of Reading, United Kingdom. He has extensive knowledge in corporate finance and project finance. He was previously the Chief Executive of BOCI Capital Limited.



Mr. William Wing Lam WONG

Aged 50, he was appointed an Executive Director of the Company on 18th January, 2007. He has a Bachelor Degree in Land Economy from Aberdeen University, United Kingdom and is a Registered Professional Surveyor. He has over 20 years of experience in property and land matters. He has been an Associate Director of the Company since May 2005 responsible for property sales and leasing and is currently a director of certain members of the Group. Prior to joining the Company, he was a Director of Savills (Hong Kong) Limited, an international property consultants firm.



NON-EXECUTIVE DIRECTORS

Mr. Henry Hin Moh LEE

Aged 79, he has been with the Group since the Company was listed in 1972. He is a Non-Executive Director and a Consultant of the Company. Prior to his retirement from executive duties of the Company in December 2001, he was responsible for real estate development and property rental and sales of the Group. He was actively engaged in the property business in Hong Kong. He is a Honorary Citizen of the city of Foshan and the Shunde district in the PRC.

Lady Ivy Sau Ping KWOK WU JP

Aged 58 and a Non-Executive Director of the Company, she joined the board in August 1991. She serves on the committees and boards of numerous commercial and social organizations including Asian Cultural Council (Hong Kong), Asia Society and Hong Kong Red Cross. She is the wife of Sir Gordon Ying Sheung WU, Chairman of the Board and mother of Mr. Thomas Jefferson WU, Co-Managing Director of the Company.

Mr. Carmelo Ka Sze LEE

Aged 47, he was appointed as an Independent Non-Executive Director of the Company in March 2001 and was re-designated as a Non-Executive Director on 6th September, 2004. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practicing solicitor and a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries, which firm rendered professional services to the Group and received normal remuneration for such services. He is also a non-executive director of the other six public companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely, China Pharmaceutical Group Limited, The Cross-Harbour (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company, Limited and Termbray Industries International (Holdings) Limited. He is also an independent non-executive director of KWG Property Holding Limited, another public company listed on the Stock Exchange. He had also been an independent non-executive director of Pak Fah Yeow International Limited, Yunnan Enterprises Holdings Limited, China Everbright International Limited and Tern Properties Company Limited (all being public companies listed on the Stock Exchange) until September 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guy Man Guy WU

Aged 50 and an Independent Non-Executive Director of the Company, he joined the board in 1987. He is also a member of the Audit Committee of the Company. He has a Bachelor of Science degree in industrial engineering from Purdue University, U.S.A. He is also the Managing Director of the Liverton Group and Video Channel Productions Limited.

Ms. Linda Lai Chuen LOKE

Aged 69 and an Independent Non-Executive Director of the Company, she joined the board in August 1991 and is also a member of both the Audit Committee and Remuneration Committee of the Company. A graduate of the University of California at Berkeley, she has over 30 years of professional experience in the securities and investment field. She was the emeritus Managing Director of Dean Witter Reynolds (Hong Kong) Limited and Vice President (Private Wealth Management) at Morgan Stanley Inc.

Mr. Lee Yick NAM

Aged 60, he was appointed as an Independent Non-Executive Director of the Company in September 2004 and is also an Independent Non-Executive Director of HHI. He is the Chairman of the Audit Committees and a member of the Remuneration Committees of both the Company and HHI. He holds a certificate in management studies from Carnegie Mellon University of the United States in 1977. He has over 30 years' experience in the banking, investment and finance industry. He was an Executive Director of Liu Chong Hing Bank from 1990 to 2001. Prior to that, he was a Vice President at Citibank, Mellon Bank and American Express Bank. He was appointed as a member of the Hong Kong Deposit Protection Board on 1st July, 2004 and Chairman of its Investment Committee since July 2006.

Mr. Yuk Keung IP

Aged 55, he was appointed as an Independent Non-Executive Director and a member of the Audit Committee of both the Company and HHI on 13th August, 2007. He holds a Master of Science Degree in Accounting and Finance from Carnegie-Mellon University, Master of Science Degree in Applied Mathematics from Cornell University and Bachelor of Science Degree (Summa Cum Laude) in Applied Mathematics and Computer Science in Washington University, St. Louis. He has 29 years of banking experience in New York, San Francisco and Hong Kong, mostly with Citigroup. Mr. IP retired from Citigroup in June 2007 after holding various senior positions in wealth management, transaction services, corporate banking, financial institutions, global relationship banking and real estate finance.

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review



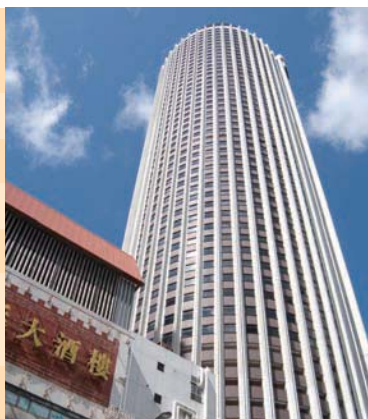
The Group's investment portfolio of rental properties includes:

Existing Rental Properties in operation

| Property | Location | Use | Approximate GFA (sq. ft.) |
|--------------------------------|----------------------------|---------------------------------------|---------------------------|
| Hopewell Centre | Wanchai, Hong Kong Island | Commercial and retail | 840,000 |
| HITEC | Kowloon Bay, Kowloon | Conference, exhibition and commercial | 839,000 |
| EMax | Kowloon Bay, Kowloon | Commercial and retail | 900,000 |
| Panda Place | Tsuen Wan, New Territories | Retail | 219,000 |
| Allway Gardens Shopping Arcade | Tsuen Wan, New Territories | Retail | 223,000 |

Rental Properties under development

| Property | Location | Use | Approximate GFA Under Present Planning (sq. ft.) |
|---------------------------|--------------------------------|----------------------------|--|
| QRE Plaza | Wanchai, Hong Kong Island | Commercial | 77,000 |
| 214-224 Queen's Road East | Wanchai, Hong Kong Island | Residential and commercial | 96,500 |
| 12 Broadwood Road | Happy Valley, Hong Kong Island | Residential | 113,900 |



Property

Rental Property

For the year ended 30th June, 2007, turnover of the property rental business rose 18% to HK\$390 million, representing about 39% of the Group's total turnover. EBIT increased by 9% to HK\$204 million. Both increases were mainly attributable to the strong performance of Hopewell Centre. To upgrade and improve the quality of our rental assets, renovation and improvement work have been carried out progressively in phases on certain existing rental properties during the year.

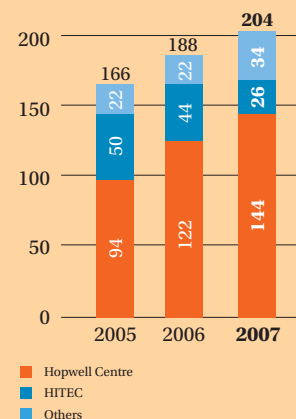
Hopewell Centre, Wanchai

The average occupancy rate of Hopewell Centre, flagship of the Group's rental properties, was maintained at an optimal level, as in the last corresponding year, at about 94%. The rental rates for both renewals and new lettings have been able to sustain the upward momentum. With the completion of major renovation and on-going enhancement works, the building is attracting more and more renowned corporations to set up offices and providing stable rental income to the Group. Gradual upgrading of the retail tenant mix on the lower levels of the building is being carried out in order to further enhance the building image and rental performance.

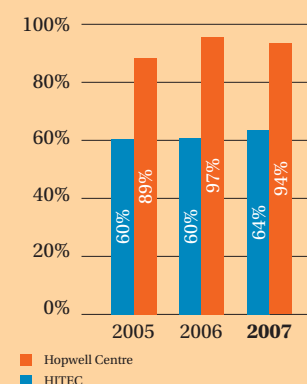
Hongkong International Trade and Exhibition Centre, Kowloon Bay

With the continuing improvement of the economy as a whole, and with more companies moving their business units away from high-rent major Central Business Districts like Central and Tsim Sha Tsui, the leasing performance of Hongkong International Trade and Exhibition Centre ("HITEC") has benefited. The building is currently undergoing a major revamp and part of HITEC, from B3 to 6/F, will be revamped as EMax, a 900,000 square feet entertainment and shopping destination. Completion of EMax is currently planned to be in the fourth Quarter of 2007 and the investment of approximately HK\$600 million on the revamp of HITEC will be funded within the Group. Market response to our pre-letting exercise is encouraging. As at 30th June, 2007, the occupancy rate of the whole building (retail and office) was approximately 73%.

Hong Kong Rental Property EBIT (HK\$m)



Hopewell Centre and HITEC Average Occupancy (%)





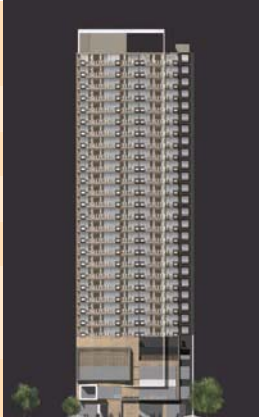
Due to temporary closure of some of the exhibition venues for the revamp of HITEC into EMax, the performance of the convention and exhibition business was affected during the year under review. Revenue was HK\$31 million as compared to last year's HK\$33 million. As part of the revamp, a new multi-purpose hall named "Star Hall" with a seating capacity of approximately 3,500 will be added to our list of venues and is scheduled to be completed in the fourth quarter of 2007. Bookings for the new Star Hall have already commenced and strong market response was received with the first show scheduled already.

Panda Place, shopping mall of Panda Hotel, Tsuen Wan

Panda Place is a 219,000 square feet shopping centre situated beneath the Panda Hotel. It opened for business in the second half of 2005 upon completion of the major renovation works. With the active leasing and promotional activities, the shopping mall has attracted a wide variety of tenants covering food and beverage, lifestyle and entertainment. The wide customer base covers the hotel guests, local families and working population in the area. The average occupancy rate was over 80% and the rental rate is on the growing trend. On-going improvement and upgrading works alongside with trade-mix enhancement programs have been implemented to facilitate the shopping centre to become a dynamic and exciting landmark in Tsuen Wan.

QRE Plaza, Wanchai

QRE Plaza is a 25-storey stylish commercial building situated opposite to Hopewell Centre. The superstructure work has been completed and the building is scheduled to be operational in the third quarter of 2007. The development will provide trendy food and beverage outlets on the lower floors and unique commercial tenants on the upper floors. The construction work of the footbridge linking QRE Plaza, Hopewell Centre and Wu Chung House will also be completed in the third quarter of 2007. The property will be held for long-term investment. Leasing activities are well in progress and market response is encouraging.



***Residential and Commercial Tower,
214-224 Queen's Road East, Wanchai***

The property is planned to be developed into a 28-storey building with 216 units of high quality serviced apartments. It offers conveniently located, stylish and high quality accommodations in the heart of Wanchai commercial district, aiming to capture the lucrative market of the expatriates and young professionals. Construction work is in progress and scheduled to be completed in the fourth quarter of 2008. The development will be held for long-term investment purpose.

Residential Development, 12 Broadwood Road, Happy Valley

The site is planned to be redeveloped into a 45-storey apartment building of luxurious quality for rental purpose. Foundation and site formation works of the development commenced in January 2007. The development will have a gross floor area of approximately 113,900 square feet and is targeted to be completed in the first quarter of 2010. Upon completion, the development will further strengthen the Group's recurring rental income base.

Allway Gardens Shopping Arcade, Tsuen Wan

In line with the Group's strategy to focus on high quality residential and commercial properties, the Group has contracted to dispose of its interest in the Allway Gardens Shopping Arcade which consists of retail shops and various car parking spaces. The transaction is expected to be completed in the fourth quarter of 2007.



Property Development

The Group's property development business includes its 50% interest in Nova City, Taipa Island, Macau and its 95% interest in Hopewell New Town in Huadu, Guangzhou, PRC.

Nova City, Taipa Island, Macau

Nova Taipa Gardens, in which the Group has a 50% interest, is a multi-phased joint venture residential and commercial property development on Taipa Island in Macau.

Construction of Nova City Phase I, with floor area of about 1,100,000 square feet, was completed and occupation permit obtained. So far, about 99% of the units have been sold and handover of units to flat owners commenced in September 2006.

Construction of Nova City Phase II, with floor area of about 864,000 square feet, was completed and occupation permit obtained. So far, about 98% of the units have been sold and handover of units to flat owners commenced in June 2007.

Construction of Nova City Phase III, with floor area of about 865,000 square feet, is well under way and completion is currently planned to be in 2008. The pre-sale of three blocks (out of four) of Nova City Phase III units was launched during the year under review and about 98% of those pre-sale units have been sold so far.

The remaining phases of the project, including Nova City Phase IV and Phase V, will be developed by stages and are under planning.



On 25th June, 2007, the Group entered into an agreement with the related company of one of its joint venture partners to dispose of its 50% interest in the project as well as its interests in two related property management companies for a total consideration of HK\$4,580 million in cash. An initial deposit of HK\$458 million has been paid to the Group's solicitors as stakeholder in the year under review. Completion of this disposal is subject to the satisfaction of the conditions precedent as provided under the agreement. The disposal, when completed, will enable the Group to capture the opportunity to early realize the value of its interests in the project and to secure a gain on disposal.

Hopewell New Town, Huadu, Guangzhou

The Group owns a 95% interest in Hopewell New Town, a composite development project in Huadu, Guangzhou. Huadu is one of the fastest growing districts in Guangzhou with the new Baiyun International Airport and the car manufacturing industry as the prime drivers. The project is planned to be developed in phases comprising of residential units, commercial space and a logistics complex. As it is just approximately 2 km from the Guangzhou Baiyun International Airport, it is ideally located to capture the robust demand for residential, commercial and logistics developments generated by the new airport.

All the apartments and townhouses of Phase 1A of the development, comprising 6 residential apartment blocks and 57 townhouses, have been completed and sold out. The Group is now planning for the development of the remaining phases and the design and plans are now being refined and pending Government approval. The development of Phase 1B of approximately 18,000 square metre, is currently planned to be completed in the fourth quarter of 2008.



Guangzhou-Shenzhen Superhighway



Phase II of the Western Delta Route



Heyuan Power Plant



Infrastructure

EBIT from infrastructure business for the year under review increased 15% from HK\$1,083 million of the last corresponding year to HK\$1,246 million due to the steady growth in traffic flow and toll revenue of the Guangzhou-Shenzhen Superhighway (“GS Superhighway”) and Phase I of the Western Delta Route (“Phase I West”), toll expressways invested by the Group’s listed subsidiary, Hopewell Highway Infrastructure Limited (“HHI”). The average daily toll revenue of Guangzhou East-South-West Ring Road (“ESW Ring Road”), another toll expressway invested by HHI, was about the same as last year.

HHI

The Group continues to retain approximately 73% shareholding in HHI which focuses on the initiation, promotion, development, investment and operation of toll expressways and bridges.

The persistent and robust economic development of the Guangdong Province and the Pearl River Delta region (the “PRD”) has generated both passenger and cargo flow, which resulted in large traveling demand. GS Superhighway and Phase I West have recorded continued steady growth in both traffic flow and toll revenue during the year under review. ESW Ring Road’s average daily toll revenue was about the same as last financial year. Compared to the last financial



year, aggregate average daily traffic and aggregate average daily toll revenue of the expressways recorded increases of 14% and 12% to 431,000 vehicles and RMB11,560,000 respectively. Total toll revenue for the year reached RMB4,219 million. Benefiting from Shenzhen’s traffic restrictions on heavy trucks on certain of its local roads since mid-September 2006, GS Superhighway’s average daily toll revenue has exceeded RMB10 million.

While the Central Government has implemented country-wide stricter control and approval policy on land use which make land acquisition and demolition more difficult and also prolong the time of land handover, the construction of Phase II of the Western Delta Route (“Phase II West”) has been proceeding. The preparation work for project approval’s application of Phase III of the Western Delta Route (“Phase III West”) is underway. According to the Outline Plan of the Eleventh Five-Year Plan on National Economic and Social Development, the Guangdong Provincial Government will accelerate the development in the western flank of the PRD. HHI believes that the Western Delta Route will benefit from the Plan.

In addition, the continuing expansion of the PRD expressway network, improved standard of living of people in the region, substantial increase in car ownership, rapid growth in passenger and freight transportation and logistics industry



also generate tremendous traffic demand in the region. HHI expects the stable growth in traffic flow and toll revenue and the increasing importance of the GS Superhighway and Phase I West will continue. At the same time, these growing economies will provide HHI with more commercial opportunities.

Benefiting from the continuing Renminbi appreciation, the GS Superhighway joint venture company has recorded exchange gains on retranslation of the United States dollar bank loans. As at 30th June, 2007, HHI had HK\$3.9 billion cash on hand and unutilized syndicated bank loan facility of HK\$3.6 billion. Such a solid financial position will definitely strengthen HHI's capabilities in capturing future investment opportunities.

On 9th August, 2007, a wholly-owned subsidiary of HHI entered into an agreement with one of the joint venture partners of the Guangzhou East-South-West Ring Road joint venture for the sale of its entire interest, including rights, duties and obligations in the Guangzhou East-South-West Ring Road joint venture, for a consideration of RMB1,712.55 million. Completion of the agreement is subject to approval of the transaction by the respective shareholders of the Company and HHI, and the approval of the relevant PRC authorities within 180 days of the date of the agreement (or such other date as the parties may mutually agree).



Project Summary

| | |
|--|--|
| Location | Guangzhou to Shenzhen, Guangdong, PRC |
| Length | 122.8 km |
| Lane | Dual three lane |
| Class | Expressway |
| JV Contractual Operation Period | Jul 1997 – Jun 2027 |
| Profit Sharing Ratio | Year 1-10: 50% Year 11-20: 48% Year 21-30: 45% |

Guangzhou-Shenzhen Superhighway

GS Superhighway is a 122.8 km long, closed system, fully lit dual three-lane expressway. It is currently the only expressway connecting Guangzhou, Shenzhen and Hong Kong. It is also the major artery in the PRD highway network with connections to the Guangzhou Ring Road, Guangzhou Second Ring Road (northern section), Humen Bridge, Dongguan Changhu Expressway, Shenzhen Jihe Expressway, Shenzhen Nanping Expressway and also other major cities, ports and airports in the region. It has demonstrated consistent steady growth in traffic and toll revenue since its opening to traffic in 1994. Over the past financial year, GS Superhighway’s average daily traffic rose 20% to 324,000 vehicles while its average daily toll revenue rose 14% to RMB10,035,000. The annual toll revenue increased to RMB3,663 million, representing an increase of 14% over the last year.

Since mid-September 2006, Shenzhen authorities have restricted heavy trucks to run on some of its local roads, requiring heavy trucks entering into the Huanggang Border Crossing to travel directly to GS Superhighway en route to other destinations. This arrangement helped boost traffic of the GS Superhighway.

The joint venture company has persisted in upgrading its service standard and improving its ancillary facilities. Within the reporting year, the joint venture company has completed the expansion of its Huanggang, Futian, Nantou, Fuyong and Xinqiao toll stations. It has also completed the construction of its Nanping toll station. Moreover, to increase its traffic management capability, additional surveillance CCTVs were installed. Resources have also been deployed to enhance the safety facilities, strengthen the patrol and rescue services aiming to improve emergency handling efficiency and minimize traffic congestion caused by traffic accidents. As a result, the number of fatal in accidents had been substantially reduced. The joint venture company will

continue to enhance the road patrol, rescue and traffic management in order to improve the traffic accident handling efficiency.

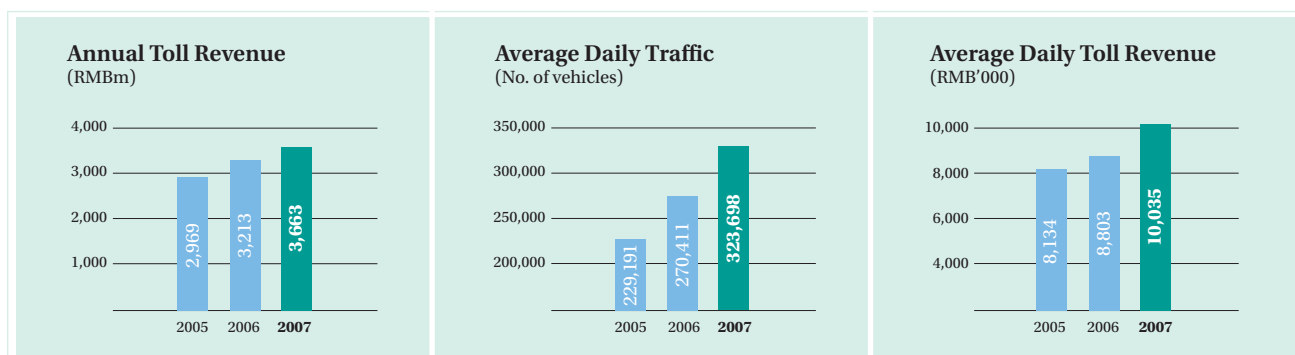
Starting from mid-July 2007, a section of the main alignment at the Machong interchange (southern direction) has temporarily been closed to effect repair and maintenance. As traffic management has been well organized to minimize inconvenience to road users, no significant impact on toll revenue of the GS Superhighway was observed.

As reported in the Interim Report, the joint venture company has agreed, subject to the approval of the Guangdong Provincial Government, to take up RMB725.14 million, a part of the additional investment of HHI incurred during the construction of the GS Superhighway and such approval has now been obtained. The above will not have a material impact on the results of the operation of HHI.

Also, as reported in the Interim Report, due to difficulties in changing the original land use to utilize land parcels already acquired within the interchanges and along the GS Superhighway for property development, and that the operation of space under elevated sections for shops has primarily ceased for some time due to various constraints, the above two projects will not be further proceeded with by the joint venture company.

With the continuous economic development of Guangdong Province and the rapid increase in car ownership, HHI believes that the traffic flow and toll revenue of GS Superhighway will maintain stable growth. To cater for the increasing traffic demand, the joint venture company has been actively refining the feasibility of widening GS Superhighway to dual five-lane.

According to the joint venture contract, HHI's profit sharing ratio has been adjusted from 50% to 48% since 1 July, 2007.





Project Summary

| | |
|--|--|
| Location | Guangzhou, Guangdong, PRC |
| Length | 38 km |
| Lane | Dual three lane |
| Class | Expressway |
| JV Contractual Operation Period | Jan 2002 – Dec 2031 |
| Net Cash Flow Sharing Ratio | Year 1-10: 45% Year 11-20: 37.5% Year 21-30: 32.5% |

Guangzhou East-South-West Ring Road

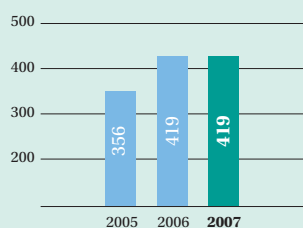
The ESW Ring Road is a 38 km long expressway, with connections to the GS Superhighway, Nansha Port Expressway, Phase I West, Guangfo Expressway, Guangzhou North Ring Road and the other major feeder roads of Guangzhou, creating a circular transportation artery surrounding the central part of Guangzhou. It serves an important function of relieving the inner city traffic pressure of Guangzhou and providing a speedy route for traffic to pass through Guangzhou en route to other destinations.

During the year under review, two local toll-free roads running parallel to a portion of the ESW Ring Road were opened which had diverted traffic from the ESW Ring Road.

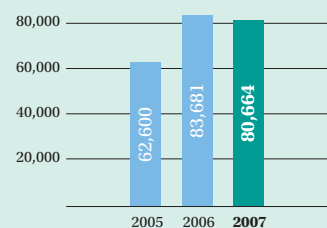
Over the past financial year, the average toll revenue was RMB1,149,000, maintaining at about the same level as the preceding financial year, whilst the average daily toll traffic decreased by 4% to 81,000 vehicles. The annual toll revenue was RMB419 million.

On 9th August, 2007, a wholly-owned subsidiary of HHI entered into an agreement with one of the joint venture partners of the Guangzhou East-South-West Ring Road joint venture for the sale of its entire interest, including rights, duties and obligations in the Guangzhou East-South-West Ring Road joint venture, for a consideration of RMB1,712.55 million. Completion of the agreement is subject to approval of the transaction by the respective shareholders of the Company and HHI, and the approval of the relevant PRC authorities within 180 days of the date of the agreement (or such other date as the parties may mutually agree).

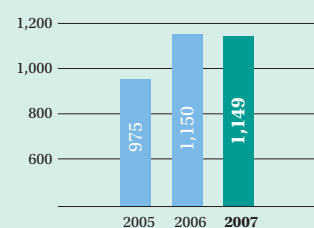
Annual Toll Revenue
(RMBm)



Average Daily Traffic
(No. of vehicles)



Average Daily Toll Revenue (RMB'000)





Project Summary

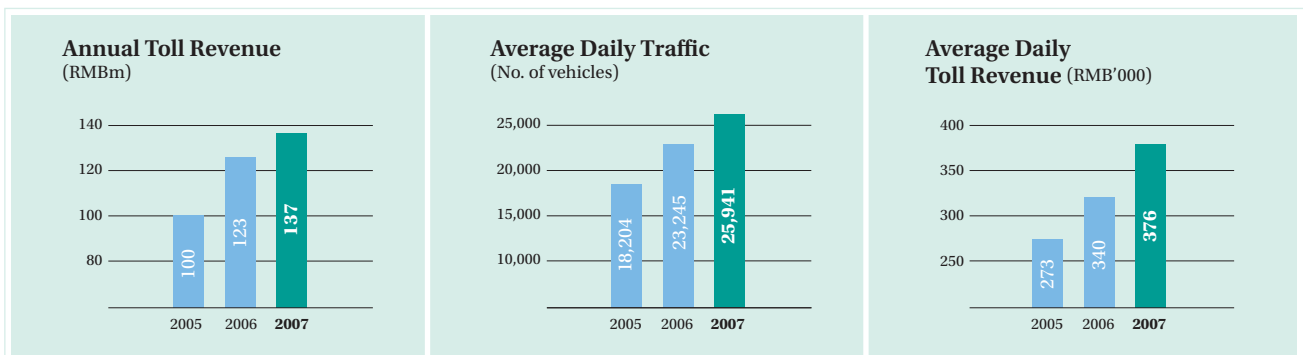
| | |
|---|-------------------------------------|
| Location | Guangzhou to Shunde, Guangdong, PRC |
| Length | 14.7 km |
| Lane | Dual three lane |
| Class | Expressway |
| JV Contractual Co-operation Period | Sep 2003 – Sep 2033 |
| Profit Sharing Ratio | 50% |

Phase I of the Western Delta Route

Phase I West is a 14.7 km closed system dual three-lane expressway. It has connections to the ESW Ring Road in the north and the National Highway 105 and Bigui Road of Shunde in the south. Currently, Phase I West is the only expressway linking Guangzhou and the Shunde District of Foshan.

In November 2006, a local toll-free road in Foshan, parallel to Phase I West was opened. This has resulted in traffic diversion and slowed down the growth of Phase I West. The joint venture company has been taking measures to attract more traffic.

Over the past financial year, the average daily toll revenue of Phase I West grew 11% to RMB376,000, while the average daily traffic grew 13% to 26,000 vehicles. The annual toll revenue reached RMB137 million.





Project Summary – Phase II West

| | |
|---|-------------------------------------|
| Location | Shunde to Zhongshan, Guangdong, PRC |
| Length | Approx. 46 km |
| Lane | Dual three lane |
| Class | Expressway |
| JV Contractual Co-operation Period | Apr 2007 – Sept 2038 |
| Profit Sharing Ratio | 50% |

Phase II and III of the Western Delta Route

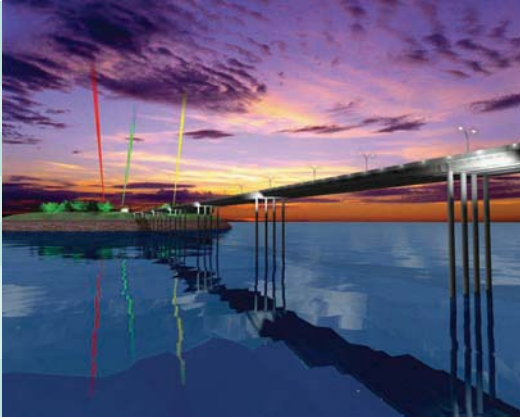
The Western Delta Route is to be constructed in three phases. Phase I West was completed and started operations in April 2004.

Phase II West will be a 46 km closed system dual three-lane expressway starting in the north from the Shunde end of Phase I West and extending southward to National Highway 105 and the proposed western expressway of Zhongshan. Upon completion, it will be the only presently planned expressway linking Guangzhou to the central part of Zhongshan. While the Central Government has implemented country-wide stricter control and approval policy on land use which make land acquisition and demolition more difficult and also prolong the time of land handover, the construction of Phase II West has been proceeding and is currently planned to be completed by end of 2009.

Phase III West will be a 38 km expressway starting in the north from the Zhongshan end of Phase II West and extending southward to Zhuhai. The total investment cost (excluding interest during construction period) is planned to be RMB3.6 billion. HHI reached consensus with its PRC partner (also the PRC partner of the Phase I West and Phase II West) on the terms of investment, construction and operation of the Phase III West. The preparation work for project approval's application of Phase III West is underway.

Project Summary – Phase III West

| | |
|---|---|
| Location | Zhongshan to Zhuhai, Guangdong, PRC |
| Length | Approx. 38 km |
| Lane | Dual three lane |
| Class | Expressway |
| JV Contractual Co-operation Period | Subject to the approval of the relevant PRC authorities |
| Profit Sharing Ratio | Proposed 50% |



Upon the completion of the Western Delta Route, it will be a strategic expressway directly linking up Guangzhou and Zhuhai along the western bank of the PRD. According to the Outline Plan of the Eleventh Five-Year Plan on National Economic and Social Development, the Guangdong Government will accelerate the development in the western flank of the PRD. HHI believes that the Western Delta Route will benefit from the Plan.

Hong Kong-Zhuhai-Macau Bridge Project

As reported in the media, feasibility studies on the Hong Kong-Zhuhai-Macau Bridge project have been substantially completed and the Central Government is highly supportive of the project. HHI is confident that it will be in an advantageous position to assume an important role in this project once it proceeds to the tendering stage.

Heyuan Power Plant

Heyuan Power Plant is a 2 x 600 MW ultra super-critical coal-fired power plant which is located in Heyuan City, Guangdong province. Project approval was obtained and construction work of the project is in progress, with commercial operation presently planned to be in 2009. The total project cost is estimated to be about RMB5.4 billion.

The Group's subsidiary owns an interest of 40% whilst the remaining 60% is being owned by the Shenzhen Energy Group, the former joint venture partner of the Group in the very successful Shajiao B Power Plant Project in China.

High standards of service



Panda Hotel



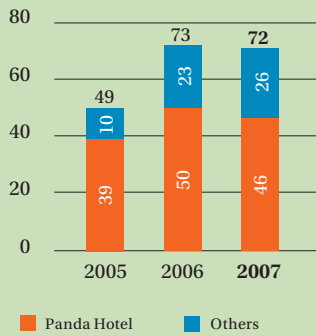
High quality food



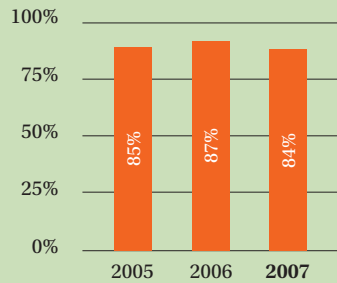
Upgraded suite at Panda Hotel



Hospitality EBIT (HK\$m)



Panda Hotel Average Occupancy (%)





Hotel and Catering

Turnover of the hospitality business for the year under review rose slightly to HK\$379 million. Panda Hotel performed satisfactorily and the performance of its restaurant and catering services improved. However, the closure and relocation of the catering outlets at HITEC as part of the HITEC revamp exercise has temporarily affected their performance during the year under review.

Panda Hotel, Tsuen Wan

The hotel industry was adversely affected by several incidents that had negatively impacted Hong Kong hotel industry, namely, news on ill treatment of Mainland visitors and shoppers and the suspension of cableway service of Ngong Ping 360. During the year under review, supply of new hotel rooms increased the competition of the hotel market. Against these challenges, Panda Hotel achieved a satisfactory performance.

For the year under review, average room occupancy was 84% and the average room rate increased slightly as compared to last year. Total Hotel revenue was HK\$205 million, which was slightly above last year by HK\$5 million. Hotel room revenue was sustained at the HK\$134 million level this year through the attracting of more individual leisure travellers and business customers, and enhancement of standards of service to achieve higher average room rate. The management has also focused on marketing schemes and ongoing renovation and upgrading programmes to meet the competition from upcoming new hotels. The restaurant and catering revenue for the year of HK\$61 million was above last year by HK\$4 million. Food & Beverage marketing schemes including attractive promotions and packages for corporate, association, and meeting incentive convention exhibition (MICE) clients have been strengthened to maintain the momentum of business growth.



Restaurants and Catering Services

The Revolving 66 Restaurant (“R66”) at Hopewell Centre, the only revolving restaurant in Hong Kong, continues to be a very popular venue amongst tourists and local residents. Joint promotions and other promotional offers have increased its profile both locally and internationally. As a result of these efforts, R66 enjoyed an excellent year with 19% increase in revenue.

The catering outlets at HITEC were repositioned as part of the HITEC revamp plan. MENU, a new western restaurant, opened in November 2006 to replace the Grand Buffet Restaurant. Continuous promotion packages and marketing schemes were launched to build up reputation and public awareness of the restaurant. The Yuet Loy Heen Chinese Restaurant was closed in April 2007 and a new Chinese restaurant, Xi Shan, was opened in July 2007.

The business of Bayern Gourmet Food, a manufacturer and supplier of sausages, meats and fish products, continued to perform satisfactorily. On the retail side, promotion counters were set up in supermarkets to increase public awareness of its brands and products. Overall, Bayern Gourmet Food’s revenues rose slightly during the year.

Mega Tower Hotel, Wanchai

The Group is committed to pursue its plan to develop the proposed 2,000-room Mega Tower Hotel at the adjacent site to the west of Hopewell Centre. The appeal against the Town Planning Board’s rejection to the Group’s planning application of 2004 is in process. Other alternatives in realizing the project are under review from time to time by the Group.



Others

Employees and Remuneration Policies

The Group has approximately 1,200 employees as at 30th June, 2007 and offers competitive remuneration packages to employees based on the prevailing market practices and individual performance. The Group also adopted share option scheme and share award scheme for the purposes of recognizing contributions by, and giving incentives to, the employees. Details of the schemes are set out in the Report of the Directors. The Group also provides medical and personal accident insurance coverage to all staff members. During the year, various staff events, such as Annual Dinner, Staff Appreciation Lunch, Bowling Night and staff recreation and sports events, were organized to build closer relationship.

Training programs for improving employee productivity were conducted in the past year on an ongoing basis. They included Elementary and Putonghua Courses which aimed at enhancing the communication skills and Red Cross First Aid Course which aimed at increasing safety awareness and accident prevention in the Group.

Community Relations

During the year, the Group continued to support various community services which included a donation to Hong Kong Arts Centre to support art and creative industry, sponsorship of community events such as Hong Kong Arts Festival, Dress Casual Day, Walk for Millions, CHKLC Football Competition, Olympic Day Run, MTR Race Walking etc.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

GROUP RESULTS

Overview

For the year ended 30th June, 2007, the Group's turnover by activities and their respective earnings before interest and tax are reported as follows:

| <i>In HK\$ million</i> | Turnover (Note 1) | | Earnings before interest & tax (Note 2) | |
|--|-----------------------------|--------------|---|--------------|
| | 2006 | 2007 | 2006 | 2007 |
| Property letting, agency & management | 331 | 390 | 188 | 204 |
| Property development | 108 | 227 | 48 | 1,067 |
| Infrastructure project investment | 7 | 5 | 1,083 | 1,246 |
| Hotel operations, restaurant & catering | 377 | 379 | 73 | 72 |
| Others | - | - | 100 | 99 |
| | 823 | 1,001 | 1,492 | 2,688 |
| Share of turnover of jointly-controlled entities | | | | |
| Property development | 56 | 1,694 | | |
| Infrastructure project investment | 1,735 | 2,026 | | |
| | 2,614 | 4,721 | | |

| <i>In HK\$ million</i> | Results | |
|---|----------------|--------------|
| | 2006 | 2007 |
| Earnings before interest & tax ^(note 2) | 1,492 | 2,688 |
| Exceptional items | 835 | 327 |
| Fair value changes on the Group's investment properties | | |
| – Revaluation increase | 405 | 208 |
| – Attributable tax effect | (71) | (36) |
| Finance costs | (62) | (84) |
| Taxation | 3 | (76) |
| Profit for the Year | 2,602 | 3,027 |
| Attributable to: | | |
| Equity holders of the Company | 2,250 | 2,632 |
| Minority interests | 352 | 395 |
| | 2,602 | 3,027 |

Notes:

- (1) Turnover represented the sum of the Group's turnover of HK\$1,001 million (2006: HK\$823 million) plus the Group's attributable share of turnover of jointly controlled entities engaging in infrastructure project investment of HK\$2,026 million (2006: HK\$1,735 million) and property development business of HK\$1,694 million (2006: HK\$56 million).
- (2) Earnings before interest & tax represented the sum of (i) profit from operations before changes in fair value of investment properties and exceptional items of HK\$386 million (2006: HK\$353 million); and (ii) share of profits of jointly controlled entities and associates of HK\$2,302 million (2006: HK\$1,139 million).
- The Group's share of taxation of jointly controlled entities and associates for the current year of HK\$293 million (2006: HK\$112 million) are presented net of the share of profits of jointly controlled entities and associates.

Turnover

Turnover for the year ended 30th June, 2007, including the Group's proportionate share of turnover of jointly controlled entities engaging in toll expressway and property development businesses, was HK\$4,721 million, an 81% increase as compared with HK\$2,614 million of last year. The increase was the result of revenue growth of all business segments, in particular, the property development businesses. The Group's attributable share of net revenue of the property development project in Macau amounted to HK\$1,694 million for the year under review, representing a more than 29 times increase over HK\$56 million of the last year.

Earnings before Interest and Tax

The Group's earnings before interest and tax increased by 80% to HK\$2,688 million from HK\$1,492 million of the last year. The increase was mainly attributable to the prominent growth of our core businesses including property, infrastructure and hospitality, totaling HK\$1,197 million.

Exceptional Items

The gain from exceptional items was HK\$327 million as compared to HK\$835 million of the previous year. The amount mainly comprised gain on disposal of available-for-sale investments of HK\$320 million (2006: HK\$29 million). Other major items of the last year included, inter alia, (i) gain on disposal of interests in Hopewell (Thailand) Limited of HK\$265 million; (ii) gain on disposal of interests in Shunde Roads project of HK\$245 million; (iii) gain on disposal of interests in a power plant project of HK\$186 million; and (iv) write back of warranty provision of HK\$80 million.

Profit Attributable to Equity Holders

The Group's profit attributable to equity holders was HK\$2,632 million, representing an increase of 17% over HK\$2,250 million of the last year. Excluding the effects of the fair value change on investment properties, the Group's profit attributable to equity holders would be HK\$2,460 million, a 28% increase over HK\$1,917 million of the last year.

Liquidity and Financial Resources

As of 30th June, 2007, the Group's cash balances and available banking facilities are as below:

| <i>In HK\$ million</i> | As at 30th June, | |
|--|-------------------------|----------------------|
| | <i>2006</i> | <i>2007</i> |
| Cash | | |
| HHI | 3,014 | 3,904 |
| Other entities in the Group | 636 | 1,854 |
| | <u>3,650</u> | <u>5,758</u> |
| Available Banking Facilities | | |
| HHI | 3,600 | 3,600 |
| Other entities in the Group | 10,624 | 10,235 |
| | <u>14,224</u> | <u>13,835</u> |
| Cash and Available Banking Facilities | | |
| HHI | 6,614 | 7,504 |
| Other entities in the Group | 11,260 | 12,089 |
| | <u>17,874</u> | <u>19,593</u> |
| The Group | 17,874 | 19,593 |

The Group's financial position remains strong. With net cash balances in hand together with the available banking facilities, the Group has sufficient financial resources to cater for its recurring operating activities, present and potential investment activities.

The Group has benefited from the continuing appreciation of Renminbi since the reform of Renminbi exchange rate regime in July 2005.

Treasury Policies

The Group's treasury activities were managed centrally at the corporate level, which aims to provide the most cost efficient funding and manage financial risks for the Group as a whole, such as interest rate and foreign exchange risks.

The banking facilities of the Group are principally on a floating rate basis and denominated in Hong Kong dollars. The Group has constantly monitored its interest rate and foreign exchange exposure and, when appropriate, the Group may apply hedging instruments to minimize these risks. The use of financial instrument is strictly controlled and is solely for managing the Group's interest rate and foreign currency exchange rate exposures in connection with its borrowings.

The Group's capital structure, which is mainly financed by equity, is shown as below:

| <i>In HK\$ million</i> | As at 30th June, | |
|--|-------------------------|---------------|
| | <i>2006</i> | <i>2007</i> |
| Equity attributable to equity holders of the Company | 17,234 | 19,171 |
| Share based compensation reserves of a subsidiary | — | 2 |
| Minority interests | 2,862 | 3,059 |
| Total Equity | 20,096 | 22,232 |
| Bank Borrowings | — | — |
| Total Capitalisation | 20,096 | 22,232 |

Project Commitments

Details of the project commitments are set out in note 44 to the financial statements.

Contingencies

Details of the contingent liabilities are set out in note 46 to the financial statements.

Charges on Assets

As at 30th June, 2007, no mortgage was charged on the Group's assets.

Material Acquisitions or Disposals

Other than the disposal of our interests in the property development project in Macau as mentioned in the Chairman's Statement, there was no material acquisition or disposal of the Company's subsidiaries and associates during the year ended 30th June, 2007.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board of Directors (the “Board”) that such commitment will in the long term serve to enhance shareholders’ value. The Board has set up procedures on corporate governance that comply with the requirements of the Code on Corporate Governance Practices (the “CG-Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Throughout the year ended 30th June, 2007, the Company has complied with all code provisions set out in the CG-Code.

Board of Directors

The Company is managed through the Board which currently comprises of eleven Executive Directors (including the Chairman), three Non-Executive Directors and four Independent Non-Executive Directors. The names and biographical details of the Directors, and the relationship amongst them, if any, are set out on pages 8 to 13 of this Annual Report.

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

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

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

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

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

The Board regularly reviews the plans for orderly succession for appointments to the Board and its structure, size and composition. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of Independent Non-Executive Director, the independence requirements set out in the Listing Rules from time to time. Nomination of new Director will normally be made by the Chairman and/or Managing Director and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s). During the year, one new Executive Director, Mr. William Wing Lam WONG, was appointed. On 13th August, 2007, one new Independent Non-Executive Director, Mr. Yuk Keung IP, was also appointed. Newly appointed Directors will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws.

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

Board Committees

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

The Company has also established the Audit Committee and the Remuneration Committee to deal with the following specific matters in the interest of all shareholders in an objective manner. Members of these 2 Board Committees comprise, except for the Chairman of the Remuneration Committee, entirely of Independent Non-Executive Directors.

| | Audit Committee | Remuneration Committee |
|--------------------------------------|--|---|
| Committee Members | Mr. Lee Yick NAM* (<i>Chairman</i>) Ms. Linda Lai Chuen LOKE* Mr. Guy Man Guy WU* Mr. Yuk Keung IP* (Appointed on 13th August, 2007) | Mr. Eddie Ping Chang HO# (<i>Chairman</i>) Mr. Lee Yick NAM* Ms. Linda Lai Chuen LOKE* |
| Major responsibilities and functions | <ul style="list-style-type: none"> • Consider the appointment and independence of external auditors. • Review and supervise the Group's financial reporting process, internal control and compliance. • Review and monitor the interim and annual financial statements before submission to the Board. | <ul style="list-style-type: none"> • Assist the Board for development and administration of the policy and procedure on the remuneration of the Directors and senior management of the Company. |
| Work performed during the year | <ul style="list-style-type: none"> • Considered and approved the terms of engagement of the external auditors including audit fee. • Reviewed the annual financial statements for the year ended 30th June, 2006 and the interim financial statements for the six months ended 31st December, 2006. • Reviewed the work performed by the Internal Audit Department and the Group's internal control system. | <ul style="list-style-type: none"> • Determined the remuneration package of a newly appointed Executive Director. • Reviewed the level of Directors' fees for the year. • Reviewed and approved the grant of share awards to the Directors under the Share Award Scheme. |

Executive Director

* Independent Non-Executive Director

Attendance at Meetings

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

| | <i>Number of meetings attended / held</i> | | | |
|--|---|---------------------------------|---------------------------------------|-------------------------------|
| | <i>Board Meetings</i> | <i>Audit Committee Meetings</i> | <i>Remuneration Committee Meeting</i> | <i>Annual General Meeting</i> |
| Number of meetings held | 5 | 2 | 2 | 1 |
| Executive Directors | | | | |
| Sir Gordon Ying Sheung WU <i>GBS, KCMG, FICE</i> (Chairman) | 3 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. Eddie Ping Chang HO (Remuneration Committee Chairman) | 4 out of 5 | N/A | 2 out of 2 | 1 out of 1 |
| Mr. Thomas Jefferson WU | 4 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. Josiah Chin Lai KWOK | 4 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. Robert Van Jin NIEN | 5 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. Albert Kam Yin YEUNG | 4 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. David Yau-gay LUI | 4 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. Andy Lee Ming CHEUNG | 5 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. Eddie Wing Chuen HO Junior | 5 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. Barry Chung Tat MOK | 5 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. William Wing Lam WONG (Appointed on 18th January, 2007) | 3 out of 3 | N/A | N/A | N/A |
| Non-Executive Directors | | | | |
| Mr. Henry Hin Moh LEE | 4 out of 5 | N/A | N/A | 1 out of 1 |
| Lady Ivy Sau Ping KWOK WU <i>JP</i> | 3 out of 5 | N/A | N/A | 1 out of 1 |
| Mr. Carmelo Ka Sze LEE | 4 out of 5 | N/A | N/A | 1 out of 1 |
| Independent Non-Executive Directors | | | | |
| Mr. Guy Man Guy WU | 5 out of 5 | 2 out of 2 | N/A | 1 out of 1 |
| Ms. Linda Lai Chuen LOKE | 4 out of 5 | 2 out of 2 | 2 out of 2 | 1 out of 1 |
| Mr. Lee Yick NAM (Audit Committee Chairman) | 5 out of 5 | 2 out of 2 | 2 out of 2 | 1 out of 1 |
| Mr. Yuk Keung IP (Appointed on 13th August, 2007) | N/A | N/A | N/A | N/A |

Remuneration Policy

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

The fixed elements of the Executive Directors' remuneration are reviewed annually and will take into account the job nature, responsibilities, experience and performance of the individual as well as prevailing market salary practices. Directors' fees for the current financial year had been approved by the shareholders at the last Annual General Meeting of the Company held on 19th October, 2006.

Securities Transactions

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

Financial Reporting

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

The responsibilities of the auditors with respect to the financial reporting are set out in the Independent Auditor's Report on page 62 of this Annual Report.

External Auditors

The Company's external auditors are Deloitte Touche Tohmatsu. They are responsible for auditing and forming an independent opinion on the annual financial statements. The independence of the external auditors is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditors as well as approving their terms of engagement including their fees. Apart from the statutory audit of the annual financial statements, Deloitte Touche Tohmatsu was also engaged to perform a review on the interim financial statements of the Company for the six months ended 31st December, 2006 as well as advising on tax compliance and related matters. During the year ended 30th June, 2007, the fees payable by the Group to the external auditors in respect of audit and non-audit services provided by them were as follows:

| | <i>HK\$'000</i> |
|--------------------------------------|-----------------|
| Audit services | 6,135 |
| Non-audit services: | |
| Tax compliance and advisory services | 819 |
| | 6,954 |

Internal Controls

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

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

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

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

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

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

Investor Relations

The Group acknowledges the importance of communicating with shareholders and investors. A two-way dialogue and prompt disclosure of information in strict compliance with the relevant regulations are regarded as the core of effective communications with the market. These are always given high priority by the Group.

During the year under review, the Group maintained its active role in investor relations. This was carried out through participation in investment conferences, meetings and teleconferences with fund managers and analysts. In addition, each year, the Group holds presentations for analysts and media on results announcement. Not only do these events update the investors with the Group's business operations, they also provide opportunities for shareholders and investors to raise their queries and share their views with our senior management.

To ensure shareholders and investors can follow closely on the Group's business development, the Group maintains a corporate website at www.hopewellholdings.com. This acts as an effective intermediate for information disclosure, which provides comprehensive and updated information on the Group's operations, announcements, press release, as well as interim and annual reports.

The Group will review and improve the disclosure of information and effectiveness of communication with investors and shareholders from time to time. It will continue to maintain its dialogue with the investment community and uphold its transparency through a proactive investor relations policy.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30th June, 2007.

Principal Activities

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

Results

The results of the Group for the year ended 30th June, 2007 are set out in the consolidated income statement on page 63.

Final Dividend and Special Dividend

The Directors recommend the payment of a final dividend of HK82 cents (2006: HK48 cents) per share which, together with the interim dividend of HK38 cents (2006: interim dividend of HK36 cents) per share paid on 23rd March, 2007, represents a total dividend distribution of HK120 cents (2006: HK84 cents) per share, totalling HK\$1,079 million in respect of the year ended 30th June, 2007 (2006: HK\$755 million).

The Directors also recommend the payment of a special dividend of HK35 cents per share. The dividends for this year (including the special dividend) represents a 57% payout of net profits (before effect of property revaluation gain).

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Operations Review" as set out on pages 14 to 33.

Share Capital

Movements in share capital of the Company during the year are set out in note 40 to the financial statements.

Share Premium and Reserves of the Group and the Company

Movements in share premium and reserves during the year are set out in note 41 to the financial statements.

Distributable Reserve

The Company's distributable reserve at 30th June, 2007 amounted to HK\$3,120 million (2006: HK\$2,585 million) which represents retained profits of the Company as at that date.

Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK\$6,133,000 (2006: HK\$22,136,000).

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 21 and 22 to the financial statements respectively. Particulars regarding the major properties and property interests of the Group are set out on pages 123 and 124.

Major Customers and Suppliers

The turnover attributable to the Group's five largest customers combined was 9% of the Group's turnover for the year. The five largest suppliers of the Group accounted for approximately 22% of the Group's total purchases and the largest supplier included therein accounted for approximately 7%.

None of the Directors, their associates, or any shareholder of the Company, which to the knowledge of the Directors of the Company, owns more than 5% of the Company's issued shares, had any beneficial interests in the Group's five largest customers and suppliers.

Directors and Senior Management

The Directors of the Company and their profiles as at the date of this report are set out on pages 8 to 13. Changes during the year and up to the date of this report are as follows:

| | |
|---------------------------|-----------------------------------|
| Mr. William Wing Lam WONG | (appointed on 18th January, 2007) |
| Mr. Yuk Keung IP | (appointed on 13th August, 2007) |

In accordance with the Company's Articles of Association, Sir Gordon Ying Sheung WU, Mr. Thomas Jefferson WU, Mr. Henry Hin Moh LEE, Mr. Robert Van Jin NIEN, Mr. Carmelo Ka Sze LEE and Mr. Lee Yick NAM shall retire at the forthcoming annual general meeting and, being eligible, offered themselves for re-election.

Mr. Andy Lee Ming CHEUNG has resigned as an Executive Director of the Company with effect from 18th October, 2007.

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

Qualified Accountant

Mr. Nicholas Tai Keung MAY, aged 45, Qualified Accountant, joined the Group in April 2007. He currently holds the position of Group Financial Controller and is responsible for financial management and accounting functions of the Group. He is a CPA of CPA Australia and a CPA of the Hong Kong Institute of Certified Public Accountants.

Directors' Interest in Contracts of Significance

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

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30th June, 2007, the interests and short positions of the Directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) the Company ⁽ⁱ⁾

| Directors | Shares | | | | Underlying shares of equity derivatives | Awarded shares ^(iv) | Total interests | % of issued share capital |
|----------------------------|---|--|---|----------------------------------|---|--------------------------------|-----------------------------|---------------------------|
| | Personal interests (held as beneficial owner) | Family interests (interests of spouse or child under 18) | Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation) | Other interests ⁽ⁱⁱⁱ⁾ | | | | |
| Gordon Ying Sheung WU | 74,683,032 | 21,910,000 ^(v) | 111,250,000 ^(vi) | 30,680,000 | - | - | 238,523,032 ^(iv) | 26.52% |
| Eddie Ping Chang HO | 25,023,462 | 1,365,538 | 2,050,000 | - | - | - | 28,439,000 | 3.16% |
| Thomas Jefferson WU | 27,840,000 | - | 820,000 | - | - | - | 28,660,000 | 3.19% |
| Josiah Chin Lai KWOK | 1,095,000 | - | - | - | - | 180,000 | 1,275,000 | 0.14% |
| Henry Hin Moh LEE | 5,104,322 | - | - | - | - | - | 5,104,322 | 0.57% |
| Robert Van Jin NIEN | 756,000 | - | - | - | - | 72,000 | 828,000 | 0.09% |
| Guy Man Guy WU | 2,645,650 | - | - | - | - | - | 2,645,650 | 0.29% |
| Ivy Sau Ping KWOK WU | 21,910,000 | 124,743,032 ^(vii) | 61,190,000 ^(viii) | 30,680,000 | - | - | 238,523,032 ^(iv) | 26.52% |
| Linda Lai Chuen LOKE | - | 1,308,981 | - | - | - | - | 1,308,981 | 0.15% |
| David Yau-gay LUI | 8,537 | - | - | - | - | - | 8,537 | 0.00% |
| Albert Kam Yin YEUNG | 330,000 | - | - | - | - | 120,000 | 450,000 | 0.05% |
| Andy Lee Ming CHEUNG | 126,000 | - | - | - | 200,000 ^(ix) | 72,000 | 398,000 | 0.04% |
| Eddie Wing Chuen HO Junior | 536,000 | - | - | - | - | 72,000 | 608,000 | 0.07% |
| Lee Yick NAM | 90,000 | - | - | - | - | - | 90,000 | 0.01% |
| Barry Chung Tat MOK | 200,000 | - | - | - | 2,000,000 ^(ix) | 100,000 | 2,300,000 | 0.26% |
| William Wing Lam WONG | 50,000 | - | - | - | 288,000 ^(ix) | 100,000 | 438,000 | 0.05% |

Notes:

- (i) All interests in the shares and underlying shares of equity derivatives of the Company were long positions. None of the Directors or chief executives held any short position in the shares and underlying shares of equity derivatives of the Company.
- (ii) The corporate interests were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The other interests in 30,680,000 shares represented the interests held by Sir Gordon Ying Sheung WU ("Sir Gordon WU") jointly with his wife Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU").

- (iv) The interests in awarded shares represented interests of awarded shares granted to Directors under the Employees Share Award Scheme of the Company adopted on 25th January, 2007 but not yet vested, details of which are set out below:

| <i>Directors</i> | <i>Date of award</i> | <i>No. of awarded shares</i> | <i>Vesting date</i> |
|----------------------------|----------------------|------------------------------|---------------------|
| Josiah Chin Lai KWOK | 25/01/2007 | 90,000 | 25/01/2008 |
| | | 90,000 | 25/01/2009 |
| Robert Van Jin NIEN | 25/01/2007 | 36,000 | 25/01/2008 |
| | | 36,000 | 25/01/2009 |
| Albert Kam Yin YEUNG | 25/01/2007 | 60,000 | 25/01/2008 |
| | | 60,000 | 25/01/2009 |
| Andy Lee Ming CHEUNG | 25/01/2007 | 36,000 | 25/01/2008 |
| | | 36,000 | 25/01/2009 |
| Eddie Wing Chuen HO Junior | 25/01/2007 | 36,000 | 25/01/2008 |
| | | 36,000 | 25/01/2009 |
| Barry Chung Tat MOK | 25/01/2007 | 50,000 | 25/01/2008 |
| | | 50,000 | 25/01/2009 |
| William Wing Lam WONG | 25/01/2007 | 50,000 | 25/01/2008 |
| | | 50,000 | 25/01/2009 |

- (v) The family interests in 21,910,000 shares represented the interests of Lady Ivy WU.
- (vi) The corporate interests in 111,250,000 shares held by Sir Gordon WU included the interests in 61,190,000 shares referred to in Note (viii).
- (vii) The family interests in 124,743,032 shares represented the interests of Sir Gordon WU. This figure included 50,060,000 shares held by Sir Gordon WU through corporations.
- (viii) The corporate interests in 61,190,000 shares were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (ix) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.
- (x) The interests in underlying shares of equity derivatives represented interests in options granted to Directors under the 2003 Share Option Scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options of the Company".

(B) Associated Corporations

(1) Hopewell Highway Infrastructure Limited (“HHI”)

| Directors | HHI Shares | | | | Total Interests | % of issued share capital |
|-----------------------|---|--|--|---------------------------|------------------------------|---------------------------|
| | Personal interests (held as beneficial owner) | Family interests (interests of spouse or child under 18) | Corporate interests ⁽ⁱ⁾ (interests of controlled corporation) | Other Interests | | |
| Gordon Ying Sheung WU | 6,249,402 | 2,491,000 ⁽ⁱⁱ⁾ | 10,124,999 ⁽ⁱⁱⁱ⁾ | 3,068,000 ^(iv) | 21,933,401 ^(viii) | 0.74% |
| Eddie Ping Chang HO | 1,824,046 | 136,554 | 205,000 | - | 2,165,600 | 0.07% |
| Thomas Jefferson WU | 5,657,000 | - | 82,000 | - | 5,739,000 | 0.19% |
| Henry Hin Moh LEE | 279,530 | - | - | - | 279,530 | 0.01% |
| Robert Van Jin NIEN | 60,000 | - | - | - | 60,000 | 0.00% |
| Ivy Sau Ping KWOK WU | 2,491,000 ^(v) | 10,255,402 ^(vi) | 6,118,999 ^(vii) | 3,068,000 ^(iv) | 21,933,401 ^(viii) | 0.74% |
| David Yau-gay LUI | 853 | - | - | - | 853 | 0.00% |

Notes:

- (i) These HHI Shares were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (ii) The interests in 2,491,000 HHI Shares were interests held by Lady Ivy WU.
- (iii) The corporate interests in 10,124,999 HHI Shares held by Sir Gordon WU included the corporate interests in 6,118,999 HHI Shares referred to in Note (vii).
- (iv) The other interests in 3,068,000 HHI Shares represented the interests held jointly by Sir Gordon WU and Lady Ivy WU.
- (v) The interests in 2,491,000 HHI Shares were personal interests beneficially owned by Lady Ivy WU and represented the same block of shares in Note (ii).
- (vi) The family interests in 10,255,402 HHI Shares represented the interests of Sir Gordon WU. This figure included 4,006,000 HHI Shares held by Sir Gordon WU through corporations.
- (vii) The corporate interests in 6,118,999 HHI Shares were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (viii) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

(2) *HCNH Insurance Brokers Limited (“HCNH”)*

Mr. Eddie Ping Chang HO together with his associate beneficially owned 600,000 ordinary shares of HCNH, an associated corporation of the Company, representing 50% of its issued share capital, through Hong Kong Insurance Agency Limited which was 100% owned by him together with his associate.

All the above interests in the shares and underlying shares of equity derivatives of associated corporations were long positions.

Save as aforesaid, as at 30th June, 2007, none of the Directors or chief executives had any other interests or short positions in shares, underlying shares and debentures of associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options of the Company

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

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

Under the 2003 Share Option Scheme, the maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of adoption of the 2003 Share Option Scheme, unless a fresh approval from the shareholders is obtained. The maximum entitlement of each participant under the 2003 Share Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company. As at the date of this report, a total of 73,844,212 shares (representing approximately 8.2% of the issued share capital of the Company) are available for issue under the 2003 Share Option Scheme.

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

- (C) Details of the movement of share options under the 2003 Share Option Scheme during the year ended 30th June, 2007 were as follows:

| | Date of grant | Exercise price per share HK\$ | Number of share options | | | | | Exercise period | Closing price before date of grant falling within the year HK\$ |
|----------------------|---------------|-------------------------------|---------------------------|-------------------------|---------------------------|------------------------|---------------------------|---------------------------|---|
| | | | Outstanding at 01/07/2006 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 30/06/2007 | | |
| Directors | | | | | | | | | |
| Albert Kam Yin YEUNG | 08/09/2004 | 17.10 | 850,000 | - | 850,000 | - | - | 08/09/2004 -07/09/2007 | N/A |
| Andy Lee Ming CHEUNG | 08/09/2004 | 17.10 | 500,000 | - | 300,000 | - | 200,000 | 08/09/2004 -07/09/2007 | N/A |
| Barry Chung Tat MOK | 02/09/2005 | 19.94 | 2,500,000 | - | 500,000 | - | 2,000,000 | 02/03/2006 -01/03/2009 | N/A |
| Employees | 10/10/2006 | 22.44 | - | 8,960,000 | - | 256,000 | 8,704,000 | 01/11/2007 -31/10/2013 | 22.25 |
| Total | | | 3,850,000 | 8,960,000 | 1,650,000 | 256,000 | 10,904,000 | | |

No option was cancelled during the year.

The weighted average closing prices of the shares on the dates immediately before the dates on which the options were exercised by Mr. Albert Kam Yin YEUNG, Mr. Andy Lee Ming CHEUNG and Mr. Barry Chung Tak MOK during the year were HK\$26.00, HK\$29.95 and HK\$33.60 respectively.

The options granted on 8th September, 2004 are exercisable from the date of grant while the options granted on 2nd September, 2005 and 10th October, 2006 are exercisable in the following manner:

| <i>Maximum options exercisable</i> | <i>Exercise period</i> |
|--|-------------------------|
| <i>Granted on 2nd September, 2005</i> | |
| 50% of options granted | 02/03/2006 – 01/03/2007 |
| 100% of options granted * | 02/03/2007 – 01/03/2009 |
| <i>Granted on 10th October, 2006</i> | |
| 20% of options granted | 01/11/2007 – 31/10/2008 |
| 40% of options granted* | 01/11/2008 – 31/10/2009 |
| 60% of options granted* | 01/11/2009 – 31/10/2010 |
| 80% of options granted* | 01/11/2010 – 31/10/2011 |
| 100% of options granted* | 01/11/2011 – 31/10/2013 |
| * including those not previously exercised | |

The fair value of the share options granted during the period with the exercise price per share of HK\$22.44 is estimated at approximately HK\$44.00 million at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$22.25 at the grant date, the historical volatility of share price of the Company of 26% which is based on rolling two-year volatility of the Company's share price over last three years, expected life of options of 7 years, expected dividend yield of 1.9% on a semi-annual basis, and the risk free rate of 3.956% with reference to the rate on the 7-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded option. Such option pricing model requires input of highly subjective assumptions, including the expected share price volatility. As the characteristics of the options granted during the period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Binomial option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Share Options of HHI

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

Under the HHI Option Scheme, the maximum number of shares in HHI which may be issued upon exercise of all options to be granted under the HHI Option Scheme and any other share option scheme of HHI will not exceed 10% of the total number of shares of HHI in issue immediately following completion of the initial public offering, unless a fresh approval of shareholders of HHI is obtained. The maximum entitlement of each participant under the HHI Option Scheme in any 12-month period must not exceed 1% of the issued share capital of HHI. As at the date of this report, a total of 277,000,000 shares (representing 9.3% of the issued share capital of HHI) are available for issue under the HHI Option Scheme.

The period during which an option may be exercised will be determined by the board of directors of HHI at its absolute discretion and shall expire not later than 10 years after the date of grant. Unless otherwise determined by the board of directors of HHI and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option. The exercise price for an option shall be such price as the board of directors of HHI may in its absolute discretion determine and notified to a participant. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, being the date on which the offer is accepted (or, if such date is not a business day, the next following business day ("Grant Date")); (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Grant Date; and (c) the nominal value of a share in HHI.

(C) Details of the movement of share options under the HHI Option Scheme during the year ended 30th June, 2007 were as follows:

| | Date of grant | Exercise price per share HK\$ | Number of Share options | | | | Exercise period | Closing price before date of grant falling within the year HK\$ |
|-------------------------|---------------|-------------------------------|---------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---|
| | | | Outstanding at 01/07/2006 | Granted during the year | Exercised during the year | Outstanding at 30/06/2007 | | |
| Director of HHI | | | | | | | | |
| Leo Kwok Kee LEUNG | 08/09/2004 | 4.875 | 2,000,000 | - | 2,000,000 | - | 08/09/2004 -07/09/2007 | N/A |
| Employee of HHI | | | | | | | | |
| | 08/09/2004 | 4.875 | 400,000 | - | 400,000 | | 08/09/2004 -07/09/2007 | N/A |
| Employees of HHI | | | | | | | | |
| | 17/10/2006 | 5.858 | - | 6,200,000 | - | 6,200,000 | 01/12/2007 -30/11/2013 | 5.71 |
| Total | | | 2,400,000 | 6,200,000 | 2,400,000 | 6,200,000 | | |

No option was cancelled or lapsed during the year.

The weighted average closing prices of the shares on the dates immediately before the dates on which the options were exercised by Ir. Leo Kwok Kee LEUNG and the employee of HHI during the year were HK\$7.36 and HK\$6.61 respectively.

The options granted on 8th September, 2004 are exercisable from the date of grant while the options granted on 17th October, 2006 are exercisable in the following manner:

| <i>Maximum options exercisable</i> | <i>Exercise period</i> |
|------------------------------------|-------------------------|
| 20% of options granted | 01/12/2007 - 30/11/2008 |
| 40% of options granted* | 01/12/2008 - 30/11/2009 |
| 60% of options granted* | 01/12/2009 - 30/11/2010 |
| 80% of options granted* | 01/12/2010 - 30/11/2011 |
| 100% of options granted* | 01/12/2011 - 30/11/2013 |

* including those not previously exercised

The fair value of the share options granted during the period with the exercise price per share of HK\$5.858 is estimated at approximately HK\$5,814,000 at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$5.700 per share at the grant date, the historical volatility of share price of HHI of 23% which is based on rolling two-year volatility of HHI's share price over last three years, expected life of options of 7 years, expected dividend yield of 4.75%, and the risk-free rate of 3.969% with reference to the rate on the 7-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded option. Such option pricing model requires input of highly subjective assumptions, including the expected share price volatility. As the characteristics of the options granted during the period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Binomial option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Share Awards of the Company

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

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

- (C) A total of 3,374,000 Shares have been awarded to the following 10 employees during the year ended 30th June, 2007 subject to the terms of the HHL Award Scheme and the condition that such selected employees shall not dispose of awarded shares in the 12-month period commencing on the vesting date thereof. No awarded shares lapsed during the year ended 30th June, 2007.

| Name of selected employee | Date of award | Number of awarded shares | Vesting date |
|----------------------------|---------------|--------------------------|--------------|
| Directors | | | |
| Sir Gordon Ying Sheung WU | 25/01/2007 | 880,000 | 25/01/2007 |
| Eddie Ping Chang HO | 25/01/2007 | 750,000 | 25/01/2007 |
| Thomas Jefferson WU | 25/01/2007 | 670,000 | 25/01/2007 |
| Josiah Chin Lai KWOK | 25/01/2007 | 90,000 | 25/01/2007 |
| | | 90,000 | 25/01/2008 |
| | | 90,000 | 25/01/2009 |
| Robert Van Jin NIEN | 25/01/2007 | 36,000 | 25/01/2007 |
| | | 36,000 | 25/01/2008 |
| | | 36,000 | 25/01/2009 |
| Albert Kam Yin YEUNG | 25/01/2007 | 60,000 | 25/01/2007 |
| | | 60,000 | 25/01/2008 |
| | | 60,000 | 25/01/2009 |
| Andy Lee Ming CHEUNG | 25/01/2007 | 36,000 | 25/01/2007 |
| | | 36,000 | 25/01/2008 |
| | | 36,000 | 25/01/2009 |
| Eddie Wing Chuen HO Junior | 25/01/2007 | 36,000 | 25/01/2007 |
| | | 36,000 | 25/01/2008 |
| | | 36,000 | 25/01/2009 |
| Barry Chung Tat MOK | 25/01/2007 | 50,000 | 25/01/2007 |
| | | 50,000 | 25/01/2008 |
| | | 50,000 | 25/01/2009 |
| William Wing Lam WONG | 25/01/2007 | 50,000 | 25/01/2007 |
| | | 50,000 | 25/01/2008 |
| | | 50,000 | 25/01/2009 |

Share Awards of HHI

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

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

- (C) A total of 1,940,000 shares have been awarded to following 5 employees during the year ended 30th June, 2007 subject to the terms of the HHI Award Scheme and the condition that such selected employees shall not dispose of awarded shares in the 12-month period commencing on the vesting date thereof. No awarded shares lapsed during the year ended 30th June, 2007.

| <i>Name of selected employee</i> | <i>Date of award</i> | <i>Number of awarded shares</i> | <i>Vesting date</i> |
|----------------------------------|----------------------|---------------------------------|---------------------|
| Directors of HHI | | | |
| Thomas Jefferson WU | 25/01/2007 | 800,000 | 25/01/2007 |
| Alan Chi Hung CHAN | 25/01/2007 | 140,000 | 25/01/2007 |
| | | 140,000 | 25/01/2008 |
| | | 140,000 | 25/01/2009 |
| Leo Kwok Kee LEUNG | 25/01/2007 | 100,000 | 25/01/2007 |
| | | 100,000 | 25/01/2008 |
| | | 100,000 | 25/01/2009 |
| Cheng Hui JIA | 25/01/2007 | 100,000 | 25/01/2007 |
| | | 100,000 | 25/01/2008 |
| | | 100,000 | 25/01/2009 |
| Employee of HHI | 25/01/2007 | 40,000 | 25/01/2007 |
| | | 40,000 | 25/01/2008 |
| | | 40,000 | 25/01/2009 |

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous sections headed “Share Options of the Company”, “Share Options of HHI”, “Share Awards of the Company” and “Share Awards of HHI”, at no time during the year ended 30th June, 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors’ Remuneration

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

Service Contracts of Directors

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

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund (“MPF”) Schemes Ordinance, the Group has set up the MPF Schemes. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees’ monthly relevant income capped at HK\$20,000. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. During the year, the Group made contributions to the schemes amounted to HK\$8,402,000.

Management Contracts

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

Substantial Shareholders

Save as disclosed under the section headed “Directors’ Interests in Shares, Underlying Shares and Debentures”, as at 30th June, 2007, the Company had not been notified of any other interest or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under section 336 of the SFO.

Purchase, Sale or Redemption of Securities

During the year, the Company repurchased 832,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration, including transaction costs, of HK\$18,877,541. All the repurchased shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$2,080,000 was credited to capital redemption reserve and the aggregate consideration was paid out from the Company’s retained profits. Details of the repurchases are as follows:

| Month of the repurchases | Total no. of the ordinary shares repurchased | Highest price paid per share HK\$ | Lowest price paid per share HK\$ | Aggregate consideration paid (including transaction costs) HK\$ |
|--------------------------|--|--------------------------------------|-------------------------------------|--|
| October 2006 | 432,000 | 22.45 | 22.25 | 9,702,113 |
| November 2006 | 400,000 | 22.95 | 22.80 | 9,175,428 |
| Total | 832,000 | | | 18,877,541 |

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 30th June, 2007.

Confirmation on Independence

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

Connected Transactions

(A) Management Agreement with Nan Yue

On 1st June, 2007, Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (“West Route JV”) entered into a management agreement with Guangdong Nan Yue Logistics Company Limited (“Nan Yue”), a subsidiary of its PRC partner.

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

Pursuant to the Listing Agreement between HHI and the Stock Exchange and the letter dated 7th August, 2003 from the Company to the Stock Exchange, West Route JV, being a Sino-foreign co-operative joint venture enterprise jointly controlled by HHI group which operates a toll road project, is deemed to be a subsidiary of HHI and the Company for the purposes of the then Chapter 14 of the Listing Rules (which has been subdivided into Chapters 14 and 14A since revisions of the Listing Rules came into effect on 31st March, 2004). The relevant PRC partner of West Route JV currently has a 50% interest in each of West Route JV and Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (which is a Sino-foreign co-operative joint venture between West Route PRC Partner and a subsidiary of HHI) and is accordingly deemed to be a connected person of the Company and HHI for the purposes of Chapter 14A of the Listing Rules.

This connected transaction, which details were contained in the joint press announcements by HHI and the Company dated 1st June, 2007, was exempt from the independent shareholders’ approval requirement pursuant to Chapter 14A of the Listing Rule.

(B) Sale of HHI Ring Road Co

Subsequent to the balance sheet date, on 9th August, 2007, a wholly-owned subsidiary of HHI entered into an agreement with one of the joint venture partners of the Guangzhou East-south West Ring Road joint venture for the sale of its entire interest, including rights, duties and obligations in the Guangzhou East-south West Ring Road joint venture, for a consideration of RMB1,712.55 million. Completion of the agreement is subject to approval of the transaction by the respective shareholders of the Company and HHI and the approval of the relevant PRC authorities within 180 days of the date of the Agreement (or such other date as the parties may be mutually agreed). The approval of the relevant PRC authorities and the approval of the major shareholder of HHI have been obtained and the Company will convene an extraordinary general meeting for approval of the same. The details of this transaction were contained in the joint announcement by HHI and the Company dated 9th August, 2007. Pursuant to the above-mentioned Listing Agreement between HHI and the Stock Exchange and the letter dated 7th August, 2003 from the Company to the Stock Exchange, the Guangzhou East-south West Ring Road joint venture is also deemed to be a subsidiary of the Company and HHI for the purposes of the current Chapters 14 and 14A of the Listing Rules and as the purchaser currently has a 10% interest in this joint venture, it is accordingly deemed to be a connected person of the Company and HHI for the purposes of Chapter 14A of the Listing Rules.

Public Float

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

Disclosure under Chapter 13 of the Listing Rules

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

Auditors

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU *GBS, KCMG, FICE*
Chairman

Hong Kong, 21st August, 2007

CORPORATE INFORMATION

Board of Directors

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Mr. Eddie Ping Chang HO*
Vice Chairman & Managing Director

Mr. Thomas Jefferson WU
Co-Managing Director

Mr. Josiah Chin Lai KWOK
Deputy Managing Director

Mr. Henry Hin Moh LEE[#]

Mr. Robert Van Jin NIEN

Mr. Guy Man Guy WU^{##}

Lady Ivy Sau Ping KWOK WU JP[#]

Ms. Linda Lai Chuen LOKE^{##}

Mr. Albert Kam Yin YEUNG

Mr. David Yau-gay LUI

Mr. Carmelo Ka Sze LEE[#]

Mr. Andy Lee Ming CHEUNG

Mr. Eddie Wing Chuen HO Junior

Mr. Lee Yick NAM^{##}

Mr. Barry Chung Tat MOK

Mr. William Wing Lam WONG

Mr. Yuk Keung IP^{##}

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

[#] *Non-Executive Directors*

^{##} *Independent Non-Executive Directors*

Audit Committee

Mr. Lee Yick NAM *Chairman*

Ms. Linda Lai Chuen LOKE

Mr. Guy Man Guy WU

Mr. Yuk Yeung IP

Remuneration Committee

Mr. Eddie Ping Chang HO *Chairman*

Mr. Lee Yick NAM

Ms. Linda Lai Chuen LOKE

Company Secretary

Mr. Peter Yip Wah LEE

Registered Office

64th Floor, Hopewell Centre

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Tel : (852) 2528 4975

Fax : (852) 2861 2068

Solicitors

Woo, Kwan, Lee & Lo

Auditors

Deloitte Touche Tohmatsu

Principal Bankers⁺

Agricultural Bank of China
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited
Bank of East Asia, Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
BNP Paribas
Calyon
China Construction Bank Corporation
China Merchants Bank Co., Limited
Chiyu Banking Corporation Limited
Chong Hing Bank Limited
Citibank, N.A.
DBS Bank Limited
Export Development Canada
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Hua Nan Commercial Bank, Limited
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Luso International Banking Limited
Malayan Banking Berhad
Mizuho Corporate Bank, Limited
Nanyang Commercial Bank, Limited
Oversea-Chinese Banking Corporation Limited
Shanghai Commercial Bank Limited
Shenzhen Development Bank
Sumitomo Mitsui Banking Corporation
Tai Fung Bank Limited
Wing Lung Bank Limited

⁺ names arranged in alphabetical order

Registrar and Transfer Office

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

Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (Stock Code : 54)

American Depositary Receipt

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

Investor Relations

Investor Relations Manager
Tel : (852) 2862 5683
Fax : (852) 2861 2068
Email: ir@hopewellholdings.com

Web Page

www.hopewellholdings.com

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

FINANCIAL REPORT

CONTENTS

| | |
|----|---|
| 62 | Independent Auditor's Report |
| 63 | Consolidated Income Statement |
| 64 | Consolidated Balance Sheet |
| 66 | Company Balance Sheet |
| 67 | Consolidated Statement of Recognised Income and Expense |
| 68 | Consolidated Cash Flow Statement |
| 71 | Notes to the Consolidated Financial Statements |



TO THE MEMBERS OF HOPEWELL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hopewell Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 122, which comprise the consolidated and Company balance sheets as at 30th June, 2007, and the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30th June, 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
21st August, 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2007

| | Notes | 2006 HK\$'000 (restated) | 2007 HK\$'000 |
|--|-------|--------------------------------|------------------|
| Turnover | 6 | 823,122 | 1,000,605 |
| Cost of sales and services | | (471,385) | (583,437) |
| Other income | 8 | 351,737 | 417,168 |
| Selling and distribution costs | | 232,674 | 308,990 |
| Administrative expenses | | (40,104) | (62,100) |
| Other expenses | 9 | (169,625) | (271,716) |
| Gain arising from changes in fair value of investment properties | | (22,136) | (6,133) |
| Gain on disposal of available-for-sale investments | 10 | 405,529 | 207,777 |
| Gain on disposal/deemed disposal of subsidiaries | 11 | 28,889 | 319,849 |
| Gain on disposal of a power station project | 12 | 294,491 | 7,617 |
| Reversal of impairment loss on an amount due from a former jointly controlled entity | 13 | 185,755 | — |
| Write back of warranty provisions | 46(a) | 245,480 | — |
| Finance costs | 14 | 80,000 | — |
| Share of profits of Jointly controlled entities | 15 | (61,706) | (84,253) |
| Associates | | 1,123,054 | 2,295,917 |
| | | 16,564 | 5,639 |
| Profit before taxation | 16 | 2,670,602 | 3,138,755 |
| Income tax expense | 17 | (68,148) | (112,118) |
| Profit for the year | | 2,602,454 | 3,026,637 |
| Attributable to: | | | |
| Equity holders of the Company | | 2,249,896 | 2,632,127 |
| Minority interests | | 352,558 | 394,510 |
| | | 2,602,454 | 3,026,637 |
| Dividends paid | 18 | 664,901 | 772,608 |
| Earnings per share | 19 | HK\$ | HK\$ |
| Basic | | 2.50 | 2.93 |
| Diluted | | 2.50 | 2.92 |

CONSOLIDATED BALANCE SHEET

At 30th June, 2007

| | Notes | 2006 HK\$'000 | 2007 HK\$'000 |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Non-current Assets | | | |
| Investment properties | 21 | 6,537,344 | 6,870,499 |
| Property, plant and equipment | 22 | 458,804 | 448,516 |
| Prepaid land lease payments | 23 | 972,953 | 982,611 |
| Properties for or under development | 26 | 231,647 | 335,653 |
| Interests in jointly controlled entities | 27 | 6,949,504 | 7,103,156 |
| Interests in associates | 28 | 23,376 | 23,625 |
| Other investment project | 44(b) | 92,344 | 336,866 |
| Available-for-sale investments | 29 | 194,932 | 18,682 |
| Long-term loans and receivables | 30 | 1,039,530 | 283,431 |
| | | 16,500,434 | 16,403,039 |
| Current Assets | | | |
| Inventories | 31 | 11,537 | 14,690 |
| Properties for sale | 32 | 462,094 | 311,149 |
| Prepaid land lease payments | 23 | 8,449 | 11,109 |
| Trade and other receivables | 33 | 656,117 | 990,175 |
| Deposits and prepayments | | 50,616 | 55,974 |
| Loans to a jointly controlled entity | 30 | 45,620 | — |
| Bank balances and cash held by: | 34 | | |
| — Hopewell Highway Infrastructure Limited and its subsidiaries | | 3,013,899 | 3,904,064 |
| — Other entities in the Group | | 635,663 | 1,853,515 |
| | | 4,883,995 | 7,140,676 |
| Assets classified as held for sale | 35 | — | 818,333 |
| | | 4,883,995 | 7,959,009 |
| Total Assets | | 21,384,429 | 24,362,048 |

CONSOLIDATED BALANCE SHEET (continued)

At 30th June, 2007

| | Notes | 2006 HK\$'000 | 2007 HK\$'000 |
|--|-------|-------------------|-------------------|
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Share capital | 40 | 2,246,413 | 2,248,458 |
| Share premium and reserves | 41 | 14,987,392 | 16,922,054 |
| Equity attributable to equity holders of the Company | | 17,233,805 | 19,170,512 |
| Share option reserve of a subsidiary | 41 | — | 1,268 |
| Share award reserve of a subsidiary | 41 | — | 1,043 |
| Minority interests | 41 | 2,862,080 | 3,058,754 |
| Total Equity | | 20,095,885 | 22,231,577 |
| Non-current Liabilities | | | |
| Warranty provisions | 46(a) | 84,059 | 84,059 |
| Deferred tax liabilities | 42 | 659,113 | 731,922 |
| | | 743,172 | 815,981 |
| Current Liabilities | | | |
| Trade and other payables | 36 | 330,204 | 356,926 |
| Deposits received from sale of properties | | 41,589 | — |
| Rental and other deposits | | 125,457 | 134,351 |
| Amount due to a jointly controlled entity | 37 | — | 238,499 |
| Amounts due to associates | 37 | 10,891 | 10,668 |
| Amount due to a minority shareholder of a subsidiary | 39 | 8,531 | 32,048 |
| Tax liabilities | | 28,700 | 48,828 |
| | | 545,372 | 821,320 |
| Liabilities associated with assets classified as held for sale | 35 | — | 493,170 |
| | | 545,372 | 1,314,490 |
| Total Liabilities | | 1,288,544 | 2,130,471 |
| Total Equity and Liabilities | | 21,384,429 | 24,362,048 |

Thomas Jefferson WU
Co-Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

COMPANY BALANCE SHEET

At 30th June, 2007

| | Notes | 2006 HK\$'000 | 2007 HK\$'000 |
|-------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Non-current Assets | | | |
| Investments in subsidiaries | 24 | 1,595 | 789,048 |
| Amounts due from subsidiaries | 25 | 176,501 | 10,993,622 |
| Investments in associates | 28 | 401 | 401 |
| Available-for-sale investments | 29 | 3,000 | 3,000 |
| | | 181,497 | 11,786,071 |
| Current Assets | | | |
| Trade and other receivables | | 441 | 1,481 |
| Deposits and prepayments | | 358 | 337 |
| Amounts due from subsidiaries | 38 | 13,377,570 | 1,747,749 |
| Bank balances and cash | | 171,222 | 1,212,183 |
| | | 13,549,591 | 2,961,750 |
| Total Assets | | 13,731,088 | 14,747,821 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Share capital | 40 | 2,246,413 | 2,248,458 |
| Share premium and reserves | 41 | 11,260,187 | 11,822,053 |
| | | 13,506,600 | 14,070,511 |
| Current Liabilities | | | |
| Trade and other payables | | 22,145 | 3,669 |
| Amounts due to associates | 37 | 11,106 | 10,882 |
| Amounts due to subsidiaries | 38 | 191,237 | 662,556 |
| Tax liabilities | | — | 203 |
| Total Liabilities | | 224,488 | 677,310 |
| Total Equity and Liabilities | | 13,731,088 | 14,747,821 |

Thomas Jefferson WU
Co-Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30th June, 2007

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates | 101,611 | 135,548 |
| Gain arising from changes in fair value of available-for-sale investments | 48,191 | 292,589 |
| Deferred tax liabilities on change in fair value of available-for-sale investments | — | (55,974) |
| Net income recognised directly in equity | 149,802 | 372,163 |
| Transfer to consolidated income statement on disposal of available-for-sale investments | (20,931) | (319,849) |
| Reversal of deferred tax liabilities on disposal of available-for-sale investments | — | 55,974 |
| Profit for the year | 2,602,454 | 3,026,637 |
| Total recognised income for the year | 2,731,325 | 3,134,925 |
| Attributable to: | | |
| Equity holders of the Company | 2,355,616 | 2,709,835 |
| Minority interests | 375,709 | 425,090 |
| | 2,731,325 | 3,134,925 |

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June, 2007

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 2,670,602 | 3,138,755 |
| Adjustments for: | | |
| Interest from | | |
| Bank deposits, loans and receivables | (140,045) | (214,082) |
| Yield on held-to-maturity debt securities (after deducting amortisation of premium on acquisition) | (3,822) | — |
| Dividend income | — | (1,422) |
| Depreciation of property, plant and equipment | 26,509 | 31,740 |
| Amortisation of prepaid land lease payments | 3,227 | 3,227 |
| Share-based payment expense | 5,295 | 101,885 |
| Gain arising from changes in fair value of investment properties | (405,529) | (207,777) |
| Gain on disposal of available-for-sale investments | (28,889) | (319,849) |
| Gain on disposal/deemed disposal of subsidiaries | (294,491) | (7,617) |
| Gain on disposal of a power station project | (185,755) | — |
| Reversal of impairment loss on an amount due from a former jointly controlled entity | (245,480) | — |
| Write back of warranty provisions | (80,000) | — |
| Loss on disposal of other property, plant and equipment | 80 | 948 |
| Finance costs | 61,706 | 84,253 |
| Share of profits of | | |
| Jointly controlled entities | (1,123,054) | (2,295,917) |
| Associates | (16,564) | (5,639) |
| Operating cash flows before movements in working capital | 243,790 | 308,505 |
| Increase in inventories | (2,204) | (3,153) |
| (Increase) decrease in properties for sale | (102,364) | 150,945 |
| (Increase) decrease in trade and other receivables, and deposits and prepayments | (39,330) | 52,463 |
| Increase (decrease) in deposits received from sale of properties | 41,589 | (41,589) |
| Increase in trade and other payables, and rental and other deposits | 40,090 | 12,141 |
| Cash generated from operations | 181,571 | 479,312 |
| Tax paid | | |
| Hong Kong Profits Tax | (5,482) | (9,647) |
| Taxation elsewhere | (9,278) | (10,023) |
| Payment for purchase of shares under share award schemes | — | (116,239) |
| NET CASH FROM OPERATING ACTIVITIES | 166,811 | 343,403 |

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 30th June, 2007

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| INVESTING ACTIVITIES | | |
| Interest received | 165,483 | 207,584 |
| Dividends received | 902,622 | 1,886,780 |
| Additions to investment properties | (53,255) | (296,414) |
| Additions to property, plant and equipment | (45,444) | (22,679) |
| Additions to prepaid land lease payments | (285,336) | (23,427) |
| Investments in associates | (12) | — |
| Repayments to associates | (1,147) | (223) |
| Investments in jointly controlled entities | (4,000) | (181,896) |
| Loans to jointly controlled entities | (29,500) | — |
| Repayments from jointly controlled entities | 293,911 | 888,138 |
| Decrease in long-term receivables | 51,066 | — |
| Acquisition of available-for-sale investments | (199,497) | (328,592) |
| Proceeds from disposal of available-for-sale investments | 79,396 | 797,431 |
| Proceeds on redemption and disposal of held-to-maturity debt securities | 733,035 | — |
| Increase in other investment project | (92,344) | (244,522) |
| Additions to properties for or under development | (24,948) | (96,124) |
| Net proceeds received on disposal of | | |
| Power station project | 89,785 | 133,724 |
| Other property, plant and equipment | 241 | 279 |
| Investment properties | 44,289 | 35,170 |
| Acquisition of additional interests in a subsidiary | (992) | (7,466) |
| NET CASH FROM INVESTING ACTIVITIES | 1,623,353 | 2,747,763 |

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 30th June, 2007

| | 2006 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| FINANCING ACTIVITIES | | |
| Dividends paid to | | |
| Shareholders | (664,901) | (772,608) |
| Minority shareholders of subsidiaries | (200,476) | (302,424) |
| Distributions to minority shareholders | (17,773) | — |
| Proceeds from exercise of warrants of and issue of shares | | |
| by a subsidiary | 255,964 | 88,226 |
| Advances from minority shareholders of a subsidiary | 8,531 | 23,517 |
| Net proceeds from issue of shares by the Company | 10,166 | 29,609 |
| Repurchase of shares | — | (18,878) |
| New bank loans | 1,152,000 | — |
| Repayment of bank loans | (1,207,000) | — |
| Interest paid | (5,636) | — |
| Loan arrangement fees and bank charges paid | (38,016) | (45,139) |
| NET CASH USED IN FINANCING ACTIVITIES | (707,141) | (997,697) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,083,023 | 2,093,469 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 2,551,430 | 3,649,562 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 15,109 | 14,548 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash | 3,649,562 | 5,757,579 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June, 2007

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The address of the registered office and principal place of business of the Company is 64th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Group is principally engaged in investment in infrastructure projects, property development and investment, property agency and management, hotel investment and management, restaurant operations and food catering.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the current accounting period. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

| | |
|--------------------|--|
| HKAS 1 (Amendment) | Capital Disclosures ¹ |
| HKAS 23 (Revised) | Borrowing Costs ² |
| HKFRS 7 | Financial Instruments: Disclosures ¹ |
| HKFRS 8 | Operating Segments ² |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment ³ |
| HK(IFRIC)-Int 11 | HKFRS 2 — Group and Treasury Share Transactions ⁴ |
| HK(IFRIC)-Int 12 | Service Concession Arrangements ⁵ |

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st November, 2006

⁴ Effective for annual periods beginning on or after 1st March, 2007

⁵ Effective for annual periods beginning on or after 1st January, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for the control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Investments in subsidiaries

In the Company's balance sheet, investments in subsidiaries are stated at cost less any identified impairment losses.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. 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. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The Group has incurred additional development expenditure for the construction and development of the toll expressways operated by the jointly controlled entities, which were not accounted for by those entities. Such costs are included in additional cost of investments in jointly controlled entities and are amortised over the joint venture period on the same basis as that adopted by the relevant jointly controlled entity in respect of depreciation of its project cost, commencing from the date of operation of the project undertaken. On disposal of a jointly controlled entity, the attributable amount of the unamortised additional cost of investments is included in the determination of the profit or loss on disposal.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

In the Company's balance sheet, investments in associates are stated at cost less any identified impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. 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.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight-line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Properties for or under development

Properties held for or under development are stated at cost less any identified impairment losses. The cost of properties comprises land cost, development expenditure, other attributable expenses and, where appropriate, borrowing costs capitalised. Depreciation of buildings commences when they are available for use.

When the leasehold land and buildings are in the course of development, the leasehold land component is classified as prepaid lease payments and amortised over a straight line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the cost of the property under development.

Impairment

At each balance sheet date, 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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Prepaid land lease payments

Prepaid land lease payments, which represent up-front payments to acquire interests in leasehold land, are stated at cost and amortised over the period of the lease on a straight line basis.

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 asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as "held-to-maturity investments", "financial assets at fair value through profit or loss" and "loans and receivables". At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse through profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent years when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including long-term loans and receivables, trade and other receivables, loans to a jointly controlled entity, amounts due from subsidiaries and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity (continued)

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including amounts due to a jointly controlled entity and associates, amounts due to subsidiaries, trade and other payables and amount due to a minority shareholder) 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 asset or a financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability, or where appropriate, a shorter period.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged or cancelled or expires. 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.

Properties for sale

Completed properties and properties under development held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, determined by management based on prevailing market conditions.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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 balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax asset is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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 as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as expenses when employee rendered service entitling them to the contribution.

Equity-settled share-based payment transactions

The fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve. At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

The fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, in exchange for the grant of the awarded shares is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained profits. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognised in share award reserve will be recognised as income immediately in the consolidated income statement.

At each balance sheet date, the Group revises its estimates of the number of share options and awarded shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the profit or loss, with a corresponding adjustment to the share option reserve and share award reserve respectively.

Revenue recognition

Revenue is measured at the fair value of 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 sales of properties is recognised on the execution of binding sales agreement or when the relevant completion certificates are issued by the respective government authorities, whichever is the later, provided all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Infrastructure project investments

Revenue from provision of management services for infrastructure project investments is recognised when services are rendered.

Hotel investment and management

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

Restaurant operations and food catering

Revenue from restaurant operations and food catering services is recognised when goods are delivered and services are provided.

Interest income

Interests from financial assets are recognised on a time basis by reference to the principal outstanding and at the 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.

Dividend income

Dividends from investments are recognised when the Group's rights to receive payment have been established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be reported in the consolidated income statement.

Depreciation of toll expressways operated by jointly controlled entities and amortisation of cost of investments in jointly controlled entities

Depreciation of toll expressways operated by jointly controlled entities and amortisation of the Group's cost of investments in jointly controlled entities are calculated based on ratio of actual traffic volume compared to the total expected traffic volume throughout the remaining operation period of the respective jointly controlled entities. Adjustments may need to be made to the carrying amount of the Group's interests in jointly controlled entities and share of results of these jointly controlled entities should there be a material difference between the total expected traffic volume and the actual results.

Deferred tax assets

Deferred tax assets are only recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences and the periods in which tax losses can be utilised. The carrying amounts of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered, such deferred tax asset will be reduced and charged to the consolidated income statement.

5. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The major financial instruments include available-for-sale investments, long-term loans and receivables, trade and other receivables, loans to a jointly controlled entity, amounts due from subsidiaries, bank balances and cash, amounts due to a jointly controlled entity, subsidiaries and associates, trade and other payables and amount due to a minority shareholder. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the financial instruments are market risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

(i) Currency risk

Certain bank deposits held by the subsidiaries of the Company are denominated in currencies other than the functional currency of the subsidiaries (foreign currency). These subsidiaries currently do not have a currency hedging policy. However, management monitors exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Cash flow interest rate risk

The Group has exposures to cash flow interest rate risk regarding its loans to jointly controlled entities (note 30) which carry interest at floating interest rate. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's bank balances are all short term in nature, any future variations in interest rate will not have a significant impact on the results of the Group.

(iii) Other price risk

The Group is also exposed to equity security price risk through its investments in listed and unlisted equity investments. Management monitors the price movements of these assets and makes appropriate investment decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

5. FINANCIAL INSTRUMENTS (continued)

a. Financial risk management objectives and policies (continued)

Credit risk

The Group's and the Company's maximum exposures to credit risk in the event of the counterparties' failure to perform their obligations as at 30th June, 2007 in relation to each class of recognised financial assets are the carrying amounts of those assets as stated in the consolidated and the Company balance sheets and in respect of the guarantees given by the Group and the Company are the amounts covered by the guarantees granted. The recoverability of each individual receivable and the Group's and the Company's credit risk exposure are regularly reviewed to ensure that adequate provisions are made for impairment losses. The Group has established credit approvals and other monitoring procedures to ensure that follow-up actions are taken to minimise the potential losses from bad credit risk. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is adequately monitored.

The credit risk on liquid funds is limited because the counterparties are financial institutions with high credit standing.

Other than the long-term loans and receivables disclosed in note 30, the Group has no significant concentration of credit risk, with exposures adequately spread over a number of counterparties and customers.

b. Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. TURNOVER

Turnover comprises mainly income from property letting, agency and management, property development, restaurant operations and food catering, and service fee income from infrastructure project investments and hotel investment and management, and is analysed as follows:

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Property letting, agency and management | 330,636 | 389,950 |
| Property development | 107,849 | 225,982 |
| Infrastructure project investments | 7,229 | 4,916 |
| Hotel investment and management | 200,460 | 204,651 |
| Restaurant operations and food catering | 176,255 | 174,287 |
| Other operations | 693 | 819 |
| | 823,122 | 1,000,605 |

Note: Interest income from loans to jointly controlled entities undertaking infrastructure projects amounting to HK\$234 million (2006: HK\$108 million), which was previously included in turnover, has been reclassified and included in share of profits of jointly controlled entities (Note 15). Comparative amount has been restated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

The businesses based upon which the Group reports its primary segment information are as follows:

| | | |
|------------------------------------|---|---|
| Property investment | — | property letting, agency and management |
| Property development | — | development of properties |
| Infrastructure project investments | — | investments in expressway projects |
| Hotel investment and management | — | hotel ownership and management |
| Restaurants and catering | — | restaurant operations and food catering |

Segment information about these businesses is presented below.

Segment turnover

Year ended 30th June

| | 2006 | | | 2007 | | |
|---------------------------------------|----------------------|---------------------------|----------------------|----------------------|---------------------------|----------------------|
| | External HK\$'000 | Inter-segment HK\$'000 | Combined HK\$'000 | External HK\$'000 | Inter-segment HK\$'000 | Combined HK\$'000 |
| Property investment | 330,636 | 25,730 | 356,366 | 389,950 | 26,263 | 416,213 |
| Property development | 107,849 | — | 107,849 | 225,982 | — | 225,982 |
| Infrastructure project investments | 7,229 | — | 7,229 | 4,916 | — | 4,916 |
| Hotel investment and management | 200,460 | 175 | 200,635 | 204,651 | 14 | 204,665 |
| Restaurants and catering | 176,255 | — | 176,255 | 174,287 | — | 174,287 |
| Other operations | 693 | — | 693 | 819 | 10,685 | 11,504 |
| Eliminations | — | (25,905) | (25,905) | — | (36,962) | (36,962) |
| Total turnover | 823,122 | — | 823,122 | 1,000,605 | — | 1,000,605 |

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

Segment results

Year ended 30th June

| | 2006 | | | | 2007 | | | |
|---|--------------------------------|---|------------------------|-------------------|--------------------------------|---|------------------------|-------------------|
| | Segment results HK\$'000 | Jointly controlled entities HK\$'000 | Associates HK\$'000 | Total HK\$'000 | Segment results HK\$'000 | Jointly controlled entities HK\$'000 | Associates HK\$'000 | Total HK\$'000 |
| Property investment | | | | | | | | |
| — Operations | 187,696 | — | 382 | 188,078 | 199,078 | (28) | 4,861 | 203,911 |
| — Gain arising from changes in fair value of investment properties | 405,529 | — | — | 405,529 | 207,777 | — | — | 207,777 |
| Property development | (506) | 32,576 | 15,758 | 47,828 | 25,986 | 1,040,653 | — | 1,066,639 |
| Infrastructure project investments | (7,669) | 1,090,478 | — | 1,082,809 | (8,804) | 1,255,292 | — | 1,246,488 |
| Hotel investment and management | 55,204 | — | — | 55,204 | 52,557 | — | — | 52,557 |
| Restaurants and catering | 17,936 | — | — | 17,936 | 19,403 | — | — | 19,403 |
| Other operations | 15,166 | — | 424 | 15,590 | 3,681 | — | 778 | 4,459 |
| | 673,356 | 1,123,054 | 16,564 | 1,812,974 | 499,678 | 2,295,917 | 5,639 | 2,801,234 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business Segments (continued)

Segment results (continued)

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Segment results | | |
| Company and subsidiaries | 673,356 | 499,678 |
| Interest and other income | 143,867 | 214,082 |
| Exchange gains | 15,062 | 25,824 |
| Unallocated corporate expenses | (74,210) | (145,598) |
| | 758,075 | 593,986 |
| Gain on disposal of available-for-sale investments | 28,889 | 319,849 |
| Gain on disposal/deemed disposal of subsidiaries | 294,491 | 7,617 |
| Gain on disposal of a power station project | 185,755 | — |
| Reversal of impairment loss on an amount due from a former jointly controlled entity | 245,480 | — |
| Write back of warranty provisions | 80,000 | — |
| Finance costs | (61,706) | (84,253) |
| Share of profits of | | |
| Jointly controlled entities | 1,123,054 | 2,295,917 |
| Associates | 16,564 | 5,639 |
| Profit before taxation | 2,670,602 | 3,138,755 |
| Income tax expense | (68,148) | (112,118) |
| Profit for the year | 2,602,454 | 3,026,637 |

Assets and Liabilities

At 30th June, 2007

| | Segment assets HK\$'000 | Interests in and loans to jointly controlled entities HK\$'000 | Interests in associates HK\$'000 | Consolidated total assets HK\$'000 | Segment liabilities HK\$'000 | Consolidated total liabilities HK\$'000 |
|------------------------------------|-------------------------------|--|---|--|------------------------------------|--|
| Property investment | 7,159,357 | 6,472 | 21,317 | 7,187,146 | 285,152 | 285,152 |
| Property development | 319,072 | 622,261 | 3,380 | 944,713 | 69,949 | 69,949 |
| Infrastructure project investments | 342,578 | 7,380,115 | — | 7,722,693 | 317,649 | 317,649 |
| Hotel investment and management | 386,074 | — | — | 386,074 | 41,369 | 41,369 |
| Restaurants and catering | 128,243 | — | — | 128,243 | 18,306 | 18,306 |
| Other operations | 18,771 | — | — | 18,771 | 29,161 | 29,161 |
| | 8,354,095 | 8,008,848 | 24,697 | 16,387,640 | 761,586 | 761,586 |
| Available-for-sale investments | | | | 18,682 | | — |
| Other assets/liabilities | | | | 7,955,726 | | 1,368,885 |
| | | | | 24,362,048 | | 2,130,471 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business Segments (continued)

Assets and Liabilities

At 30th June, 2006

| | Segment assets HK\$'000 | Interests in and loans to jointly controlled entities HK\$'000 | Interests in associates HK\$'000 | Consolidated total assets HK\$'000 | Segment liabilities HK\$'000 | Consolidated total liabilities HK\$'000 |
|------------------------------------|-------------------------------|--|---|--|------------------------------------|--|
| Property investment | 6,631,603 | 4,000 | 19,973 | 6,655,576 | 131,822 | 131,822 |
| Property development | 503,600 | 541,608 | 3,403 | 1,048,611 | 152,171 | 152,171 |
| Infrastructure project investments | 102,469 | 7,489,046 | — | 7,591,515 | 53,225 | 53,225 |
| Hotel investment and management | 398,805 | — | — | 398,805 | 54,496 | 54,496 |
| Restaurants and catering | 118,702 | — | — | 118,702 | 19,735 | 19,735 |
| Other operations | 19,385 | — | — | 19,385 | 46,736 | 46,736 |
| | 7,774,564 | 8,034,654 | 23,376 | 15,832,594 | 458,185 | 458,185 |
| Available-for-sale investments | | | | 194,932 | | — |
| Other assets/liabilities | | | | 5,356,903 | | 830,359 |
| | | | | 21,384,429 | | 1,288,544 |

The Group's total assets less current liabilities and the Group's net current assets at 30th June, 2007 amounted to HK\$23,047,558,000 (2006: HK\$20,839,057,000) and HK\$6,644,519,000 (2006: HK\$4,338,623,000) respectively.

Other Information

| | 2006 | | | 2007 | | |
|---------------------------------------|----------------------------------|---|---|----------------------------------|---|---|
| | Capital additions HK\$'000 | Depreciation and amortisation HK\$'000 | Other non-cash expenses HK\$'000 | Capital additions HK\$'000 | Depreciation and amortisation HK\$'000 | Other non-cash expenses HK\$'000 |
| Property investment | 63,364 | 3,538 | — | 325,426 | 6,950 | 364 |
| Property development | 31,114 | 982 | — | 430 | 619 | — |
| Infrastructure project investments | 223 | 112,696 | — | 500 | 126,333 | — |
| Hotel investment and management | 32,087 | 17,489 | 857 | 6,830 | 17,782 | — |
| Restaurants and catering | 7,158 | 4,700 | 85 | 7,042 | 3,424 | 63 |
| Other operations | 28 | 674 | — | 218 | 737 | — |
| Unallocated | 1,542 | 1,983 | — | 106,617 | 1,793 | — |

Geographical Segments

The Group's property investment, hotel investment and management, restaurants and catering activities are mainly carried out in Hong Kong and Macau. All the infrastructure project investments are located in the People's Republic of China (the "PRC") and the property development activities are carried out in Hong Kong, the PRC and Macau. The following table provides an analysis of the Group's turnover by geographical markets:

| | Turnover | |
|-------------------|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| Hong Kong | 705,926 | 759,930 |
| The PRC and Macau | 117,196 | 240,675 |
| | 823,122 | 1,000,605 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical Segments (continued)

The following is an analysis of the carrying amounts of assets and additions to investment properties, property, plant and equipment, and properties for or under development of the Group, analysed by the geographical areas in which the assets are located:

| | Assets | | Additions to investment properties, property, plant and equipment, and properties for or under development | |
|----------------------|------------------|-------------------|--|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 | 2006 HK\$'000 | 2007 HK\$'000 |
| Group segment assets | | | | |
| Hong Kong | 7,146,923 | 7,677,321 | 133,203 | 340,020 |
| The PRC | 608,985 | 657,681 | 771 | 426 |
| Other regions | 18,656 | 19,093 | — | — |
| | 7,774,564 | 8,354,095 | 133,974 | 340,446 |
| Other assets (Note) | 13,609,865 | 16,007,953 | 1,542 | 106,617 |
| | 21,384,429 | 24,362,048 | 135,516 | 447,063 |

Note: Other assets shown above include interests in and loans to jointly controlled entities engaging in infrastructure project investments in the PRC, available-for-sale investments and bank deposits.

8. OTHER INCOME

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Included in other income are: | | |
| Interest from | | |
| Bank deposits | 122,399 | 211,788 |
| Loans and other receivables | 17,646 | 2,294 |
| Yield on held-to-maturity debt securities (after deducting amortisation of premium on acquisition of Nil (2006: HK\$3,914,000)) | 3,822 | — |
| Dividend income from | | |
| Listed securities | — | 489 |
| Unlisted investments | — | 933 |
| Exchange gains, net | 39,021 | 65,647 |

9. OTHER EXPENSES

The other expenses represent charitable donations made by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

10. GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENTS

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Proceeds from disposal of | | |
| Listed equity securities | 71,438 | 797,431 |
| Unlisted equity investments | 7,958 | — |
| | 79,396 | 797,431 |
| Carrying amount of investments disposed of | (71,438) | (797,431) |
| Investment revaluation reserve realised on disposal | 20,931 | 319,849 |
| | 28,889 | 319,849 |

11. GAIN ON DISPOSAL/DEEMED DISPOSAL OF SUBSIDIARIES

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Gain on deemed disposal of interest in a listed subsidiary (Note a) | 29,104 | 7,617 |
| Gain on disposal of a subsidiary (Note b) | 265,387 | — |
| | 294,491 | 7,617 |

Notes:

- (a) Following the exercise of the HHI Warrants and HHI share options by the holders during the year as detailed in note 40, the Company's interest in HHI has been reduced by 0.47% (2006: 1.54%) to 72.77% (2006: 73.24%), giving rise to a gain on deemed disposal of HK\$8 million (2006: HK\$29 million) recognised in the consolidated income statement for the year.
- (b) In the prior year, the Company entered into an agreement for the disposal of the Company's entire interest in and the Group's advances to a subsidiary, Hopewell (Thailand) Limited ("HTL"), whose primary business is the undertaking of the elevated rail and road transport system project in Bangkok (the "BERTS Project"). The consideration for the disposal amounted to Thai Baht 500 million plus a sum equivalent to 20% of the excess over Thai Baht 2 billion if the total amount recoverable by HTL relating to its claims in connection with the BERTS Project exceeds Thai Baht 2 billion as specified in the agreement. However, the timing and ultimate receipt of the consideration could be materially affected by the occurrence of certain events relating to the successful recovery by HTL of its claims regarding the BERTS Project, which are uncertain. Accordingly, the consideration will only be recognised by the Group until receipt of the consideration is probable. The gain on disposal of HTL amounting to approximately HK\$265 million recognised in the consolidated income statement for the year ended 30th June, 2006 represents the net liabilities of HTL which no longer were included in the consolidated balance sheet of the Group on disposal.

12. GAIN ON DISPOSAL OF A POWER STATION PROJECT

The amount represents gain on disposal of the Tanjung Jati B Power Station in Indonesia recognised in the year ended 30th June, 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

13. REVERSAL OF IMPAIRMENT LOSS ON AN AMOUNT DUE FROM A FORMER JOINTLY CONTROLLED ENTITY

| | 2006 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| Reversal of impairment loss on an amount due from a former jointly controlled entity (<i>Note</i>) | 245,480 | — |

Note: In the year ended 30th June, 2005, the Group disposed of its entire interests in the jointly controlled entities undertaking the highway and bridge project and the National Highway 105 project in Shunde, the PRC, which gave rise to a gain on disposal of approximately HK\$496 million recognised by the Group. In determining the gain on disposal, the outstanding amount due from one of the jointly controlled entities of approximately HK\$245 million was regarded as impaired. During the year ended 30th June, 2006, such outstanding amount of HK\$245 million was fully repaid by the jointly controlled entity to the Group and has been recognised in the consolidated income statement for that year.

14. FINANCE COSTS

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Interests on bank loans and overdrafts wholly repayable within five years | 5,636 | — |
| Other interest expense (<i>Note 27c</i>) | 39,549 | 43,398 |
| Total interest | 45,185 | 43,398 |
| Loan arrangement fees and bank charges | 16,521 | 40,855 |
| | 61,706 | 84,253 |

15. SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Share of profits of jointly controlled entities before amortisation of cost of investments in jointly controlled entities | 1,127,101 | 2,187,371 |
| Interest income from loans to, and registered capital contribution made to, jointly controlled entities | 108,279 | 234,444 |
| Amortisation of cost of investments in jointly controlled entities | (112,326) | (125,898) |
| | 1,123,054 | 2,295,917 |

Interest income from loans to, and registered capital contribution made to, jointly controlled entities includes imputed interest on interest-free loans advanced by the Group to a jointly controlled entity amounting to HK\$160 million (2006: HK\$43 million), of which HK\$120 million (2006: Nil) is attributable to the early settlement of the interest-free loans during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

16. PROFIT BEFORE TAXATION

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Profit before taxation has been arrived at after charging (crediting): | | |
| Auditors' remuneration | 4,630 | 6,135 |
| Depreciation of property, plant and equipment | 26,509 | 31,740 |
| Amortisation of prepaid land lease payments | 8,532 | 11,109 |
| Less: Amount capitalised to properties for or under development | (5,305) | (7,882) |
| | 3,227 | 3,227 |
| Rental expense in respect of properties under operating leases | 1,095 | 1,177 |
| Staff costs (including directors' emoluments) | 243,415 | 346,014 |
| Share of tax of jointly controlled entities (included in share of profits of jointly controlled entities) | 111,577 | 291,842 |
| Share of tax of associates (included in share of profits of associates) | 36 | 1,076 |
| Rental income from investment properties, less attributable outgoings of HK\$150,762,000 (2006: HK\$125,444,000) | (197,250) | (225,205) |

17. INCOME TAX EXPENSE

| | 2006 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| Hong Kong Profits Tax | | |
| Current year | 12,585 | 23,546 |
| (Over)underprovision in respect of prior years | (16,525) | 236 |
| | (3,940) | 23,782 |
| Taxation elsewhere | | |
| Current year | 11,610 | 15,531 |
| Overprovision in respect of prior years | (18,144) | (4) |
| | (10,474) | 39,309 |
| Deferred tax (<i>note 42</i>) | 78,622 | 72,809 |
| | 68,148 | 112,118 |

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

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

Details of deferred taxation are set out in note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

17. INCOME TAX EXPENSE (continued)

The income tax expense can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Profit before taxation | 2,670,602 | 3,138,755 |
| Tax at Hong Kong Profits Tax rate of 17.5% (2006: 17.5%) | 467,355 | 549,282 |
| Tax effect of expenses not deductible for tax purposes | 20,204 | 22,390 |
| Tax effect of income not taxable for tax purposes | (151,299) | (50,549) |
| Tax effect of tax losses not recognised | 6,851 | 18,099 |
| Tax effect of utilisation of tax losses not previously recognised | (6,021) | (5,540) |
| Tax effect of utilisation of deductible temporary differences not previously recognised | (32,507) | (378) |
| Tax effect of share of profits of jointly controlled entities and associates | (199,433) | (402,772) |
| (Over)underprovision in respect of prior years | (34,669) | 232 |
| Effect of reversal of deferred tax previously recognised on reclassification of investment properties to assets classified as held for sale | — | (26,886) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (1,856) | 8,772 |
| Others | (477) | (532) |
| Income tax expense | 68,148 | 112,118 |

18. DIVIDENDS

| | 2006 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| Dividends paid | | |
| Final dividend for the year ended 30th June, 2006 of HK48 cents per share (2006: year ended 30th June, 2005 of HK38 cents per share) | 341,454 | 431,407 |
| Interim dividend for the year ended 30th June, 2007 of HK38 cents per share (2006: year ended 30th June, 2006 of HK36 cents per share) | 323,447 | 341,473 |
| Less: Dividend for shares held by HHL Employees' Share Award Scheme Trust (Note 40) | — | (272) |
| | 323,447 | 341,201 |
| | 664,901 | 772,608 |
| Dividends proposed | | |
| Final dividend for the year ended 30th June, 2007 of HK82 cents per share (2006: year ended 30th June, 2006 of HK48 cents per share) | 431,311 | 737,658 |
| Special dividend for the year ended 30th June, 2007 of HK35 cents per share (2006: Nil) | — | 314,854 |
| | 431,311 | 1,052,512 |
| Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust | — | (838) |
| | 431,311 | 1,051,674 |

The proposed final dividend and special dividend of HK82 cents per share and HK35 cents per share respectively have been proposed by the directors and are subject to approval by the shareholders in general meeting.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

19. EARNINGS PER SHARE

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| The calculation of the basic and diluted earnings per share is based on the following data: | | |
| Earnings for the purposes of basic earnings per share | | |
| Profit for the year attributable to equity holders of the Company | 2,249,896 | 2,632,127 |
| Effect of dilutive potential ordinary shares of HHI (<i>note 40</i>): | | |
| Adjustment to the Group's results arising from a dilution of HHI's earnings attributable to warrants and share options issued | (3,803) | (432) |
| Earnings for the purposes of diluted earnings per share | 2,246,093 | 2,631,695 |

| | 2006 Number of shares | 2007 Number of shares |
|---|-----------------------------|-----------------------------|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 898,379,751 | 898,306,631 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 280,799 | 1,664,525 |
| Award shares | — | 500,597 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 898,660,550 | 900,471,753 |

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by HHL Employees' Share Award Scheme Trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

20. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable to the Company's directors are as follows:

| | <i>Year ended 30th June, 2007</i> | | | | |
|-----------------------------------|-----------------------------------|--|-----------------------------|--|-----------------|
| | <i>Directors' fees</i> | <i>Basic salaries, allowances and benefits-in-kind</i> | <i>Share-based payments</i> | <i>Contributions to provident fund schemes</i> | <i>Total</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sir Gordon Ying Sheung Wu | 600 | 4,500 | 23,211 | — | 28,311 |
| Mr. Eddie Ping Chang Ho | 500 | 3,492 | 19,782 | — | 23,774 |
| Mr. Thomas Jefferson Wu | 400 | 3,354 | 22,995 | 24 | 26,773 |
| Mr. Josiah Chin Lai Kwok | 200 | 3,000 | 3,788 | 12 | 7,000 |
| Mr. Henry Hin Moh Lee | 200 | 1,000 | — | — | 1,200 |
| Mr. Robert Van Jin Nien | 200 | 1,430 | 1,515 | 12 | 3,157 |
| Mr. Guy Man Guy Wu | 200 | — | — | — | 200 |
| Lady Ivy Sau Ping Kwok Wu | 200 | — | — | — | 200 |
| Ms. Linda Lai Chuen Loke | 200 | — | — | — | 200 |
| Mr. Albert Kam Yin Yeung | 200 | 1,638 | 2,526 | 12 | 4,376 |
| Mr. Barry Chung Tat Mok | 400 | 1,992 | 3,628 | 12 | 6,032 |
| Mr. David Yau-gay Lui | 200 | — | — | — | 200 |
| Mr. Carmelo Ka Sze Lee | 200 | — | — | — | 200 |
| Mr. Andy Lee Ming Cheung | 200 | 1,585 | 1,515 | — | 3,300 |
| Mr. Eddie Wing Chuen Ho Junior | 200 | 819 | 1,515 | 12 | 2,546 |
| Mr. Lee Yick Nam | 400 | — | — | — | 400 |
| Mr. William Wong Wing Lam | 90 | 794 | 2,105 | 6 | 2,995 |
| | 4,590 | 23,604 | 82,580 | 90 | 110,864 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

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

(a) Directors' emoluments (continued)

Year ended 30th June, 2006

| | <i>Directors' fees</i> HK\$'000 | <i>Basic salaries, allowances and benefits- in-kind</i> HK\$'000 | <i>Share-based payments</i> HK\$'000 | <i>Contributions to provident fund schemes</i> HK\$'000 | <i>Total</i> HK\$'000 |
|--------------------------------|------------------------------------|---|---|--|--------------------------|
| Sir Gordon Ying Sheung Wu | 600 | 4,500 | — | — | 5,100 |
| Mr. Eddie Ping Chang Ho | 500 | 3,492 | — | — | 3,992 |
| Mr. Thomas Jefferson Wu | 400 | 3,354 | — | 24 | 3,778 |
| Mr. Josiah Chin Lai Kwok | 200 | 3,000 | — | 12 | 3,212 |
| Mr. Henry Hin Moh Lee | 200 | 1,000 | — | — | 1,200 |
| Mr. Robert Van Jin Nien | 200 | 1,430 | — | 12 | 1,642 |
| Mr. Guy Man Guy Wu | 200 | — | — | — | 200 |
| Lady Ivy Sau Ping Kwok Wu | 200 | — | — | — | 200 |
| Ms. Linda Lai Chuen Loke | 200 | — | — | — | 200 |
| Mr. Albert Kam Yin Yeung | 200 | 1,638 | — | 12 | 1,850 |
| Mr. Barry Chung Tat Mok | 351 | 1,585 | 5,295 | 8 | 7,239 |
| Mr. David Yau-gay Lui | 200 | — | — | — | 200 |
| Mr. Carmelo Ka Sze Lee | 200 | — | — | — | 200 |
| Mr. Andy Lee Ming Cheung | 200 | 1,573 | — | 12 | 1,785 |
| Mr. Eddie Wing Chuen Ho Junior | 200 | 819 | — | 12 | 1,031 |
| Mr. Lee Yick Nam | 400 | — | — | — | 400 |
| Mr. Colin Henry Weir | 83 | 2,662 | — | 5 | 2,750 |
| | 4,534 | 25,053 | 5,295 | 97 | 34,979 |

Mr. William Wong Wing Lam was appointed as a director of the Company with effect from 18th January, 2007.

Mr. Colin Henry Weir resigned as a director of the Company with effect from 1st December, 2005.

Other than fees of HK\$800,000 (2006: HK\$800,000) paid or payable to the independent non-executive directors which have been included above, no remuneration was paid or is payable to such directors.

(b) Highest paid employees' emoluments

The five individuals in the Group with the highest emoluments are the directors of the Company and details of their emoluments have been disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

21. INVESTMENT PROPERTIES

| | <i>The Group</i> | |
|--|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| Investment properties at fair value | | |
| At beginning of the year | 6,116,284 | 6,537,344 |
| Additions | 59,820 | 320,378 |
| Disposals | (44,289) | — |
| Transfer to assets classified as held for sale (<i>Note 35</i>) | — | (195,000) |
| Increase in fair value recognised in consolidated income statement | 405,529 | 207,777 |
| At end of the year | 6,537,344 | 6,870,499 |

The Group's investment properties comprises:

| | 2006 | 2007 |
|------------------------------------|-----------|------------------|
| | HK\$'000 | HK\$'000 |
| Land and buildings in Hong Kong on | | |
| Long leases | 3,268,730 | 3,391,092 |
| Medium-term leases | 3,268,614 | 3,479,407 |
| | 6,537,344 | 6,870,499 |

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 30th June, 2007 has been arrived at on the basis of a valuation carried as at that date by CB Richard Ellis Limited ("CB Richard"), independent professional property valuers not connected with the Group. The valuation report on these properties are signed by a director of CB Richard who is a member of The Hong Kong Institute of Surveyors ("HKIS"), and the valuations, which are prepared in accordance with The HKIS Valuation Standards on Properties published by HKIS, were arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

22. PROPERTY, PLANT AND EQUIPMENT

| | <i>Buildings in Hong Kong</i> | | | <i>Total HK\$'000</i> |
|--|--|--|--------------------------------------|---------------------------|
| | <i>Hotel property HK\$'000</i> | <i>Other properties HK\$'000</i> | <i>Other assets HK\$'000</i> | |
| The Group | | | | |
| COST | | | | |
| At 1st July, 2005 | 369,543 | 177,433 | 282,667 | 829,643 |
| Additions | — | 1,644 | 43,800 | 45,444 |
| Disposals | — | — | (1,254) | (1,254) |
| Disposal of a subsidiary | — | — | (624) | (624) |
| At 30th June, 2006 | 369,543 | 179,077 | 324,589 | 873,209 |
| Additions | — | 107 | 22,572 | 22,679 |
| Disposals | — | — | (7,502) | (7,502) |
| At 30th June, 2007 | 369,543 | 179,184 | 339,659 | 888,386 |
| DEPRECIATION | | | | |
| At 1st July, 2005 | 103,471 | 46,932 | 238,613 | 389,016 |
| Provided for the year | 7,392 | 3,691 | 15,426 | 26,509 |
| Eliminated on disposals | — | — | (933) | (933) |
| Eliminated on disposal of a subsidiary | — | — | (187) | (187) |
| At 30th June, 2006 | 110,863 | 50,623 | 252,919 | 414,405 |
| Provided for the year | 7,392 | 3,691 | 20,657 | 31,740 |
| Eliminated on disposals | — | — | (6,275) | (6,275) |
| At 30th June, 2007 | 118,255 | 54,314 | 267,301 | 439,870 |
| CARRYING VALUES | | | | |
| At 30th June, 2006 | 258,680 | 128,454 | 71,670 | 458,804 |
| At 30th June, 2007 | 251,288 | 124,870 | 72,358 | 448,516 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

22. PROPERTY, PLANT AND EQUIPMENT (continued)

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

| | <i>The Group</i> | |
|---|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| Hotel property on land under medium-term leases | 258,680 | 251,288 |
| Other properties on land under | | |
| Long leases | 16,671 | 16,084 |
| Medium-term leases | 111,783 | 108,786 |
| | 128,454 | 124,870 |

The above items of property, plant and equipment are depreciated over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight-line method, as follows:

| <i>Category of assets</i> | <i>Estimated useful lives</i> |
|---------------------------|--|
| 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 |

23. PREPAID LAND LEASE PAYMENTS

| | <i>The Group</i> | |
|---|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| The Group's prepaid land lease payments comprise: | | |
| Leasehold land in Hong Kong on | | |
| Long leases | 843,196 | 858,870 |
| Medium-term leases | 138,206 | 134,850 |
| | 981,402 | 993,720 |
| Analysed for reporting purposes as | | |
| Non-current asset | 972,953 | 982,611 |
| Current asset | 8,449 | 11,109 |
| | 981,402 | 993,720 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

24. INVESTMENTS IN SUBSIDIARIES

| | <i>The Company</i> | |
|-------------------------------------|--------------------|-----------------|
| | <i>2006</i> | <i>2007</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Unlisted shares | | |
| At cost less impairment | 603 | 780,589 |
| Shares listed in Hong Kong, at cost | 992 | 8,459 |
| | 1,595 | 789,048 |
| Market value of listed shares | 1,170 | 10,182 |

Particulars of the principal subsidiaries are set out in note 49.

25. AMOUNTS DUE FROM SUBSIDIARIES

| | <i>The Company</i> | |
|-------------------------------|--------------------|-------------------|
| | <i>2006</i> | <i>2007</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amounts due from subsidiaries | | |
| Interest free | — | 10,993,622 |
| Interest bearing | 176,501 | — |
| | 176,501 | 10,993,622 |

The amounts due from subsidiaries at 30th June, 2007 are unsecured and with no fixed repayment terms except for the aggregate principal amount of HK\$557 million (2006: Nil) which are repayable in 2013. In the opinion of the directors, based on their assessment as at 30th June, 2007 of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repayable within one year from the balance sheet date, accordingly these amounts are classified as non-current. The principal amounts due from subsidiaries at 30th June, 2007 of HK\$11,774 million have been reduced to their present value of HK\$10,994 million with a corresponding increase of HK\$780 million in investments in subsidiaries which are regarded as deemed contribution by the Company to these subsidiaries. The effective interest rate on the amounts due from subsidiaries in respect of the year is 5.8% per annum, representing the borrowing rates of the relevant subsidiaries.

The amount due from a subsidiary amounting to HK\$177 million at 30th June, 2006, which was unsecured and carried interest ranging from 4.6% to 5.9% per annum, was repaid during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

26. PROPERTIES FOR OR UNDER DEVELOPMENT

| | <i>The Group</i> | |
|--------------------------|--------------------------------|--------------------------------|
| | <i>2006</i> <i>HK\$'000</i> | <i>2007</i> <i>HK\$'000</i> |
| COST | | |
| At beginning of the year | 201,395 | 231,647 |
| Additions | 30,252 | 104,006 |
| At end of the year | 231,647 | 335,653 |

Included in the cost of properties for or under development is net interest capitalised totalling HK\$55.4 million (2006: HK\$55.4 million).

27. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | <i>The Group</i> | |
|---|--------------------------------|--------------------------------|
| | <i>2006</i> <i>HK\$'000</i> | <i>2007</i> <i>HK\$'000</i> |
| Expressway and property projects in the PRC | | |
| Unlisted investments, at cost | | |
| Registered capital contribution | 1,188,763 | 1,368,159 |
| Additional cost of investments | 4,677,170 | 4,231,541 |
| | 5,865,933 | 5,599,700 |
| Share of post-acquisition reserves | 1,562,129 | 2,177,654 |
| Less: Accumulated amortisation | (554,772) | (680,670) |
| | 6,873,290 | 7,096,684 |
| Property development project in Macau | | |
| Unlisted investment, at cost | 4,850 | — |
| Share of post-acquisition reserves | 67,364 | — |
| | 72,214 | — |
| Other unlisted investments | 4,000 | 6,472 |
| | 6,949,504 | 7,103,156 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

27. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Notes:

Particulars of the Group's principal jointly controlled entities at 30th June, 2007 are as follows:

| <i>Name of company</i> | <i>Place of establishment</i> | <i>Registered/issued ordinary capital</i> | <i>Principal activity</i> | <i>Proportion of registered/issued ordinary capital held by the Group</i> |
|--|-------------------------------|---|--|---|
| Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited | The PRC | RMB471,000,000 (equivalent to HK\$702,000,000) | Development, operation and management of an expressway | 100% |
| Guangzhou E-S-W Ring Road Company Limited | The PRC | US\$55,000,000 | Development, operation and management of an expressway | 50% |
| Guangdong Guangzhou-Zhuhai West Superhighway Company Limited | The PRC | RMB2,303,000,000 | Development, operation and management of an expressway | 50% |
| Nova Taipa-Urbanizacoes Limitada | Macau | MOP10,000,000 | Property development | 50% |

Details of the principal jointly controlled entities at the balance sheet date are as follows:

(a) Phase I of the Guangzhou-Shenzhen-Zhuhai Superhighway ("GS Superhighway")

The GS Superhighway is undertaken by Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV"), a joint venture company established in the PRC. The operation period is 30 years from the GS Superhighway's official opening date. The Group's entitlement to the profit of the toll operations of the GS Superhighway is 50% for the initial ten years, 48% for the next ten years and 45% for the last ten years of the operation period. The Group is also entitled to a share of 80% of the rentals and other income, after deduction of operating and financial expenses, arising from the development of commercial centres and shop spaces along and underneath the GS Superhighway for a period of 30 years commencing on the date of completion of the GS Superhighway. At the end of the operation period, all the immovable assets and facilities of GS Superhighway JV will revert to the PRC partner without compensation.

GS Superhighway JV has also been granted the rights to develop parcels of land within certain interchanges of the GS Superhighway for sale or rental with certain land premium to be waived. Detailed terms of such grant have yet to be finalised.

The registered capital of GS Superhighway JV of HK\$702 million, which is contributed by the Group and carries interest at Hong Kong prime rate, is repayable out of the net cash flows of GS Superhighway JV after its payment of various items, such as operating expenses, tax and debt service obligations, as stated in the joint venture agreement of GS Superhighway JV, and the bank loan agreements entered into by GS Superhighway JV. The repayment of the registered capital is subject to the applicable PRC rules and regulations.

The GS Superhighway was officially opened in July 1997.

(b) Phases II and III of the Guangzhou-Shenzhen-Zhuhai Superhighway ("Western Delta Route")

The Western Delta Route, comprising a major transportation route in Western Pearl River Delta to be developed in three phases, is undertaken by Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV"), a joint venture company established in the PRC.

The operation period of phase I ("Phase I West") of the project is 30 years from 17th September, 2003. The expiration date of the joint venture co-operation period of West Route JV has been extended from 16th September, 2033 to 16th September, 2038. The Group is entitled to 50% of the profits from the operation of West Route JV. At the end of the joint venture co-operation period, all the immovable assets and facilities of West Route JV will revert to the PRC government without compensation. Phase I West was opened in April 2005 and the phase II of the project is currently under construction.

As stated in the joint venture agreement of West Route JV, the joint venture partners are entitled to the repayment of registered capital of West Route JV, which is interest free and with no specific repayment terms. The repayment of the registered capital is subject to the applicable PRC rules and regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

27. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

(c) Ring Road project in Guangzhou

The construction, operation and management of the Guangzhou East-South-West Ring Road ("ESW Ring Road") are undertaken by Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV"), a joint venture company established in the PRC for this purpose. The operation period shall be approximately 30 years commencing from January 2002.

The Group is entitled to 45% of the net cash surplus of Ring Road JV for the initial ten years of the operation period and thereafter the Group's profit entitlement will be reduced to 37.5% for the subsequent ten years and 32.5% for the remaining ten years of the operation period. At the end of the operation period, all the immovable assets and facilities of Ring Road JV will revert to the PRC joint venture partner without compensation. The ESW Ring Road was officially opened in January 2002.

As stated in the joint venture agreement of Ring Road JV, the joint venture partners are entitled to the repayment of registered capital of Ring Road JV, which is interest free and with no specific repayment terms. The repayment of the registered capital is subject to applicable PRC rules and regulations.

Ring Road JV has in the past raised bank loans to finance the development of its road project. The interests of such bank loans were reimbursed by the Hong Kong joint venture partners. During the year, interest reimbursed to Ring Road JV by the Group under such arrangement amounted to approximately HK\$43 million (2006: HK\$40 million).

As referred to in note 51, the Group entered into an agreement for the disposal of its interest in Ring Road JV subsequent to the year end date.

(d) Property development project in Macau

The investment represents the Group's 50% interest in Nova Taipa-Urbanizacoes Limitada ("Nova Taipa"), a company incorporated and operating in Macau engaging principally in property development.

During the year, the Group entered into a conditional agreement to dispose of its entire interest in Nova Taipa. Accordingly, the carrying amount of the interest in Nova Taipa has been reclassified as "Assets classified as held for sale" (Note 35b).

The summarised financial information in respect of the Group's share of the assets, liabilities, income and expenses of its jointly controlled entities (including the jointly controlled entity classified as held for sale) which are accounted for using the equity method is set out below:

| | 2006 HK\$'000 | 2007 HK\$'000 |
|-------------------------|------------------|------------------|
| Current assets | 1,777,860 | 1,951,570 |
| Non-current assets | 7,990,704 | 8,783,674 |
| Current liabilities | 1,219,089 | 1,419,283 |
| Non-current liabilities | 5,943,095 | 6,236,412 |
| Income | 1,978,381 | 4,066,346 |
| Expenses | 862,857 | 1,951,408 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

28. INTERESTS IN ASSOCIATES

| | <i>The Group</i> | |
|---|--------------------------------|--------------------------------|
| | <i>2006</i> <i>HK\$'000</i> | <i>2007</i> <i>HK\$'000</i> |
| Cost of investments, unlisted | 522 | 505 |
| Share of post-acquisition profits and reserves, net of dividends received | 22,854 | 23,120 |
| | 23,376 | 23,625 |

| | <i>The Company</i> | |
|--------------------------|--------------------------------|--------------------------------|
| | <i>2006</i> <i>HK\$'000</i> | <i>2007</i> <i>HK\$'000</i> |
| Unlisted shares, at cost | 401 | 401 |

Particulars of the principal associates are set out in note 50.

The summarised financial information in respect of the Group's associates (including the associates classified as held for sale) is set out below:

| | <i>2006</i> <i>HK\$'000</i> | <i>2007</i> <i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Total assets | 77,932 | 82,629 |
| Total liabilities | (18,578) | (19,267) |
| Net assets | 59,354 | 63,362 |
| Group's share of net assets of associates | 23,376 | 23,625 |
| Revenue | 49,120 | 19,166 |
| Profit for the year | 44,667 | 13,514 |
| Group's share of profits of associates for the year | 16,564 | 5,639 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

29. AVAILABLE-FOR-SALE INVESTMENTS

| | <i>The Group</i> | |
|--|--------------------------------|--------------------------------|
| | <i>2006</i> <i>HK\$'000</i> | <i>2007</i> <i>HK\$'000</i> |
| Unlisted equity investments, at cost | 18,682 | 18,682 |
| Equity securities listed in Hong Kong, at fair value | 176,250 | — |
| | 194,932 | 18,682 |
| Market value of listed equity securities | 176,250 | — |

| | <i>The Company</i> | |
|--------------------------------------|--------------------------------|--------------------------------|
| | <i>2006</i> <i>HK\$'000</i> | <i>2007</i> <i>HK\$'000</i> |
| Unlisted equity investments, at cost | 3,000 | 3,000 |

The fair values of the listed equity securities have been determined by reference to the bid prices quoted on the Hong Kong Stock Exchange.

The unlisted equity investments are measured at cost because the directors of the Company are of the opinion that the range of reasonable fair value estimates is so significant that their fair value cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

30. LONG-TERM LOANS AND RECEIVABLES

| | <i>The Group</i> | |
|--|------------------|-----------------|
| | <i>2006</i> | <i>2007</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loans to jointly controlled entities | 1,085,150 | 283,431 |
| Less: Amounts due within one year classified under current assets: | | |
| Loans to a jointly controlled entity | (45,620) | — |
| | 1,039,530 | 283,431 |
| Analysis of long-term loans and receivables: | | |
| Interest bearing at Hong Kong prime rate | 225,208 | 283,431 |
| Interest bearing at a fixed rate of 6% to 7% per annum | 423,774 | — |
| Interest free | 436,168 | — |
| | 1,085,150 | 283,431 |

The loans to jointly controlled entities are unsecured and with no fixed repayment terms except for an aggregate amount of HK\$283 million (2006: HK\$616 million) which are repayable out of the net cash surplus from the operations of the relevant jointly controlled entities.

The interest-free long-term loans and receivables amounting to HK\$436 million at 30th June, 2006 were measured based on the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The effective interest rates on the long-term loans and receivables in respect of the year range from 6% to 8% per annum (2006: 6% to 8% per annum).

31. INVENTORIES

| | <i>The Group</i> | |
|----------------------------------|------------------|-----------------|
| | <i>2006</i> | <i>2007</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hotel and restaurant inventories | 11,537 | 14,690 |

The cost of inventories recognised as an expense during the year amounted to HK\$111,216,000 (2006: HK\$108,844,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

32. PROPERTIES FOR SALE

| | <i>The Group</i> | |
|-------------------|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| Properties | | |
| Under development | 337,281 | 287,389 |
| Completed | 124,813 | 23,760 |
| | 462,094 | 311,149 |

The cost of properties recognised as an expense during the year amounted to HK\$173,514,000 (2006: HK\$85,612,000).

The properties under development is expected to be substantially realised not within one year from the balance sheet date.

33. TRADE AND OTHER RECEIVABLES

Other than rentals receivable, which are payable upon presentation of invoices, the Group allows an average credit period of 15 to 60 days to its trade customers.

The following is an analysis of trade and other receivables outstanding at the balance sheet date:

| | <i>The Group</i> | |
|---|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| Receivables aged | | |
| 0-30 days | 56,027 | 28,128 |
| 31-60 days | 7,964 | 7,405 |
| Over 60 days | 6,823 | 8,379 |
| | 70,814 | 43,912 |
| Interest on bank deposits | 2,519 | 9,017 |
| Deposit monies from disposal of interests in, and loans to, a jointly controlled entity and interests in associates (<i>Note 35b</i>) | — | 458,000 |
| Proceeds receivable on disposal of investment and property, plant and equipment | 229,948 | 75,869 |
| Dividend receivable from a jointly controlled entity | 352,836 | 403,377 |
| | 656,117 | 990,175 |

34. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank deposits with maturity of three months or less which carry interest at market rates which range from 1.5% to 5.3% (2006: 1.5% to 4.9%) per annum.

Included in bank balances and cash are bank deposits held by subsidiaries amounting to approximately RMB369 million (2006: RMB360 million) and US\$466 million (2006: US\$297 million) which are denominated in currencies other than the functional currencies of the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

35. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

(i) Assets classified as held for sale comprise:

| | <i>The Group</i> | |
|---|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| Investment properties (<i>Note a</i>) | — | 195,000 |
| Interest in a jointly controlled entity (<i>Note b</i>) | — | 204,263 |
| Interests in associates (<i>Note b</i>) | — | 1,072 |
| Long-term loans and receivables (<i>Note b</i>) | — | 417,998 |
| | — | 818,333 |

(ii) Liabilities associated with assets classified as held for sale comprise:

| | <i>The Group</i> | |
|---|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| Deposits received on disposal of investment properties (<i>Note a</i>) | — | 35,170 |
| Deposit monies in respect of disposal of interests in a jointly controlled entity and associates, and long-term loans and receivables (<i>Note b</i>) | — | 458,000 |
| | — | 493,170 |

Notes:

- (a) During the year, the Group entered into agreements with certain independent third parties for the disposal of its investment properties and properties for sale with carrying amounts as at 30th June, 2007 amounting to HK\$195 million and HK\$3.8 million, respectively, for a total consideration of HK\$240.8 million. The disposals have not been completed up to the balance sheet date and, accordingly, the investment properties have been reclassified as "Assets classified as held for sale". Deposits received on the disposal of such properties amounting to HK\$35.2 million have been classified as "Liabilities associated with assets classified as held for sale".
- (b) During the year, the Group entered into a conditional agreement with a subsidiary of a shareholder of the Group's jointly controlled entity, Nova Taipa-Urbanizacoes Limitada ("Nova Taipa"), for the disposal of the Group's equity interest in, and loans to, Nova Taipa, and the equity interests in two associates, namely, Nova City Property Management Limited ("Nova City") and Nova Taipa Gardens Property Management Limited ("Nova Gardens"), for a total consideration of HK\$4,580 million. Nova Taipa is principally engaged in property development whereas Nova City and Nova Gardens are principally engaged in property management. The disposals have not been completed up to the balance sheet date and, accordingly, the Group's equity interests in the jointly controlled entity and the associates, and the loans to the jointly controlled entity which were previously included in long-term loans and receivables, have been reclassified as "Assets classified as held for sale". Deposit monies which have been placed by the purchaser with a firm of solicitors in relation to the disposal of the jointly controlled entity and the associates amounting to HK\$458 million has been classified as "Liabilities associated with assets classified as held for sale".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

36. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables outstanding at the balance sheet date:

| | <i>The Group</i> | |
|--------------------|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| Payables due | | |
| 0-30 days | 159,362 | 212,519 |
| 31-60 days | 6,476 | 1,955 |
| Over 60 days | 150,973 | 110,986 |
| Retentions payable | 316,811 | 325,460 |
| | 13,393 | 31,466 |
| | 330,204 | 356,926 |

37. AMOUNTS DUE TO A JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

The Group

The amount due to a jointly controlled entity is unsecured, interest free and repayable on demand.

The Group and the Company

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

38. AMOUNTS DUE FROM/TO SUBSIDIARIES

The Company

The amounts due from/to subsidiaries are unsecured, interest free and repayable within one year or on demand.

39. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The Group

The amount due to a minority shareholder of a subsidiary is unsecured, interest free and repayable on demand.

40. SHARE CAPITAL

| | <i>Number of shares</i> | | <i>Nominal value</i> | |
|--|-------------------------|------------------|----------------------|------------------|
| | 2006 '000 | 2007 '000 | 2006 HK\$'000 | 2007 HK\$'000 |
| The Group and the Company | | | | |
| Ordinary shares of HK\$2.50 each Authorised | 1,200,000 | 1,200,000 | 3,000,000 | 3,000,000 |
| Issued and fully paid | | | | |
| At beginning of the year | 897,970 | 898,565 | 2,244,925 | 2,246,413 |
| Issued during the year | 595 | 1,650 | 1,488 | 4,125 |
| Repurchased during the year | — | (832) | — | (2,080) |
| At end of the year | 898,565 | 899,383 | 2,246,413 | 2,248,458 |

During the year, the Company issued a total of 1,650,000 (2006: 595,000) ordinary shares of HK\$2.50 each for a total cash consideration of HK\$29,635,000 (2006: HK\$10,175,000) pursuant to the exercise of the share options granted by the Company. These shares rank pari passu in all respects with the other shares in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

40. SHARE CAPITAL (continued)

During the year, the Company repurchased 832,000 (2006: Nil) ordinary shares of the Company on the Hong Kong Stock Exchange, as follows:

| Month | Number of ordinary shares repurchased '000 | Purchase price per share | | Total consideration paid (including transaction costs) HK\$'000 |
|----------|---|--------------------------|----------------|--|
| | | Highest HK\$ | Lowest HK\$ | |
| 2006 | | | | |
| October | 432 | 22.45 | 22.25 | 9,702 |
| November | 400 | 22.95 | 22.80 | 9,176 |
| | 832 | | | 18,878 |

These repurchases were effected by the directors pursuant to the mandate from the shareholders with a view to benefiting the shareholders as a whole by the enhancement of the earnings per share of the Group.

At 30th June, 2007, the Company's 716,000 (2006: Nil) issued shares with an aggregate nominal value of HK\$1,790,000 (2006: Nil) were held by HHL Employees' Share Award Scheme Trust (see note on share award scheme explained below). In accordance with the trust deed of the HHL Employees' Share Award Scheme Trust, the relevant trustee shall not exercise the voting rights attached to such shares.

Share option schemes

(a) The Company

In 2003, the Company adopted a share option scheme ("HHL 2003 Scheme") which is effective for a period of 10 years. The principal purpose of this scheme is to provide incentives to directors and eligible employees. The Board is authorised under the share option scheme to grant options to executive directors and employees of the Company or any of its subsidiaries and persons specified in the scheme document to subscribe for shares in the Company.

Under the HHL 2003 Scheme, options granted must be taken up within 14 days from the date of the offer letter upon the payment of HK\$1 per each grant of option, payable as consideration on acceptance, which is recognised in the consolidated income statement when received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

40. SHARE CAPITAL (continued)

Share option schemes (continued)

(a) *The Company* (continued)

The following table discloses details of share options which were granted by the Company at nominal consideration and movements in such holdings:

| Date of grant | Subscription price per share HK\$ | Outstanding at 1st July, 2005 | Movements during the year | | | At 30th June, 2006 | | Closing prices at the date of exercise HK\$ |
|---------------------------------|-----------------------------------|-------------------------------|---------------------------|-----------|----------------------|--------------------|-------------|---|
| | | | Granted | Exercised | Cancelled/ lapsed | Outstanding | Exercisable | |
| | | | | | | | | |
| <i>Directors</i> | | | | | | | | |
| 8th September, 2004 | 17.10 | 1,945,000 | — | (595,000) | — | 1,350,000 | 1,350,000 | 21.2, 20.0 |
| 2nd September, 2005 | 19.94 | — | 2,500,000 | — | — | 2,500,000 | 1,250,000 | N/A |
| | | 1,945,000 | 2,500,000 | (595,000) | — | 3,850,000 | 2,600,000 | |
| Weighted average exercise price | | HK\$17.10 | HK\$19.94 | HK\$17.10 | N/A | HK\$18.94 | HK\$18.47 | |

| Date of grant | Subscription price per share HK\$ | Outstanding at 1st July, 2006 | Movements during the year | | | At 30th June, 2007 | | Closing prices at the date of exercise HK\$ |
|---------------------------------|-----------------------------------|-------------------------------|---------------------------|-------------|----------------------|--------------------|-------------|---|
| | | | Granted | Exercised | Cancelled/ lapsed | Outstanding | Exercisable | |
| | | | | | | | | |
| <i>Directors</i> | | | | | | | | |
| 8th September, 2004 | 17.10 | 1,350,000 | — | (1,150,000) | — | 200,000 | 200,000 | 21.2, 20.0 |
| 2nd September, 2005 | 19.94 | 2,500,000 | — | (500,000) | — | 2,000,000 | 2,000,000 | 32.3, 35.65 |
| | | 3,850,000 | — | (1,650,000) | — | 2,200,000 | 2,200,000 | |
| <i>Employees</i> | | | | | | | | |
| 10th October, 2006 | 22.44 | — | 8,960,000 | — | (256,000) | 8,704,000 | — | N/A |
| | | 3,850,000 | 8,960,000 | (1,650,000) | (256,000) | 10,904,000 | 2,200,000 | |
| Weighted average exercise price | | HK\$18.94 | HK\$22.44 | HK\$17.96 | HK\$22.44 | HK\$21.88 | HK\$19.68 | |

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

The options granted on 8th September, 2004 under the HHL 2003 Scheme are exercisable within a period of three years from the date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

40. SHARE CAPITAL (continued)

Share option schemes (continued)

(a) *The Company* (continued)

The options granted on 2nd September, 2005 under the HHL 2003 Scheme are exercisable in the following manner:

| <i>Number of share options</i> | <i>Vesting period</i> | <i>Exercisable period</i> |
|--------------------------------|---|---------------------------------------|
| 1,250,000 | 2nd September, 2005 to 1st March, 2006 | 2nd March, 2006 to 1st March, 2009 |
| 1,250,000 | 2nd September, 2005 to 1st March, 2007 | 2nd March, 2007 to 1st March, 2009 |
| 2,500,000 | | |

The options granted on 10th October, 2006 are exercisable in the following manner:

| <i>Number of share options</i> | <i>Vesting period</i> | <i>Exercisable period</i> |
|--------------------------------|---|---|
| 1,792,000 | 10th October, 2006 to 31st October, 2007 | 1st November, 2007 to 31st October, 2013 |
| 1,792,000 | 10th October, 2006 to 31st October, 2008 | 1st November, 2008 to 31st October, 2013 |
| 1,792,000 | 10th October, 2006 to 31st October, 2009 | 1st November, 2009 to 31st October, 2013 |
| 1,792,000 | 10th October, 2006 to 31st October, 2010 | 1st November, 2010 to 31st October, 2013 |
| 1,792,000 | 10th October, 2006 to 31st October, 2011 | 1st November, 2011 to 31st October, 2013 |
| 8,960,000 | | |

On 2nd September, 2005, the Company granted options under the HHL 2003 Scheme at nominal consideration to a director to subscribe for a total of 2,500,000 ordinary shares in the Company. The fair values of the options granted on that date are HK\$6,819,000 which were calculated using the Binomial option pricing model. The inputs into the model were as follows:

| | |
|--|-----------|
| Weighted average share price (at grant date) | HK\$19.60 |
| Exercise price | HK\$19.94 |
| Expected volatility | 23.3% |
| Expected life | 3.4 years |
| Risk-free rate | 3.66% |
| Expected dividend yield | 4.1% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

40. SHARE CAPITAL (continued)

Share option schemes (continued)

(a) *The Company* (continued)

On 10th October, 2006, the Company granted options under the HHL 2003 Scheme at nominal consideration to certain employees to subscribe for a total of 8,960,000 ordinary shares in the Company. The fair values of the options granted on that date are HK\$43,981,000 which were calculated using the Binomial option pricing model. The inputs into the model were as follows:

| | |
|--|-----------|
| Weighted average share price (at grant date) | HK\$22.25 |
| Exercise price | HK\$22.44 |
| Expected volatility | 26% |
| Expected life | 7 years |
| Risk-free rate | 3.956% |
| Expected dividend yield | 3.8% |

Expected volatility was determined by using the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted for the effects of non-transferability, exercise restrictions and behavioural considerations. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

The Group recognised the total expense of HK\$15,125,000 for the year (2006: HK\$5,295,000) in relation to share options granted by the Company.

(b) *HHI*

A share option scheme ("HHI Scheme") was adopted by HHI pursuant to the written resolutions of the shareholder of HHI passed on 16th July, 2003 and approved by the shareholders of the Company at an extraordinary general meeting held on 16th July, 2003. The HHI Scheme shall be valid and effective for a period of 10 years and the principal purpose of which is to provide incentives to directors and eligible employees. The Board of HHI is authorised to grant options under the HHI Scheme to executive directors and employees of the Company, HHI or any of its subsidiaries and persons specified in the scheme document to subscribe for shares in HHI.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK\$1 per each grant of option, payable as consideration on acceptance, which is recognised in the consolidated income statement when received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

40. SHARE CAPITAL (continued)

Share option schemes (continued)

(b) HHI (continued)

The following table discloses the details of share options granted under the HHI Scheme by HHI to its directors and employees, who are not directors of the Company, at nominal consideration:

| Date of grant | Subscription price per share HK\$ | Outstanding at 1st July, 2005 | Movements during the year | | | At 30th June, 2006 | | Closing prices at the date of exercise HK\$ |
|---------------------------------|--------------------------------------|----------------------------------|---------------------------|-----------|----------------------|--------------------|-------------|--|
| | | | Granted | Exercised | Cancelled/ lapsed | Outstanding | Exercisable | |
| | | | | | | | | |
| 8th September, 2004 | 4.875 | 2,400,000 | — | — | — | 2,400,000 | 2,400,000 | N/A |
| Weighted average exercise price | | HK\$4.875 | N/A | N/A | N/A | HK\$4.875 | HK\$4.875 | |

| Date of grant | Subscription price per share HK\$ | Outstanding at 1st July, 2006 | Movements during the year | | | At 30th June, 2007 | | Closing prices at the date of exercise HK\$ |
|---------------------------------|--------------------------------------|----------------------------------|---------------------------|-------------|----------------------|--------------------|-------------|--|
| | | | Granted | Exercised | Cancelled/ lapsed | Outstanding | Exercisable | |
| | | | | | | | | |
| 8th September, 2004 | 4.875 | 2,400,000 | — | (2,400,000) | — | — | — | 6.61 |
| 17th October, 2006 | 5.858 | — | 6,200,000 | — | — | 6,200,000 | — | N/A |
| | | 2,400,000 | 6,200,000 | (2,400,000) | — | 6,200,000 | — | |
| Weighted average exercise price | | HK\$4.875 | HK\$5.858 | HK\$4,875 | N/A | HK\$5.858 | N/A | |

The options granted to certain employees on 17th October, 2006 are exercisable in the following manner:

| Number of share options | Vesting period | Exercise period |
|-------------------------|--|--|
| 1,240,000 | 1st December, 2006 to 30th November, 2007 | 1st December, 2007 to 30th November, 2013 |
| 1,240,000 | 1st December, 2006 to 30th November, 2008 | 1st December, 2008 to 30th November, 2013 |
| 1,240,000 | 1st December, 2006 to 30th November, 2009 | 1st December, 2009 to 30th November, 2013 |
| 1,240,000 | 1st December, 2006 to 30th November, 2010 | 1st December, 2010 to 30th November, 2013 |
| 1,240,000 | 1st December, 2006 to 30th November, 2011 | 1st December, 2011 to 30th November, 2013 |
| 6,200,000 | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

40. SHARE CAPITAL (continued)

Share option schemes (continued)

(b) HHI (continued)

The total fair values of the options determined at the dates of grant using the Binomial option pricing model are HK\$5,814,000. The inputs into the model were as follows:

| | |
|--|---------------|
| Weighted average share price (at grant date) | HK\$5.700 |
| Exercise price | HK\$5.858 |
| Expected volatility | 23% |
| Expected life | 6.4–6.9 years |
| Risk free rate | 3.969% |
| Expected dividend yield | 4.75% |

Expected volatility was determined by using the historical volatility of the HHI's share price over the previous year. The expected life used in the model has been adjusted for the effects of non-transferability, exercise restrictions and behavioural considerations. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

The Group recognised the total expense of HK\$1,743,000 for the year (2006: Nil) in relation to share options granted by HHI.

Share award scheme

(a) The Company

On 25th January, 2007, an employees' share award scheme ("HHL Share Award Scheme") was adopted by the Company. The HHL Share Award Scheme is valid and effective for a period of 15 years commencing from 25th January, 2007. Pursuant to the rules of the HHL Share Award Scheme, the Group has set up a trust, HHL Employees' Share Award Scheme Trust, for the purpose of administering the HHL Share Award Scheme and holding the awarded shares before they vest.

During the year, a total of 3,374,000 shares in the Company has been awarded to certain directors of the Company at no consideration. The awardees shall not dispose of, nor enter into any agreement to dispose of the relevant awarded shares in the 12-month period commencing on the vesting date thereof. Details of the movements of shares of the Company awarded during the year ended 30th June, 2007 are as follows:

| Vesting date | Outstanding at 1st July, 2006 | Movements during the year | | Outstanding at 30th June, 2007 |
|-----------------------------|----------------------------------|------------------------------|-------------|--------------------------------------|
| | | Awarded | Allotted | |
| <i>Directors</i> | | | | |
| 25th January, 2007 | — | 2,658,000 | (2,658,000) | — |
| 25th January, 2008 | — | 358,000 | — | 358,000 |
| 25th January, 2009 | — | 358,000 | — | 358,000 |
| | — | 3,374,000 | (2,658,000) | 716,000 |
| Weighted average fair value | N/A | HK\$25.92 | HK\$26.38 | HK\$24.22 |

During the year ended 30th June, 2007, 3,374,000 shares of the Company were acquired at a total cost of HK\$102,109,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

40. SHARE CAPITAL (continued)

Share award scheme (continued)

(a) *The Company* (continued)

The total fair value of the awarded shares determined at the date of grant using the Black-Scholes option pricing model was HK\$87,445,000, of which HK\$75,733,000 was recognised as an expense for the year.

The following assumptions were used to calculate the fair value of awarded shares:

| | |
|--------------------------------------|-----------|
| Closing share price at date of grant | HK\$28.65 |
| Expected life of options | 1-3 years |
| Expected volatility | |
| — First year | 22.15% |
| — Second year | 20.26% |
| — Third year | 25.28% |
| Expected dividend yield | 2.6% |
| Risk free rate | |
| — First year | 3.89% |
| — Second year | 3.92% |
| — Third year | 3.93% |

The Black-Scholes option pricing model has been used to estimate the fair value of the awarded shares. The variables and assumptions used in computing the fair value of the awarded shares are based on the directors' best estimate. The value of awarded shares varies with different variables of certain subjective assumptions.

(b) *HHI*

On 25th January, 2007, an employees' share award scheme ("HHI Share Award Scheme") was adopted by HHI. The HHI Share Award Scheme is valid and effective for a period of 15 years commencing from 25th January, 2007. Pursuant to the rules of the HHI Share Award Scheme, HHI has set up a trust, HHI Employees' Share Award Scheme Trust, for the purpose of administering the HHI Share Award Scheme and holding the awarded shares before they vest.

During the year, a total of 1,940,000 shares in HHI has been awarded to a director of the Company and employees of the Group at no consideration. The awardees shall not dispose of, nor enter into any agreement to dispose of the relevant awarded shares in the 12-month period commencing on the vesting date thereof. Details of the movements of shares of HHI awarded during the year ended 30th June, 2007 are as follows:

| Vesting date | Outstanding at 1st July, 2006 | Movements during the year | | Outstanding at 30th June, 2007 |
|-----------------------------|----------------------------------|------------------------------|-------------|--------------------------------------|
| | | Awarded | Allotted | |
| <i>A director</i> | | | | |
| 25th January, 2007 | — | 800,000 | (800,000) | — |
| <i>Employees</i> | | | | |
| 25th January, 2007 | — | 380,000 | (380,000) | — |
| 25th January, 2008 | — | 380,000 | — | 380,000 |
| 25th January, 2009 | — | 380,000 | — | 380,000 |
| | — | 1,140,000 | (380,000) | 760,000 |
| | — | 1,940,000 | (1,180,000) | 760,000 |
| Weighted average fair value | N/A | HK\$6.38 | HK\$6.65 | HK\$5.94 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

40. SHARE CAPITAL (continued)

Share award scheme (continued)

(b) HHI (continued)

During the year ended 30th June, 2007, 1,940,000 shares of HHI were acquired at a total cost of HK\$14,130,000.

The total fair value of the awarded shares determined at the date of grant using the Black-Scholes option pricing model was HK\$12,369,000, of which HK\$9,284,000 was recognised as an expense for the year.

The following assumptions were used to calculate the fair value of awarded shares:

| | |
|--------------------------------------|-----------|
| Closing share price at date of grant | HK\$7.38 |
| Expected life of options | 1-3 years |
| Expected volatility | |
| — First year | 25.18% |
| — Second year | 21.80% |
| — Third year | 23.47% |
| Expected dividend yield | 4.36% |
| Risk free rate | |
| — First year | 3.89% |
| — Second year | 3.92% |
| — Third year | 3.93% |

The Black-Scholes option pricing model has been used to estimate the fair value of the awarded shares. The variables and assumptions used in computing the fair value of the awarded shares are based on the directors' best estimate. The value of awarded share varies with different variables of certain subjective assumptions.

HHI Warrants

In connection with the listing of the shares in HHI in 2003, HHI issued warrants to the Company's shareholders which entitle the holders thereof to subscribe for shares in HHI at a subscription price of HK\$4.18 per share subject to adjustment during the three-year period commencing on 6th August, 2003. The HHI Warrants were listed on the Hong Kong Stock Exchange.

During the year, 18,307,997 (2006: 61,235,525) HHI warrants carrying an aggregate subscription price of HK\$76,527,427 (2006: HK\$255,964,495) were exercised by the warrant holders resulting in the issuance of 18,307,997 (2006: 61,235,525) ordinary shares in HHI. The remaining 2,007,353 HHI warrants lapsed upon expiry of the warrants on 5th August, 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

41. SHARE PREMIUM AND RESERVES

Attributable to equity holders of the Company

| | Share redemption premium | Capital reserve | Capital reserve | Translation reserve | PRC statutory reserves | Investment revaluation reserve | Share option reserve | Share award reserve | Shares held for share award scheme | Retained profits | Total | Equity component of share option reserve of a subsidiary | Equity component of share award reserve of a subsidiary | Minority interests | Total |
|---|--------------------------|-----------------|-----------------|---------------------|------------------------|--------------------------------|----------------------|---------------------|------------------------------------|------------------|------------|--|---|--------------------|------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st July, 2005 | 8,648,818 | 2,668 | 83,010 | (7,314) | 63,742 | — | — | — | — | 4,491,780 | 13,282,704 | — | — | 2,489,390 | 15,772,094 |
| Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates | — | — | — | 78,460 | — | — | — | — | — | — | 78,460 | — | — | 23,151 | 101,611 |
| Gain arising from changes in fair value of available-for-sale investments | — | — | — | — | — | 48,191 | — | — | — | — | 48,191 | — | — | — | 48,191 |
| Net income recognised directly in equity | — | — | — | 78,460 | — | 48,191 | — | — | — | — | 126,651 | — | — | 23,151 | 149,802 |
| Transfer to consolidated income statement on disposal of available-for-sale investments | — | — | — | — | — | (20,931) | — | — | — | — | (20,931) | — | — | — | (20,931) |
| Profit for the year | — | — | — | — | — | — | — | — | — | 2,249,896 | 2,249,896 | — | — | 352,558 | 2,602,454 |
| Total recognised income for the year | — | — | — | 78,460 | — | 27,260 | — | — | — | 2,249,896 | 2,355,616 | — | — | 375,709 | 2,731,325 |
| Issue of shares | 8,687 | — | — | — | — | — | — | — | — | — | 8,687 | — | — | — | 8,687 |
| Shares issue expenses | (9) | — | — | — | — | — | — | — | — | — | (9) | — | — | — | (9) |
| Dividends to minority shareholders | — | — | — | — | — | — | — | — | — | — | — | — | — | (218,249) | (218,249) |
| Recognition of equity-settled share-based payments | — | — | — | — | — | — | 5,295 | — | — | — | 5,295 | — | — | — | 5,295 |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | (992) | (992) |
| Disposal of subsidiaries | — | — | — | — | — | — | — | — | — | — | — | — | — | (1,092) | (1,092) |
| Deemed disposal of interest in a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | 217,314 | 217,314 |
| Transfers between reserves | — | — | — | — | 7,213 | — | — | — | — | (7,213) | — | — | — | — | — |
| Dividends paid (note 18) | — | — | — | — | — | — | — | — | — | (664,901) | (664,901) | — | — | — | (664,901) |
| At 30th June, 2006 | 8,657,496 | 2,668 | 83,010 | 71,146 | 70,955 | 27,260 | 5,295 | — | — | 6,069,562 | 14,987,392 | — | — | 2,862,080 | 17,849,472 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

41. SHARE PREMIUM AND RESERVES (continued)

Attributable to equity holders of the Company

| | Share premium | Capital redemption reserve | Capital reserve | Translation reserve | PRC statutory reserves | Investment revaluation reserve | Share option reserve | Share award reserve | Shares held for share award scheme | Retained profits | Total | Equity component of share option reserve of a subsidiary | Equity component of share award reserve of a subsidiary | Minority interests | Total |
|---|------------------|----------------------------|-----------------|---------------------|------------------------|--------------------------------|----------------------|---------------------|------------------------------------|------------------|-------------------|--|---|--------------------|-------------------|
| | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 |
| At 30th June, 2006 | 8,657,496 | 2,668 | 83,010 | 71,146 | 70,955 | 27,260 | 5,295 | — | — | 6,069,562 | 14,987,392 | — | — | 2,862,080 | 17,849,472 |
| Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates | — | — | — | 104,968 | — | — | — | — | — | — | 104,968 | — | — | 30,580 | 135,548 |
| Gain arising from changes in fair value of available-for-sale investments | — | — | — | — | — | 292,589 | — | — | — | — | 292,589 | — | — | — | 292,589 |
| Deferred tax liabilities on change in fair value of available-for-sale investments | — | — | — | — | — | (55,974) | — | — | — | — | (55,974) | — | — | — | (55,974) |
| Net income recognised directly in equity | — | — | — | 104,968 | — | 236,615 | — | — | — | — | 341,583 | — | — | 30,580 | 372,163 |
| Transfer to consolidated income statement on disposal of available-for-sale investments | — | — | — | — | — | (319,849) | — | — | — | — | (319,849) | — | — | — | (319,849) |
| Reversal of deferred tax liabilities on disposal of available-for-sale investments | — | — | — | — | — | 55,974 | — | — | — | — | 55,974 | — | — | — | 55,974 |
| Profit for the year | — | — | — | — | — | — | — | — | — | 2,632,127 | 2,632,127 | — | — | 394,510 | 3,026,637 |
| Total recognised income (expenses) for the year | — | — | — | 104,968 | — | (27,260) | — | — | — | 2,632,127 | 2,709,835 | — | — | 425,090 | 3,134,925 |
| Issue of shares | 26,874 | — | — | — | — | — | (1,364) | — | — | — | 25,510 | — | — | — | 25,510 |
| Shares issue expenses | (26) | — | — | — | — | — | — | — | — | — | (26) | — | — | — | (26) |
| Repurchase of shares | — | 2,080 | — | — | — | — | — | — | — | (18,878) | (16,798) | — | — | — | (16,798) |
| Dividends to minority shareholders | — | — | — | — | — | — | — | — | — | — | — | — | — | (302,424) | (302,424) |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | (7,466) | (7,466) |
| Recognition of equity-settled share-based payments | — | — | — | — | — | — | 15,125 | 75,733 | — | — | 90,858 | 1,268 | 6,756 | 3,003 | 101,885 |
| Shares vested under the share award schemes of the Group | — | — | — | — | — | — | — | (70,107) | — | (10,334) | (80,441) | — | (5,713) | 5,713 | (80,441) |
| Purchase of shares for unvested shares under the share award scheme of the Company | — | — | — | — | — | — | — | — | (21,668) | — | (21,668) | — | — | — | (21,668) |
| Deemed disposal of interest in a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | 72,758 | 72,758 |
| Transfers between reserves | — | — | — | — | 8,574 | — | — | — | — | (8,574) | — | — | — | — | — |
| Dividends paid (note 18) | — | — | — | — | — | — | — | — | — | (772,608) | (772,608) | — | — | — | (772,608) |
| At 30th June, 2007 | 8,684,344 | 4,748 | 83,010 | 176,114 | 79,529 | — | 19,056 | 5,626 | (21,668) | 7,891,295 | 16,922,054 | 1,268 | 1,043 | 3,058,754 | 19,983,119 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

41. SHARE PREMIUM AND RESERVES (continued)

| | Share redemption premium HK\$'000 | Capital reserve HK\$'000 | Capital reserve HK\$'000 | Share option reserve HK\$'000 | Share award reserve HK\$'000 | Shares held for share award scheme HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|---|--------------------------------|--------------------------------|--|---------------------------------------|--|---------------------------------|-------------------|
| The Company | | | | | | | | |
| At 1st July, 2005 | 8,648,818 | 2,668 | 9,872 | — | — | — | 2,727,422 | 11,388,780 |
| Profit for the year and total income recognised for the year | — | — | — | — | — | — | 522,335 | 522,335 |
| Issue of shares | 8,687 | — | — | — | — | — | — | 8,687 |
| Shares issue expenses | (9) | — | — | — | — | — | — | (9) |
| Recognition of equity- settled share based payments | — | — | — | 5,295 | — | — | — | 5,295 |
| Dividends paid (note 18) | — | — | — | — | — | — | (664,901) | (664,901) |
| At 30th June, 2006 | 8,657,496 | 2,668 | 9,872 | 5,295 | — | — | 2,584,856 | 11,260,187 |
| Profit for the year and total income recognised for the year | — | — | — | — | — | — | 1,337,039 | 1,337,039 |
| Issue of shares | 26,874 | — | — | (1,364) | — | — | — | 25,510 |
| Shares issue expenses | (26) | — | — | — | — | — | — | (26) |
| Repurchase of shares | — | 2,080 | — | — | — | — | (18,878) | (16,798) |
| Recognition of equity- settled share-based payments | — | — | — | 15,125 | 75,733 | — | — | 90,858 |
| Shares vested under the share award scheme of the Company | — | — | — | — | (70,107) | — | (10,334) | (80,441) |
| Purchase of shares for unvested shares under the share award scheme of the Company | — | — | — | — | — | (21,668) | — | (21,668) |
| Dividends paid (note 18) | — | — | — | — | — | — | (772,608) | (772,608) |
| At 30th June, 2007 | 8,684,344 | 4,748 | 9,872 | 19,056 | 5,626 | (21,668) | 3,120,075 | 11,822,053 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

42. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods.

| | <i>Accelerated tax depreciation HK\$'000</i> | <i>Fair value adjustments on investment properties HK\$'000</i> | <i>Arising from business combinations (Note) HK\$'000</i> | <i>Tax losses HK\$'000</i> | <i>Others HK\$'000</i> | <i>Total HK\$'000</i> |
|--|--|---|---|--------------------------------|----------------------------|---------------------------|
| At 1st July, 2005 | 133,329 | 395,785 | 257,082 | (212,820) | 7,115 | 580,491 |
| Charge (credit) to consolidated income statement | 14,638 | 82,646 | (10,874) | 152 | (7,940) | 78,622 |
| At 30th June, 2006 | 147,967 | 478,431 | 246,208 | (212,668) | (825) | 659,113 |
| Charge (credit) to consolidated income statement | 20,455 | 9,481 | (4,690) | 47,592 | (29) | 72,809 |
| At 30th June, 2007 | 168,422 | 487,912 | 241,518 | (165,076) | (854) | 731,922 |

Note: Such deferred tax liabilities are attributable to taxable temporary differences arising on initial recognition of assets which were acquired in business combinations.

The deferred tax assets and liabilities have been offset for the purposes of balance sheet presentation.

At the balance sheet date, the Group had available unused tax losses of HK\$1,439 million (2006: HK\$1,638 million) to offset against future profits. A deferred tax asset of HK\$165 million (2006: HK\$213 million) in respect of tax losses of HK\$943 million (2006: HK\$1,216 million) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$496 million (2006: HK\$422 million) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

43. DISPOSAL OF SUBSIDIARIES

| | <i>2006 HK\$'000</i> | <i>2007 HK\$'000</i> |
|----------------------------------|--------------------------|--------------------------|
| Net assets disposed of: | | |
| Property, plant and equipment | 437 | — |
| Pledged deposits | 94,263 | — |
| Trade and other receivables | 1,127 | — |
| Deposits and prepayments | 431 | — |
| Trade and other payables | (360,553) | — |
| | (264,295) | — |
| Minority interests released | (1,092) | — |
| Gain on disposal of subsidiaries | 265,387 | — |
| Total consideration received | — | — |

The subsidiaries disposed of during the year ended 30th June, 2006 did not contribute significantly to the Group's cash flows, turnover or profit before taxation for that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

44. PROJECT COMMITMENTS

(a) Expressway projects in the PRC

At 30th June, 2007, the Group has agreed to make capital contribution to the West Route JV for the development of the Phase II West amounting to RMB857 million (2006: RMB857 million), of which RMB175 million (2006: Nil) has been contributed by the Group as at that date.

In addition, at 30th June, 2007, the Group has agreed, subject to approval of relevant authorities, to make capital contribution to the West Route JV for the development of the Phase III West amounting to RMB571 million (2006: RMB571 million). As at that date, no contribution to the registered capital of the joint venture company has been made by the Group in this respect.

At 30th June, 2007, the Group's attributable share of the commitment of GS Superhighway JV, Ring Road JV and West Route JV in respect of the acquisition of property and equipment, and construction of phase II of the Western Delta Route contracted but not provided for amounting to approximately HK\$1,426 million (2006: HK\$19 million).

(b) Power station project

The Group had entered into a co-operation agreement with a PRC enterprise for the joint development of a 2x600 MW power station in Guangdong Province of the PRC which is undertaken by a joint venture to be established for that purpose. The development cost of the project is estimated to be in the region of RMB5,400 million. The project has been approved by the relevant PRC authority. At the balance sheet date, development expenditure contracted for in respect of the development of the power station amounted to approximately RMB2,683 million (2006: RMB1,400 million) and the Group has funded the development of the power station project amounting to approximately HK\$337 million (2006: HK\$92 million).

(c) Property development

(i) Projects undertaken by the Group

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Authorised but not yet contracted for | 495,772 | 646,679 |
| Contracted for but not provided | 128,118 | 111,975 |
| | 623,890 | 758,654 |

(ii) Project undertaken by a jointly controlled entity

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Group's share of property development expenditure | | |
| Authorised but not yet contracted for | 15,797 | 245,448 |
| Contracted for but not provided | 119,622 | 2,705 |
| | 135,419 | 248,153 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

44. PROJECT COMMITMENTS (continued)

(d) Property renovation

| | 2006 HK\$'000 | 2007 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Property renovation expenditure | | |
| Authorised but not yet contracted for | 429,489 | — |
| Contracted for but not provided | 34,258 | 278,209 |
| | 463,747 | 278,209 |

45. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year is approximately HK\$376 million (2006: HK\$323 million). At the balance sheet date, the investment properties of the Group (including the investment properties reclassified as "Assets classified as held for sale") with an aggregate carrying amount of approximately HK\$6,007 million (2006: HK\$5,029 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 balance sheet date, the Group had contracted with tenants for the following future minimum payments under non-cancellable operating leases:

| | <i>The Group</i> | |
|--|------------------|------------------|
| | 2006 HK\$'000 | 2007 HK\$'000 |
| Within one year | 187,633 | 236,028 |
| In the second to fifth years inclusive | 252,224 | 259,655 |
| After five years | 10,590 | 4,760 |
| | 450,447 | 500,443 |

46. CONTINGENCIES

(a) Disposal of CEPA

In connection with the disposal by the Group of its interests in Consolidated Electric Power Asia Limited ("CEPA") in prior years, the Group entered into an agreement with the purchaser under which the purchaser and its affiliates agreed to release and discharge the Group from all claims whatsoever they may have against the Group arising under the sale agreement. The Group has also agreed to release and discharge the purchaser and its affiliates from all claims whatsoever the Group may have against them. In this connection, the Group has given certain performance undertakings and indemnities to the purchaser and its affiliates, for which provisions totalling approximately HK\$164 million had been made in the consolidated financial statements in prior years. During the year ended 30th June, 2006, management conducted a review of the performance undertakings and indemnities given, resulting in a write back of the provision for a warranty against a potential claim not materialised amounting to HK\$80 million being recognised in the consolidated income statement for that year. The remaining balance of the provisions amounting to HK\$84 million represent management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under such agreement. The directors are of the opinion that the provisions are not expected to be payable within one year from the balance sheet date and, accordingly, are classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

46. CONTINGENCIES (continued)

(b) Guarantees

- (i) A subsidiary of the Company acted as guarantor for the repayment of the mortgage bank loans granted to purchasers of the subsidiary's properties amounted to HK\$140 million at 30th June, 2007 (2006: HK\$24 million).
- (ii) The credit facilities of the Company's subsidiaries to the aggregate extent of HK\$10,250 million (2006: HK\$10,640 million) are guaranteed by the Company. Such facilities were utilised to the extent of HK\$13 million (2006: HK\$12 million) at 30th June, 2007.
- (iii) Pursuant to the relevant agreements entered into among the joint venture partners of a jointly controlled entity, the Group is responsible for servicing the jointly controlled entity's bank loans, of which RMB890 million (2006: RMB736 million) and HK\$500 million (2006: Nil) were utilised at 30th June, 2007.

47. RETIREMENT BENEFIT SCHEME

The Group has established a Mandatory Provident Fund Scheme (the "MPF Scheme") for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to the consolidated income statement represent contributions payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK\$20,000.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total costs charged to the consolidated income statement for the year of HK\$8,402,000 (2006: HK\$7,884,000) represent contributions paid or payable to the schemes by the Group in respect of the current accounting period. At the balance sheet date, there were no forfeited contributions available to reduce future obligations.

48. RELATED PARTY TRANSACTIONS

In additions to the transactions and balances with related parties disclosed above, the Group has the following transactions with related parties:

- (a) The remuneration paid or payable to the Group's key management personnel amounted to HK\$121 million (2006: HK\$35 million), which comprises share-based payments of HK\$86 million (2006: HK\$5 million) and short term benefits of HK\$35 million (2006: HK\$30 million). Such remuneration is determined by the Board of Directors having regard to the performance of individuals and market trends.
- (b) During the year ended 30th June, 2006, the Group purchased a property from a company owned by a director of the Company for a consideration of HK\$45 million. The consideration was determined with reference to the market value of the property as valued by an independent property valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

49. PRINCIPAL SUBSIDIARIES

The following list contains only the details of the subsidiaries at 30th June, 2007 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. Except as otherwise indicated, all the subsidiaries are private companies incorporated and are operating principally in the place of incorporation and all issued shares are ordinary shares. None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

| Name of company | Paid up issued capital | Proportion of nominal value of issued ordinary capital held by the Company | | Principal activities |
|---|--|--|--------------|---|
| | | Directly % | Indirectly % | |
| <i>Incorporated in Hong Kong:</i> | | | | |
| Banbury Investments Limited | 2 shares of HK\$1 each | 100 | — | Property investment |
| Bayern Gourmet Food Company Limited | 3,000,000 shares of HK\$1 each | — | 90 | Manufacture and sales of food |
| Chee Shing Company Limited | 9,680 shares of HK\$100 each | 100 | — | Provision of management services |
| Exgratia Company Limited | 2 shares of HK\$1 each | 100 | — | Property investment |
| Goldhill Investments Limited | 2 shares of HK\$100 each and 60,600 non-voting deferred shares of HK\$100 each | — | 100 | Property investment |
| Hopewell China Development (Superhighway) Limited (ii) | 2 shares of HK\$1 each and 4 non-voting deferred shares of HK\$1 each | — | 70.95 | Investment in expressway project |
| Hopewell Construction Company, Limited | 200,000 shares of HK\$100 each | — | 100 | Construction, project management and investment holding |
| HH Finance Limited | 100,000 shares of HK\$10 each | 100 | — | Loan financing |
| HHI Finance Limited | 1 share of HK\$1 each | — | 72.77 | Loan financing |
| HITEC Management Limited | 2 shares of HK\$1 each | — | 100 | Property management |
| Hopewell Food Industries Limited | 1,000,000 shares of HK\$1 each | — | 100 | Restaurant operation |
| Hopewell Guangzhou-Zhuhai Superhighway Development Limited (ii) | 2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each | — | 72.77 | Investment in expressway project |
| Hopewell Housing Limited | 30,000 shares of HK\$100 each | 100 | — | Property agents and investment holding |
| Hopewell Huang Gang Development Limited (ii) | 2 shares of HK\$1 each | — | 100 | Property investment |
| Hopewell Property Management Company Limited | 2 shares of HK\$100 each | 100 | — | Building and carpark management |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

49. PRINCIPAL SUBSIDIARIES (continued)

| Name of company | Paid up issued capital | Proportion of nominal value of issued ordinary capital held by the Company | | Principal activities |
|---|--|--|--------------|--|
| | | Directly % | Indirectly % | |
| <i>Incorporated in Hong Kong: (continued)</i> | | | | |
| Hopewell Slipform Engineering Limited | 2,000,000 shares of HK\$1 each | — | 100 | Construction specialist sub-contractor |
| Hopewell 108 Limited | 1,000 shares of HK\$100 each | — | 100 | Property investment |
| Hopewell Centre Management Limited | 209,200 shares of HK\$100 each | 100 | — | Property management |
| Hopewell 110 Limited | 10,000 shares of HK\$100 each | — | 100 | Property investment and development |
| International Trademart Company Limited | 2 shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each | — | 100 | Property investment and operation of a trademart |
| IT Catering and Services Limited | 2 shares of HK\$1 each | — | 100 | Restaurant operations and provision of catering services |
| Kowloon Panda Hotel Limited | 2 shares of HK\$100 each and 20,000 non-voting deferred shares of HK\$100 each | — | 100 | Property investment, hotel ownership and operations |
| Lok Foo Company Limited | 52,000 shares of HK\$100 each | 100 | — | Investment holding |
| Mega Hotels Management Limited | 3,000,000 shares of HK\$1 each | — | 100 | Hotel management |
| Panda Place Management Limited | 2 shares of HK\$1 each | — | 100 | Property management |
| Slipform Engineering Limited | 1,000,001 shares of HK\$1 each | — | 100 | Construction, project consultant and investment holding |
| Wetherall Investments Limited | 2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each | — | 100 | Property investment and investment holding |
| Yuba Company Limited | 10,000 shares of HK\$1 each | — | 100 | Property investment |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

49. PRINCIPAL SUBSIDIARIES (continued)

| Name of company | Paid up issued capital | Proportion of nominal value of issued ordinary capital held by the Company | | Principal activities |
|--|--------------------------------------|--|--------------|--|
| | | Directly % | Indirectly % | |
| <i>Incorporated in Macau:</i> | | | | |
| Slipform Engineering (Macau) Limited | 500,000 shares of MOP1 each | — | 100 | Construction |
| <i>Established in the PRC:</i> | | | | |
| 廣州市合和(花都)置業發展有限公司 (iii) | RMB99,200,000 (registered capital) | — | 95 | Property development |
| 廣州市冠暉物業管理有限公司 (iv) | RMB500,000 (registered capital) | — | 76 | Property management |
| <i>Incorporated in the British Virgin Islands:</i> | | | | |
| Anber Investments Limited | 1 share of US\$1 each | — | 100 | Investment holding |
| Hopewell (Huadu) Estate Investment Company Limited (i) | 1 share of US\$1 each | 100 | — | Investment holding |
| Hopewell Guangzhou Ring Road Limited (ii) | 1 share of US\$1 each | — | 72.77 | Investment in expressway project |
| H-Power Investor Limited | 16 shares of US\$1 each | — | 87.5 | Investment in a power station project |
| Procelain Properties Ltd. (i) | 1 share of US\$1 each | — | 100 | Property investment |
| Singway (B.V.I.) Company Limited (i) | 1 share of US\$1 each | — | 100 | Property investment |
| <i>Incorporated in the Cayman Islands:</i> | | | | |
| Delta Roads Limited (i) | 46,422 shares of HK\$10 each | — | 100 | Investment holding |
| Hopewell Highway Infrastructure Limited (v) | 2,970,326,283 shares of HK\$0.1 each | 0.05 | 72.72 | Investment holding |
| <i>Incorporated in Indonesia:</i> | | | | |
| P.T. Hi Power Tubanan I | 179,125 shares of US\$100 each | — | 80 | Development of a power station project |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2007

49. PRINCIPAL SUBSIDIARIES (continued)

Notes:

- (i) Operating principally in Hong Kong
- (ii) Operating principally in the PRC
- (iii) Sino foreign cooperative joint venture registered in the PRC
- (iv) Limited liability company registered in the PRC
- (v) Hopewell Highway Infrastructure Limited, a company listed on the Hong Kong Stock Exchange, is operating in Hong Kong and the PRC through its subsidiaries and jointly controlled entities.

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

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

50. PRINCIPAL ASSOCIATES

Particulars regarding the principal associates, which is incorporated and operating in Hong Kong, are as follows:

| <i>Name of company</i> | <i>Proportion of nominal value of issued capital held by the Company %</i> | <i>Principal activities</i> |
|--------------------------------|--|-----------------------------|
| Granlai Company Limited | 46 | Property investment |
| HCNH Insurance Brokers Limited | 25 | Insurance brokerage |

The directors are of the opinion that a complete list of all the associates will be of excessive length. Particulars of the associates, including those associates not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Hong Kong Companies Ordinance.

51. POST BALANCE SHEET EVENTS

On 9th August, 2007, the Group entered into an agreement for the disposal of its entire interest in Ring Road JV (Note 27c) for a consideration of RMB1,712.55 million. The disposal is conditional upon the approval of the shareholders of the Company and its subsidiary, HHI, and the relevant PRC authorities. Details of the disposal are contained in the announcement issued by the Company dated 9th August, 2007.

52. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 63 to 122 were approved and authorised for issue by the Board of Directors on 21st August, 2007.

LIST OF MAJOR PROPERTIES

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

| <i>Property/land</i> | <i>Location</i> | <i>Use</i> | <i>Site area (sq.m.)</i> | <i>Gross floor area (sq.m.)</i> | <i>Group's interest (%)</i> |
|--|--|---|------------------------------|---|-------------------------------------|
| Hongkong International Trade & Exhibition Centre | 1 Trademart Drive, Kowloon Bay, Kowloon | Conference, exhibition, restaurant, office, commercial and carparks | 22,280 | 161,575* | 100 |
| Hopewell Centre (Long-term lease) | 183 Queen's Road East, Wanchai, Hong Kong. | Commercial, office and carparks | 5,207 | 78,102* | 100 |
| Panda Hotel — Hotel property | 3 Tsuen Wah Street, Tsuen Wan, New Territories | Hotel operation | | 47,167 | 100 |
| — Shopping arcade & carparks | | Commercial and carparks | | 24,595* | 100 |
| | | | 5,750 | 71,762 | |
| Allway Gardens Shopping Arcade and 125 carparking spaces | 9 On Yuk Road, Tsuen Wan, New Territories. | Commercial | N/A | 20,742* | 100 |
| 80 carparking spaces at Wu Chung House | 3/F-5/F, 213 Queen's Road East, Hong Kong. | Carparks | N/A | N/A | 100 |

* Excluding carparking spaces.

LIST OF MAJOR PROPERTIES (continued)

B. PROPERTIES FOR/UNDER DEVELOPMENT/COMPLETED PROPERTIES FOR SALE:

| <i>Property/land</i> | <i>Location</i> | <i>Use</i> | <i>Stage of completion</i> | <i>Site area (sq.m.)</i> | <i>Gross floor area[^] (sq.m.)</i> | <i>Group's interest (%)</i> |
|---|---|--|--|------------------------------|---|-------------------------------------|
| Mega Tower Hotel | Kennedy Road, Ship Street, Hau Fung Lane, Wanchai, Hong Kong. | Hotel complex with recreation, shopping, restaurant and other commercial facilities (Development at planning stage) | Under planning stage | 7,301 [#] | 172,731 | 100 |
| QRE Plaza | 196-206 Queen's Road East, Wanchai, Hong Kong. | Commercial use (Planned to be completed in 3rd quarter of 2007) | Superstructure works in progress | 464 | 7,000 | 100 |
| 214-224 Queen's Road East & 9- 19 Sam Pan Street | 214-224 Queen's Road East & 9-19 Sam Pan Street, Wanchai, Hong Kong. | Residential and commercial use (Planned to be completed in 4th quarter of 2008) | Foundation works completed and superstructure works in progress | 1,082 | 9,000 | 100 |
| 12 Broadwood Road | 12 Broadwood Road, Happy Valley, Hong Kong | Residential use (Planned to be completed in 4th quarter of 2009) | Demolition works in progress | 2,116 | 11,000 | 100 |
| Nova Taipa Gardens | North shore of Taipa Island, Macau. | Residential, commercial, hotel and carparks — Nova City Phase I — Nova City Phase II — Nova City Phase III | Completed Completed Phase III superstructure works in progress | | 835 23,626 80,000 | 50* |
| | | | | 29,547 | 104,461 | |
| | | — Remaining Phases | Under planning stage | 29,269 | 300,000 | |
| Hopewell New Town | Huadu district, Guangzhou, China. | Residential, commercial, logistic and social facilities — Initial Phase — Remaining Phases | Completed Under planning stage | N/A 743,000 | 17,632 1,650,000 | 95 |

Note:

[^] Approximate gross floor area under present planning.

[#] Total development site area of the land required for the property development is about 11,500 sq.m. of which a total of 7,301 sq.m. are held by the Group and the remaining will be acquired by the Group mainly by way of land exchange with the government at a premium yet to be finalised.

* The property project is undertaken by a jointly controlled entity of the Group.

Financial Calendar

| | |
|--|--|
| Interim results announcement | 1st March, 2007 |
| Closure of Register | 19th March, 2007 to 22nd March, 2007 (both days inclusive) |
| Interim dividend paid (HK38 cents per ordinary share) | 23rd March, 2007 |
| Final results announcement | 21st August, 2007 |
| Closure of Register | 28th September, 2007 to 4th October, 2007 (both days inclusive) |
| Annual General Meeting | 4th October, 2007 |
| Proposed final dividend and special dividend payable (HK82 cents and HK35 cents respectively per ordinary share) | on or about 5th October, 2007 |

財務日誌

| | |
|--------------------------------------|--------------------------------------|
| 公佈中期業績 | 二零零七年三月一日 |
| 暫停辦理股份過戶登記 | 二零零七年三月十九日至二零零七年三月二十二日 (包括首尾兩天在內) |
| 派付中期股息 (每普通股港幣38仙) | 二零零七年三月二十三日 |
| 公佈全年業績 | 二零零七年八月二十一日 |
| 暫停辦理股份過戶登記 | 二零零七年九月二十八日至二零零七年十月四日 (包括首尾兩天在內) |
| 股東週年大會 | 二零零七年十月四日 |
| 派付建議之末期股息及特別股息 (每普通股分別為港幣82仙及35仙) | 約於二零零七年十月五日 |



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