



HOPEWELL Holdings Limited Annual Report 2006

合和實業有限公司二零零六年年報

STOCK CODE 股份代號: 54

rejuvenation
新開始

growth
增長

achievement
成就

Hopewell Holdings Limited (stock code: 54), listed on the Stock Exchange of Hong Kong since 1972, is one of Hong Kong's premier companies with diverse business interests spreading across Property Investment and Development, Hotels and Hospitality, and Highway Infrastructure. The first two businesses are operated directly under Hopewell Holdings Limited while its 73% owned subsidiary, Hopewell Highway Infrastructure Limited (stock code: 737), also listed on the Stock Exchange of Hong Kong since 2003, holds its PRC-based transportation infrastructure interests. The Group, with strong expertise in investment, development and engineering of major projects, focuses on Hong Kong and the Pearl River Delta, and is founded on visionary strategic initiatives.

About the cover: In revamping its existing investment property portfolio and undertaking new developments with energy and vitality, Hopewell Holdings is entering a new and exciting era of achievement, growth and rejuvenation.



GROUP BUSINESS OVERVIEW



1 Guangzhou-Shenzhen Superhighway
A 122.8 km closed system asphalt-paved dual three lane expressway running between Huanggang in Shenzhen and Guangdan in Guangzhou where it connects to the Guangzhou East-South-West Ring Road.

2 Guangzhou East-South-West Ring Road
A 38 km closed system concrete-paved dual three lane expressway running along the eastern, southern and western fringes of the Guangzhou urban areas and connecting to the Northern Ring Road to form the Guangzhou Ring Road.

3 Phases I, II & III of the Western Delta Route
Phase I is a completed 14.7 km closed system asphalt-paved dual three lane expressway linking Guangzhou to Shunde. Phase II, under construction, will run from Shunde to Zhongshan and Phase III, under planning, will run from Zhongshan to Zhuhai.

4 Hopewell New Town
A composite development in Huadu, Guangzhou with residential, logistic and commercial developments on approximately 797,000 sq.m. near the Guangzhou Baiyun International Airport.

5 Panda Hotel & Panda Place
A 1,000-room hotel in Tsuen Wan area, which is one of the largest hotels in Hong Kong, with its operation managed by a subsidiary of the Group. The second, ground and 3 basement floors of the hotel have been revamped into a modern and stylish shopping mall, named Panda Place.

6 Hong Kong-Zhuhai-Macau Bridge (Under planning)
A proposed Y-shaped 29 km bridge linking Hong Kong's western Lantau Island to the cities of Macau and Zhuhai on mainland China being pursued by the Group.

7 Nova City
A multi-phase joint venture development of residential, commercial, car parks and social amenities on Taipa Island in Macau.

8 Hopewell Centre
A 66-storey office / commercial building in Wanchai, which is the Group's flagship building and a Hong Kong landmark.

9 Hongkong International Trade and Exhibition Centre
A modern and unique 14-storey complex in Kowloon Bay, of about 162,000 sq.m., with self-contained convention and exhibition area, showroom offices, restaurants and other related business facilities. Part of which is being revamped into a major entertainment and destination shopping complex.

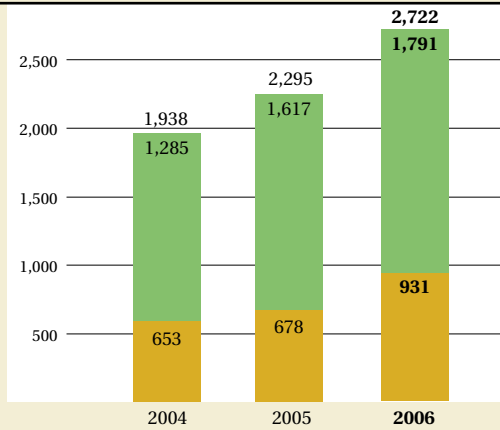
10 Development projects at:
(1) 196-206 Queen's Road East, Wanchai
(2) 214-224 Queen's Road East, Wanchai
(3) 12 Broadwood Road, Happy Valley
The first site of about 464 sq.m. will be developed into a commercial building (perspective). The second site of about 1,082 sq.m. will be developed into a residential and commercial building. The third site of about 2,116 sq.m. will be developed into a residential building.

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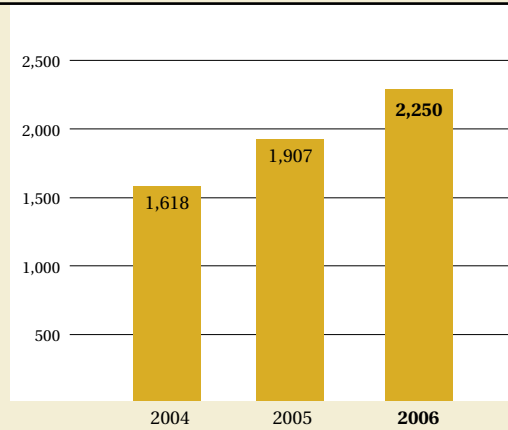
FINANCIAL HIGHLIGHTS

Turnover (HK\$m)

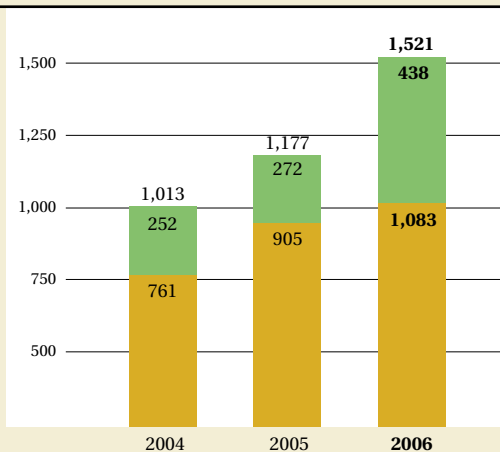


■ Group's Attributable Share of Turnover of jointly controlled entities
■ Group Turnover

Profit Attributable to Shareholders (HK\$m)

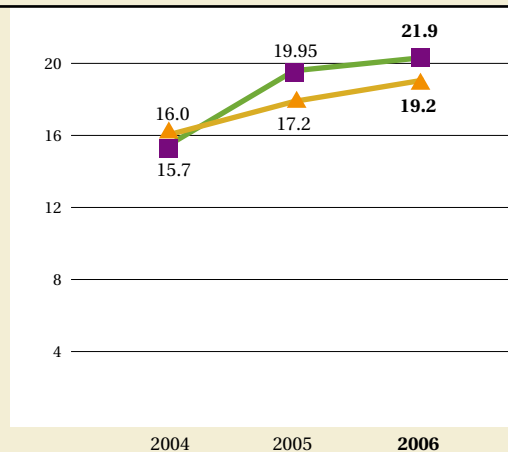


Earnings before Interest and Tax (HK\$m)



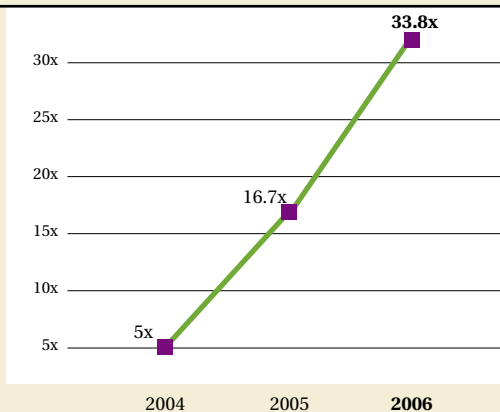
■ Other EBIT
■ Infrastructure EBIT

Net Asset Value vs Market Value Per Share (HK\$)



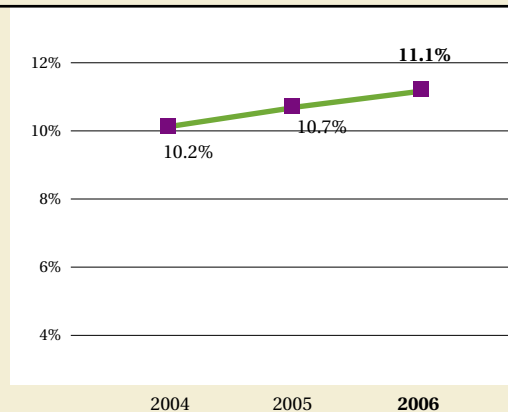
▲ Net Asset Value Per Share
■ Market Value Per Share

Group EBIT vs Interest



■ Group EBIT vs Interest

Return on Equity*



■ Return on Equity

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

5 YEAR FINANCIAL SUMMARY

Consolidated Results

<i>(in HK\$ million)</i>	Year ended 30th June				2006
	2002	2003	2004 <i>(restated)</i>	2005 <i>(restated)</i>	
Turnover	1,132	799	653	678	931
Profit from ordinary activities before taxation	363	833	1,955	2,318	2,670
Taxation	(18)	(122)	(26)	(74)	(68)
Profit before minority interests	345	711	1,929	2,244	2,602
Minority interests	(10)	(99)	(311)	(337)	(352)
Profit attributable to shareholders	335	612	1,618	1,907	2,250

Consolidated Balance Sheet

<i>(in HK\$ million)</i>	As at 30th June				2006
	2002	2003	2004 <i>(restated)</i>	2005 <i>(restated)</i>	
Investment properties	5,986	5,655	5,563	6,116	6,537
Property, plant and equipment	1,119	1,493	462	441	459
Prepaid land lease payment	–	–	640	791	973
Properties for or under development	833	1,018	189	201	232
Interests in jointly controlled entities	8,135	8,207	6,122	6,526	6,950
Long-term loans and receivables	–	–	2,199	1,216	1,039
Defeasance/pledged deposits	1,833	1,681	95	94	–
Other non-current assets	1,181	575	747	33	310
Current assets	4,038	1,241	4,873	4,233	4,884
Total assets	23,125	19,870	20,890	19,651	21,384
Non-current liabilities	(4,436)	(3,921)	(1,699)	(811)	(743)
Current liabilities	(4,914)	(2,171)	(2,673)	(905)	(545)
Total liabilities	(9,350)	(6,092)	(4,372)	(1,716)	(1,288)
Minority interests	(21)	(125)	(2,419)	(2,469)	(2,862)
Shareholders' equity	13,754	13,653	14,099	15,466	17,234

Per Share Basis

	2002	2003	2004 <i>(restated)</i>	2005 <i>(restated)</i>	2006
Basic earnings per share (HK cents)	38	70	183	213	250
Dividend per share (HK cents)	43 [#]	25	70 [#]	80 [#]	84
Net asset value per share (HK\$)	15.7	15.6	16.0	17.2	19.2

[#] Special dividend HK30 cents included

Financial Ratios

	2002	2003	2004 <i>(restated)</i>	2005 <i>(restated)</i>	2006
Net debt to equity	21%	14%	N/A	N/A	N/A
Net debt to total capitalization	14%	11%	N/A	N/A	N/A
Return on equity	2.4%	4.5%	10.2%	10.7%	11.1%



- *Satisfactory growth in core business*
- *Exciting prospects for property projects*
- *Develop existing land bank to unlock value of the Group*
- *Strong, solid financial health*
- *Poised to grow with the Pearl River Delta economy*

I am delighted to report to shareholders that the Group had another excellent year with net profit attributable to shareholders of HK\$2,250 million for the financial year ended 30th June, 2006, an increase of 18% over the HK\$1,907 million of last year. Basic earnings per share was HK\$2.50, an increase of 17% over the HK\$2.13 of last year.

Dividends

The Board of Directors has proposed a final dividend of HK48 cents per share which, together with the interim dividend of HK36 cents per share, will result in total dividends for the year of HK84 cents per share, up 5% from last year's HK80 cents. The dividend payment for this year represents a 39% 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 19th October, 2006, the proposed final dividend will be paid on or about 20th October, 2006 to shareholders as registered at the close of business on 19th October, 2006.

Close of Register

The Register of Members of the Company will be closed from Monday, 16th October, 2006 to Thursday, 19th October, 2006, 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, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 13th October, 2006.

Business Review

The Hong Kong economy is strong and has continued to improve over the past year. The close economic cooperation between Hong Kong and the PRC, including the Closer Economic Partnership Arrangements, is functioning well. The PRC economy, particularly the Pearl River Delta, still enjoys strong growth notwithstanding the macro economic adjustment measures. The Macau economy is booming and the global economy remains robust. Interest rates in the US seemed to have peaked and the liquidity in the market remains abundant. All of our businesses have benefited from the favorable and vibrant business environment in the past year. The three core businesses of the Group, namely, Infrastructure, Property and Hospitality all recorded good results for the financial year.

The Group's infrastructure business continued to deliver steady growth. During the year, to cope with the increasing traffic demand, we have spent much efforts and resources on improving the traffic management of the expressways in operation. In addition, construction of Phase II of the Western Delta Route has commenced in December 2005 and preparation for Phase III is also well under way with the conditional agreement therefor signed in September 2005. Positive developments relating to the Hong Kong-Zhuhai-Macau Bridge continue to be reported in the media, Hopewell Highway Infrastructure Limited, the Group's listed subsidiary, believes that it is well positioned to play an important role in the project once it proceeds.

On the property side, it has been an exciting year. In Macau, for our Nova City project (of which the Group has a 50% interest), the occupation permit for Phase I has been obtained and construction of Phase II is well under way. Almost all the residential units of Nova City Phase I have been pre-sold. The pre-sale of Nova City Phase II units recently launched also received good response, which demonstrates the strength of the Macau property market. In the PRC, sales of the first phase of our Hopewell New

Town project in Huadu, Guangzhou was also launched in the latter part of 2005 with over 60% now sold. We will develop this project in phases. In Hong Kong, the Group's property rental business has recorded healthy growth with Hopewell Centre achieved an average occupancy rate of 97%. The acquisition of the entire 12 Broadwood Road site in Happy Valley for development as rental property of the Group was completed in July 2006 and demolition work has commenced. The present plan is for construction of the 12 Broadwood Road site to be completed in the fourth quarter of 2009. Construction of the two commercial/residential projects at Queen's Road East in Wanchai, also as rental property of the Group, has commenced with completion currently planned to be in the third quarter of 2007 and the fourth quarter of 2008 respectively. In addition, to enhance the value of our existing rental property portfolio, the revamp of Panda Place under our Panda Hotel was completed while the revamp of the Hongkong International Trade and Exhibition Centre into a major entertainment and destination shopping complex in Kowloon Bay has commenced in July 2006.

The Group's hospitality business also continued to achieve improvement. The average occupancy rate of Panda Hotel hit a

record high of 87% since its opening in 1992. For the Mega Tower Hotel project, we are making all efforts to expedite the said project and to prepare for the appeal of the Town Planning Board decision, hearing of which has been fixed to be in January 2007.

The Group has been disposing of its non-core assets with the aim of streamlining the group structure to align with corporate objective. In November 2005, a sale and purchase agreement was entered to dispose of the Group's interests in Hopewell (Thailand) Limited, a wholly-owned subsidiary which undertook the Bangkok Elevated Road and Train System project. During the year, we have received all the remaining instalments of the sale proceeds of the Shunde Roads project and in August 2006, we also received the last remaining outstanding receivable for the Tanjung Jati B Power Plant project in Indonesia. For the year, an aggregate exceptional gain of approximately HK\$806 million is recognized for the Group.

On the financial side, to further strengthen our platform for future growth, in October 2005, Hopewell Highway Infrastructure Limited has entered into a HK\$3.6 billion five-year syndicated loan facility agreement with 15 international and local banks and in June 2006, the Group has entered into

a HK\$5.35 billion five-year syndicated revolving loan facility agreement with 17 international and local banks. Total unutilized banking facility available to the Group is in excess of HK\$14 billion. In addition, the Group has net cash of HK\$3.65 billion as at the balance sheet date. This strong financial position enables us to capture any good opportunities in future.

Prospects

Looking ahead, I believe that Hong Kong and Macau will continue to benefit from the robust growth of the PRC economy. The Group will continue to focus on its infrastructure and property businesses. Planning works and studies of the new infrastructure projects are proceeding well. The Group currently plans to continue the development of the remaining parts of Nova City in Macau and Hopewell New Town in Huadu in phases according to market demand. Moreover, the Group is also working on a plan to increase the gross floor area of investment property portfolio from 3.6 million square feet in financial year 2006 to over 6 million square feet in financial year 2012. Together with the new property rental projects in Hong Kong, which, upon completion, will increase the Group's recurrent revenue base, the property business is expected to be an important

growth driver in addition to the Group's infrastructure operations. With more than HK\$17 billion of cash and available banking facilities, the Group is on a very solid foundation for its future development.

Acknowledgement

The success of the Company is built upon the continuous support and contributions made by our shareholders, customers, suppliers and business partners for whom I am most grateful. I also appreciate the efforts made by our talented and dedicated staff as well as the leadership of my fellow directors which have contributed to the strong performance of the Group last year.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 30th August, 2006

EXECUTIVE DIRECTORS



Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Aged 70, 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 and the PRC. 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, Deputy Managing Director of the Company.

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

In Hong Kong

Member	Hong Kong Logistics Development Council
Vice President	Hong Kong Real Estate Developers Association
Member	The Greater Pearl River Delta Business Council
Patron	Hong Kong Logistic Association

In the PRC

Deputy Director	Chinese People’s Political Consultative Conference - Overseas Chinese Affairs Committee
Director	United Nations Association of China

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, 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

- 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 73, 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 Hopewell Highway Infrastructure Limited (“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 building and development projects in Hong Kong and has involved in developing all of the Group projects in the PRC, including highway, hotel and power station projects. He is a 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. Josiah Chin Lai KWOK

Aged 54, 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. Thomas Jefferson WU

Aged 33, 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. 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 degree in Mechanical and Aerospace Engineering from Princeton University. He also 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, Chairman of Hong Kong Amateur Hockey Club and Vice Chairman of The Chamber of Hong Kong Listed Companies. He is a also member of the Huadu District Committee of The Chinese People's Political Consultative Conference. He is a son of Sir Gordon Ying Sheung WU, Chairman of the Board and Lady Ivy Sau Ping KWOK WU JP, a Non-Executive Director of the Company.



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. He holds a Master of Business Administration degree from University of Pennsylvania's Wharton Graduate Business School.



Mr. Albert Kam Yin YEUNG

Aged 55, 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 61, 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 40, 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 37, 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 Hopewell Highway Infrastructure Limited on 15th 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.

NON-EXECUTIVE DIRECTORS

Mr. Henry Hin Moh LEE

Aged 78, 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 57 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, Deputy Managing Director of the Company.

Mr. Carmelo Ka Sze LEE

Aged 46, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guy Man Guy WU

Aged 49 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 68 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 59, he was appointed as an Independent Non-Executive Director of the Company on 6th September, 2004 and is also an Independent Non-Executive Director of Hopewell Highway Infrastructure Limited (“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.



The Group's investment portfolio of rental properties includes:

EXISTING RENTAL PROPERTIES IN OPERATION

Property	Location	Use	Approximate Gross Floor Area (square feet)
Hopewell Centre	Wanchai, Hong Kong Island	Commercial and retail	840,000
HITEC	Kowloon Bay, Kowloon	Conference, exhibition and commercial	1,739,000
Panda Place	Tsuen Wan, New Territories	Retail	219,000
Allway Gardens Shopping Arcade	Tsuen Wan, New Territories	Retail	223,000

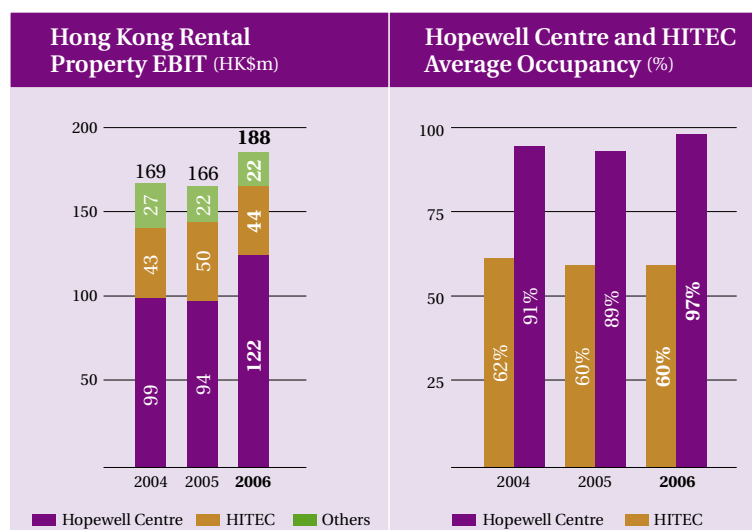
RENTAL PROPERTIES UNDER DEVELOPMENT

Property	Location	Use	Approximate Gross Floor Area Under Present Planning (square feet)
196-206 Queen's Road East	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

For the year ended 30th June, 2006, turnover of the property rental business rose 14% to HK\$331 million, representing about 35% of the Group's turnover. EBIT increased by 13% to HK\$188 million. During the year, to improve the quality of our rental assets, renovation and improvement work were carried out in phases on certain existing rental properties.

1		
2	6	
3		
4	7	8
5		

- 1-5 LED lighting on Hopewell Centre's exterior wall
- 6 Hopewell Centre renovated lobby
- 7 Proposed new look of HITEC
- 8 Mixed office and entertainment complex at 196-206 Queen's Road East





Hopewell Centre, Wanchai

Hopewell Centre remains the flagship of the Group's properties. Major renovation works, which include complete facelift and modernization of all common areas and building facilities, were completed during the year. With strong market demand and upgrading of the building, the average occupancy rate improved from 89% of last year to 97% and rental rates for new letting have also increased. We believe the Hopewell Centre will in the long run benefit from revitalization of the South Wanchai area spearheaded by the on-going urban renewal program of the Urban Renewal Authority.

Hongkong International Trade and Exhibition Centre, Kowloon Bay

The overall performance of the Group's Hongkong International Trade and Exhibition Centre ("HITEC"), a commercial complex located at the hub of Kowloon Bay, was satisfactory. The average occupancy of HITEC stood steadily at about 60% notwithstanding a major renovation program of a substantial portion of the complex was under way. Turnover from convention and exhibition, as compared to the last financial year, increased about 20% to HK\$33 million.



To optimize the usage of this complex now permissible under the modified land lease conditions, HITEC is undergoing a major revamp program whereby approximately 900,000 square feet of the centre will be re-designated and converted into a major entertainment and destination shopping complex. Part of the revamp includes a multi-purpose hall with a seating capacity of approximately 3,500. To complement the new facilities, the

existing restaurant facilities in HITEC will also be renovated and modern style restaurants will be introduced. The upgrading works started in July 2006 and according to current plan, they will be completed by phases and the revamped complex is scheduled to open in the second half of 2007.

In addition, we believe that in the long run, HITEC will benefit from the redevelopment plan of the old Kai Tak Airport and the Kowloon Bay area under consultations with the public.



Panda Place, shopping mall of Panda Hotel, Tsuen Wan

Panda Place is located on the second, ground and three basement floors of the Group's Panda Hotel. The renovation work to convert it into a modern and trendy shopping mall was completed in late 2005. Panda Place was successfully launched with 80% occupancy rate achieved. Creative promotional campaigns are on-going. The Group is committed to promote Panda Place to be

a popular shopping spot of Tsuen Wan targeting at the middle and upper markets of the more affluent local families and hotel guests.



Commercial Development, 196-206 Queen's Road East, Wanchai

The Group is now developing this site which is opposite to Hopewell Centre into a mixed office and entertainment complex with part thereof let out for food and beverage and entertainment operations. The current planned total investment will be about HK\$150 million. The foundation work was completed in early 2006 and the construction is presently planned to be completed in the third quarter of 2007. The Group's current intention is to hold this property for long term purpose and to add to its investment portfolio of rental properties.



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

The Group is now developing this site which is opposite to Hopewell Centre into a residential and commercial tower. The current planned total investment will be about HK\$280 million. The foundation work is in progress and the construction is presently planned to be completed in the fourth quarter of 2008. The Group's current intention is to hold this property for long term purpose and to add to its investment portfolio of rental properties.



Residential Development, 12 Broadwood Road, Happy Valley

The Group has completed the acquisition of the entire 12 Broadwood Road site in July 2006. The current intention of the Group is to redevelop the site, with a site area of approximately 22,700 square feet, into a 47-floor first class residential property with total gross floor area of approximately 113,900 square feet. Under current planning, the total investment will be about HK\$500 million. Demolition work has commenced in August 2006. The present plan is for construction to be completed in the fourth quarter of 2009. Upon completion, this property will add to the existing investment portfolio of rental properties of the Group and thereby strengthen the Group's recurring revenue base.

Hing Wai Centre, Aberdeen

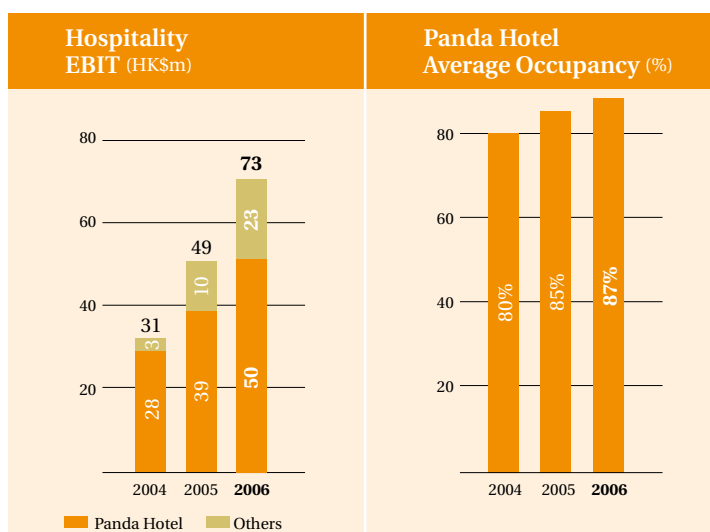
In line with the Group's strategy to focus on high quality residential and commercial properties, the Group has during the year disposed of its interest in the Hing Wai Centre which consists of three floors and various car parking spaces.



Turnover of the hospitality business for the year under review rose 14% to HK\$377 million mainly due to the continued good performance of Panda Hotel and the improved performance of the restaurant and catering services. EBIT increased from HK\$49 million to HK\$73 million, up 49% as compared with last year.

1	3
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2	5

- 1 Panda Hotel in Tsuen Wan
- 2 R66 restaurant at Hopewell Centre
- 3 High quality service offered to the Group's hospitality customers
- 4 The new YinYue restaurant at Panda Hotel
- 5 Executive Lounge at Panda Hotel



Panda Hotel, Tsuen Wan

For the year under review, average room occupancy was 87%, the highest since the opening of the hotel in 1992. Average room rate also rose by 9% compared with last year. Total revenue was HK\$194 million representing an increase of 11% compared with the previous year. While the key contributors to the room



revenue were tourists from Mainland China, Japan and Korea, guests from other segments such as corporate, long-staying and local residents also provided Panda Hotel with a steady flow of income after the completion of renovation to some of our guest floors, Business Centre, Executive Floor, restaurants and function rooms last year.

A new Chinese restaurant, YinYue, which replaced the Yuet Loy Heen was opened with good response. To further promote business, banquet marketing schemes with attractive promotion packages for corporate clients, social events and outside catering were put in place.

IT Catering

Banqueting business at HITEC performed satisfactorily last year. The catering outlets of IT Catering at HITEC will be repositioned as part of the HITEC revamp plan in the coming year.

Bayern Gourmet Food ("BGF")

The business performance of BGF, which is a manufacturer and supplier of sausages, meats and fish products, improved significantly as Hong Kong's economy continued to improve and spending at restaurants continued to rise. On the retail side, promotion counters were set up in supermarkets to increase public awareness of the brands and products of BGF. Overall, BGF enjoyed a prosperous year with 24% increase in revenue and a 79% increase in EBIT.



Revolving 66 (“R66”) Restaurant

The R66 Restaurant at Hopewell Centre continues to be a popular venue amongst tourists and local residents as the only revolving restaurant now remaining in Hong Kong. A number of joint promotions with local banks, clubs, airlines, Hong Kong Tourism Board increased the profile of the restaurant both locally and internationally. Other promotional offers were launched during the year to attract more patrons. As a result of the promotion efforts, revenue from R66 Restaurant rose by 11% during the year.



Mega Tower Hotel, Wanchai

To strengthen its hotel portfolio, 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. According to preliminary assessment at present, the total investment of the project will be about HK\$4.5 billion. The Group has lodged a notice of appeal to the Town Planning Board in May 2005 for its rejection of the Group’s planning application. A hearing date for the appeal has been scheduled in January 2007. The Group is also reviewing other alternatives in realizing the project.





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

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1-4 Completed Nova City Phase I, Macau
 5 Hopewell New Town Phase 1A, Huadu

Nova City, Taipa Island, Macau

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



During the year, the joint venture company has disposed of 101 units and 41 car parking spaces in Phase 1 of the project previously held for rental purpose.

Construction of Phase I of Nova City, with about 1,100,000 square feet in gross floor area and a planned total investment cost at present of about HK\$680 million, was completed and occupation permit has been obtained. About 98% of the units were pre-sold and arrangements are in place for those sales to be completed.

Construction of Nova City Phase II, with about 864,000 square feet in gross floor area and a planned total investment cost at present of about HK\$620 million, is well under way and completion is planned to be first quarter of 2007. The pre-sale of Nova City Phase II units was launched in May 2006 and was well received by the market. About a quarter of the units has been pre-sold.

Construction contract for Nova City Phase III, with about 864,000 square feet in gross floor area and a planned total investment cost at present of about HK\$710 million, was awarded in August 2006 and construction would soon commence.

The balance of the project will be developed by phases and is under planning. This includes Nova City Phase IV, which according to present plan, will have about 693,000 square feet in gross floor area for residential purpose.

With the continuous strong economic growth and coming completion of the new hotels and casinos as a result of the liberalization of the casino sector, the Group is optimistic about the Macau property market and its sustainability.



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 regions 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.

Phase 1A of Hopewell New Town, with a total gross floor area of approximately 1,170,000 square feet and planned total investment cost at present of about HK\$300 million, is progressing well. Construction of first four residential apartment blocks and 57 townhouses were completed in December 2005 and the last two blocks were completed in June 2006. With the sale campaign launched in October 2005, approximately 60% of the units has been sold notwithstanding the measures of the PRC government to cool down the property market. The construction of the clubhouse facilities which include basketball and tennis courts as well as a swimming pool was also completed and the facilities are already available for use by residents. Remaining phases are under planning.



EBIT from infrastructure business for the year under review increased 20% from HK\$905 million of the last corresponding year to HK\$1,083 million due to the steady growth in traffic flow and toll revenue of the three toll expressway projects, viz. Guangzhou-Shenzhen Superhighway (“GS Superhighway”), Guangzhou East-South-West Ring Road (“ESW Ring Road”) and Phase I of the Western Delta Route (“Phase I West”), invested by the Group’s listed subsidiary, Hopewell Highway Infrastructure Limited (“HHI”). Phase I West continued to achieve profitability in its second year of operation, a respectable performance for a new expressway.

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- 1 *Guangzhou East-South-West Ring Road*
 2 *Phase I of the Western Delta Route*
 3 *Guangzhou-Shenzhen Superhighway*

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.

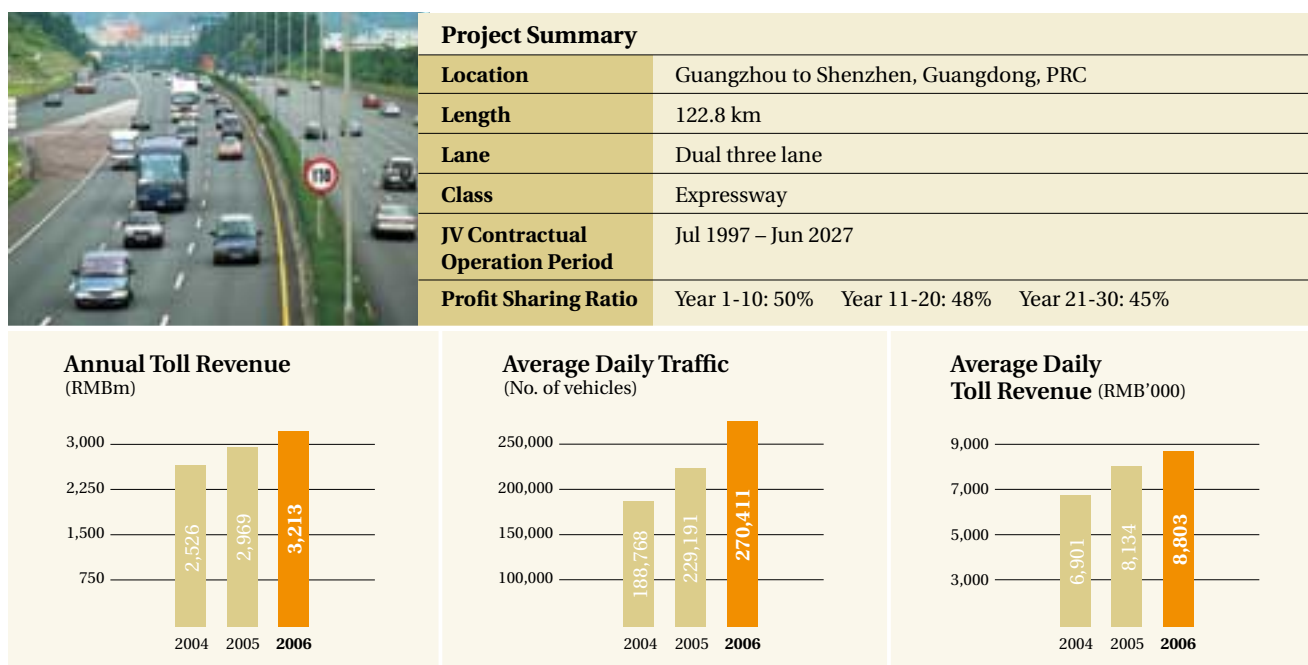
Guangdong Province attained rapid and steady economic growth during the Tenth Five-Year Plan Period with an annualized GDP growth rate up to 13%. The overall competitiveness of Pearl River Delta ("PRD") region, in particular, has been further strengthened by the full-scaled implementation of the Closer Economic Partnership Arrangements ("CEPA"). Prosperous economic activities have stimulated both passenger and cargo flow, which in turn generated enormous travelling demand. For the financial year ended 30th June, 2006, through co-operative joint venture arrangements, HHI's three expressway projects in the PRD region, namely the GS Superhighway, the ESW Ring Road and the Phase I West, all demonstrated continued steady growth in traffic and toll revenue. Compared to the last financial year, the aggregate average daily traffic and daily toll revenue have increased 22% to 377,000 vehicles and 10% to RMB10.29 million respectively. The annual aggregate toll revenue amounted to RMB3,755 million.

As driven by the increasing domestic demand and economic globalization, regional economies are accelerating their pace of integration. Inter-regional trading activities and co-operations are growing remarkably. Being the essential gateway to other provinces in China, the PRD region benefited particularly from the implementation of CEPA and the establishment of the Pan-PRD Economic Zone. Its logistics industry is growing in its full gear. Economic development has also contributed to urbanization in the PRD region, where the number of established cities and towns, population density, household income and automobile ownership rate are ranked in the top tier of the whole country. The improved living standards have boosted up the travelling demand. The annualized target GDP growth rate of Guangdong Province has been set at 9% in the Eleventh Five-Year Plan Period. HHI's strategic holdings in the PRD core expressway network as an advantage will become more prominent. It is expected that the traffic and toll revenue of these three expressways will continue to grow steadily.

The construction of the Phase II of the Western Delta Route, which connects to the Phase I West, commenced in December 2005, while the preliminary preparation works for the Phase III of the Western Delta Route are underway. As the expressway network in the PRD region has been expanding, it will be advantageous to HHI's expressway development.

Benefiting from Renminbi appreciation under the PRC's new Renminbi exchange rate regime since late July 2005, the GS Superhighway joint venture company has recorded an exchange gain on retranslation of the United States dollar bank loans. On the other hand, compared to half-year effect of the last financial year, this financial year was the first full year in which the GS Superhighway joint venture company needed to pay 7.5% PRC income tax on its profit after the expiry of the tax exemption period in December 2004.

Guangzhou-Shenzhen Superhighway (“GS Superhighway”)



The GS Superhighway is a 122.8 km long, closed system, fully lit dual three-lane expressway with 20 interchanges. It is currently the only expressway and major corridor directly connecting Guangzhou, Dongguan, Shenzhen and Hong Kong. It has exhibited continued steady growth since it opened to traffic in 1994. Over the past financial year, its average daily traffic rose 18% to 270,000 vehicles while its average daily toll revenue rose 8% to RMB8.8 million. The annual toll revenue increased to RMB3,213 million, representing an increase of 8% over the last year.


Being the main artery in the expressway network of the PRD, it closely links up the major cities, airport, ports and other expressways including Jihe Expressway, Changhu Expressway, Humen Bridge, Guangzhou Second Ring Road Northern section and Guangzhou Ring Road. It will further connect to the Nanping Expressway in Shenzhen, which will open to traffic in the third quarter of 2006. In addition, the GS Superhighway has successfully implemented the Guangdong Provincial Unitoll System, which now provides registered road users with a non-stop modern traffic network consisting of 10 expressways in the PRD region.

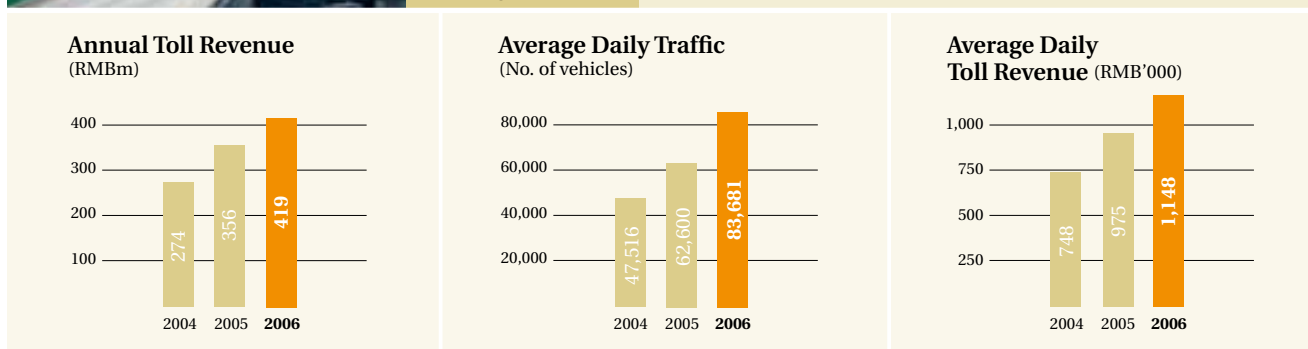
In order to meet the road users' expectation of high quality service, the joint venture company has focused on upgrading the service standards and improving its ancillary facilities. Within the reporting year, the joint venture company finished increasing the number of changeable message signboards, expanding the Changan interchange and constructing the new Shajian toll station. The Xinqiao interchange expansion works are being carried out at the moment. In addition, the joint venture company is planning to increase the throughput capacity of several busy toll stations including Huanggang, Futian and Fuyong. With a view to enhancing traffic safety, the joint venture company

is increasing its manpower and equipment in the areas of road patrol, rescue and traffic control. Furthermore, the number of closed circuit televisions along the main alignment and the frequency of road patrol services will be increased to improve the efficiency and effectiveness in handling traffic accidents. To cater for further increase in traffic volume, HHI together with the joint venture company has been studying the feasibility of widening the GS Superhighway from its current total 6 lanes to 10 lanes, and is actively pursuing the project with the relevant authorities.

HHI believes that with the continuing development of the logistics industry under the sustained economic development in the Guangdong Province and the gradual expansion in the PRD expressway networks together with the rapid increase in automobile ownership, the traffic flow and toll revenue of the GS Superhighway will maintain persistent growth.

Guangzhou East-South-West Ring Road (“ESW Ring Road”)

	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%



The ESW Ring Road is a 38 km long, dual three-lane closed system expressway with 12 toll stations. It is a major route of the expressway network in the PRD and Guangzhou, with connections to the GS Superhighway, the Guangzhou Northern Ring Road, the Guangfo Expressway, the Nansha Port Expressway, the Phase I West and major feeder roads of Guangzhou, creating a circular transportation artery surrounding the central part of Guangzhou city. It serves an important function of alleviating the pressure of traffic congestion in the inner city of Guangzhou and providing a speedy route passing through Guangzhou en route to other destinations.

Backed by the sound economy of Guangzhou, the ESW Ring Road exhibited remarkable growth in traffic flow and toll revenue during the year under review. The average daily traffic grew 34% to 84,000 vehicles while the average daily toll revenue rose 18% to RMB1.15 million. The annual toll revenue reached RMB419 million.

As part of the efforts to build up the greater Guangzhou road network to adequately serve the increasing traffic needs, a local road, running parallel to a portion of the south-east section of ESW Ring Road, has been gradually opening to traffic in 2006. This has resulted in mild traffic diversion for the ESW Ring Road, and thus the slower growth seen in the second quarter of 2006. Though the ESW Ring Road will continue to be a trunk route and a key element of the expanding road network of Guangzhou, the most important city in the PRD with more than 10 million in population, the ESW Ring Road may attain a slower growth in the coming year until this mild diversion has been fully digested.

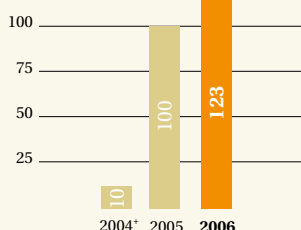
Phase I of the Western Delta Route (“Phase I West”)



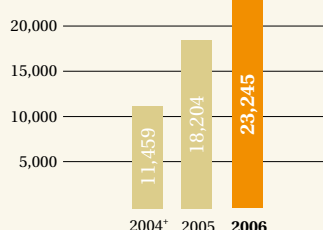
Project Summary

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%

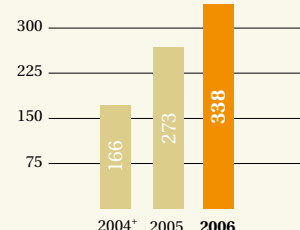
Annual Toll Revenue
(RMBm)



Average Daily Traffic
(No. of vehicles)



Average Daily Toll Revenue
(RMB'000)



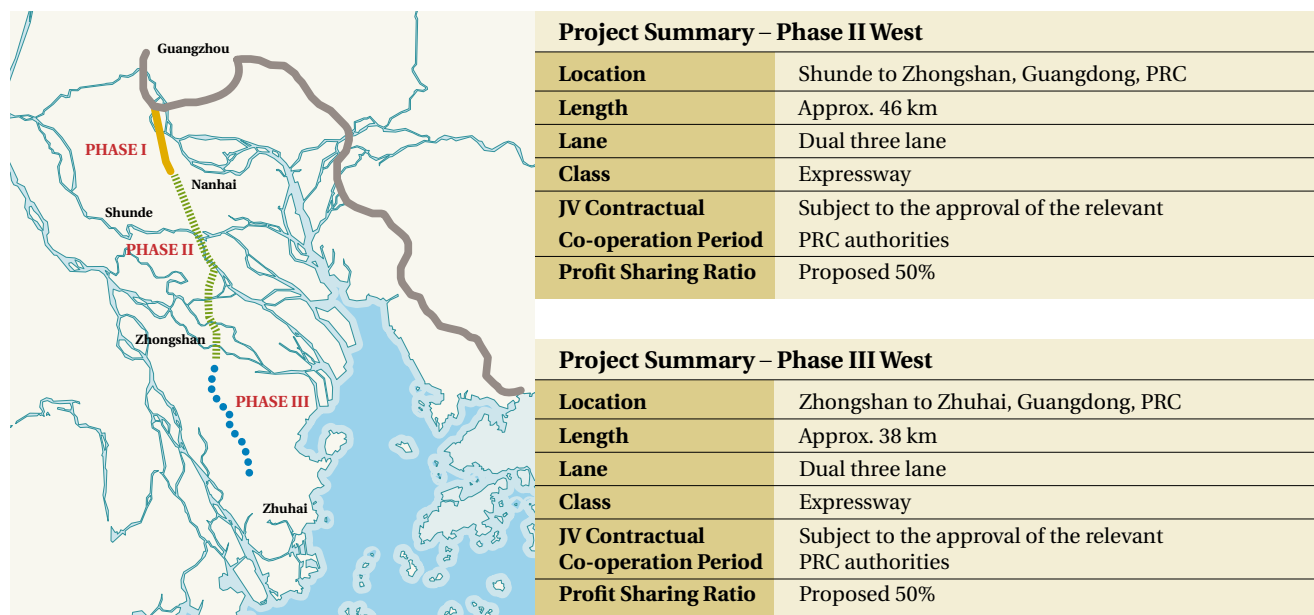
* Operation started on 30th April, 2004

The Phase I West is a 14.7 km closed system dual three-lane expressway. It connects to the ESW Ring Road in the north and to the National Highway 105 and Bigui Road of Shunde in the south.

Currently, the Phase I West is the only expressway directly linking Guangzhou city and the Shunde district of Foshan city. Benefiting from the rapid economic growth of these two regions, the Phase I West continued to achieve robust growth in both traffic flow and toll revenue. During the year under review, average daily traffic flow reached 23,000 vehicles, an increase of 28% over the previous financial year while average daily toll revenue reached RMB340,000, an increase of 24% over the last financial year. Annual toll revenue reached RMB123 million.

In light of the strong economic growth in Guangzhou and Foshan, HHI believes that the Phase I West will continue to enjoy a promising growth in traffic flow and toll revenue.

Phases II and III of the Western Delta Route (“Phase II West” and “Phase III West”)



The Western Delta Route is constructed in three phases. The Phase I West was completed and started operations in April 2004. The Phase II West is a 46 km closed system dual three-lane expressway. It links to the Phase I West in Shunde in the north and extends to Zhongshan in the south, where it connects to the National Highway 105 and the western expressways under planning. It will be the only expressway linking Guangzhou to the central part of Zhongshan. Construction of the Phase II West commenced in December 2005 and various works are now in progress. The total investment of the Phase II West is planned to be about RMB4.9 billion (excluding interest during the construction period). It is currently planned to open to traffic and start receiving tolls in financial year 2008/09.

Phase III West is a 38 km expressway project, which connects the Phase II West to Zhongshan and Zhuhai. The total investment of the Phase III West is planned to be about RMB3.6 billion (excluding interest during the construction period). In September 2005, HHI reached consensus with its PRC partner (also the PRC partner of the Phase I West and Phase II West) on conditional amendment to the terms of investment, construction and operation of the Phase III West. The preliminary target is to begin construction in 2007, once the necessary approvals are received.

Upon completion of the whole Western Delta Route, it will become a strategic expressway directly linking up vital cities including Guangzhou, Foshan, Zhongshan and Zhuhai along the western bank of the PRD. According to the Outline Plan of the Eleventh Five-Year Plan for National Economic and Social Development in Guangdong Province, the development in the western flank of Guangdong Province will be accelerated. HHI believes that this policy will bring long-term positive impacts to the Western Delta Route.



Hong Kong-Zhuhai-Macau Bridge Project

As was reported in the media, Hong Kong and Guangdong have attained important breakthrough on the advancement of the development of the Hong Kong-Zhuhai-Macau Bridge project recently in the Ninth Plenary Session on Hong Kong-Guangdong Cooperation. It was agreed that the “separate locations of boundary crossing facilities” mode would be adopted. In parallel, the study on the investment and financing arrangements of the project will continue. HHI is confident that it will be in an advantageous position to assume an important role in this project when it proceeds to the tendering stage.

OTHER PROJECTS

Heyuan Power Plant

In light of the power shortage in the Guangdong province, the Group has taken the opportunity to participate in a proposed 2x600MW coal-fired power plant, with total investment cost under planning at present of about RMB5.4 billion, located in Heyuan City, Guangdong province. A Group's subsidiary plans to own a 40% interest in this proposed project and the remaining 60% will be owned by the Shenzhen Energy Group. Preliminary works, including the application for approval, for this project is well under way.

Shunde Roads

For the Shunde Roads project, during the year, the remaining outstanding disposal amount of HK\$245 million payable by instalments were fully received and a profit of HK\$245 million was recognized during the year.

Tanjung Jati B Power Plant Project ("TJB") in Indonesia

For the TJB project, with the receipt of the final payment, a total gain of HK\$186 million was recognized in the year under review. With all sales proceeds of the TJB disposal have been received, a total cash surplus of HK\$1,643 million was generated to the Group.

Bangkok Elevated Road and Train System ("BERTS")

In November 2005, a sale and purchase agreement was entered to dispose of the Group's interests in Hopewell (Thailand) Limited, a wholly-owned subsidiary which undertook the BERTS project. A disposal gain of approximately HK\$265 million was recognized in the year under review, mainly representing write back of provisions.

OTHERS

Employees and Remuneration Policies

The Group has approximately 1,200 employees as at 30th June, 2006. The Group continues to provide competitive remuneration packages to employees with reference to prevailing market practices and individual performance in addition to other staff benefits including medical and personal accident insurance coverage. Share options under the Share Option Scheme as detailed in the Report of the Directors and discretionary bonuses may be granted to employees based on individual performance as



well as the performance of the Group. Apart from the above, training programs are also conducted on an ongoing basis throughout the Group aiming at improving employee productivity. In 2006, we launched a two-year Graduate Trainee Program to develop potential young talent in a conglomerate environment, and to groom tomorrow's leaders for taking up management positions in the Group.



Community Relations

During the year, the Group participated in the following community services: sponsorship for charitable events such as the Treasure Hunt Corporate Challenge, Dress Casual Day and Walk for Millions organized by the Community Chest, concert of the Michael Tilson Thomas and San Francisco Symphony at the Hong Kong Arts Festival and Flag Day of Hong Kong Society for the Protection of Children, donations to charities, volunteers from the Group's employees to participate in various voluntary work projects, etc.



GROUP RESULTS

Overview

For the year ended 30th June, 2006, 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 & 3)	
	2005	2006	2005	2006
Infrastructure project investment	52	115	905	1,083
Property letting, agency & management	290	331	166	188
Hotel operations, restaurant & catering	331	377	49	73
Property development	–	108	76	48
Others	5	–	(19)	129
	678	931	1,177	1,521
Share of turnover of jointly controlled entities				
Infrastructure project investment	1,514	1,735		
Property development	103	56		
	2,295	2,722		

<i>In HK\$ million</i>	Results (Note 2)	
	2005	2006
Earnings before interest & tax (Note 3)	1,177	1,521
Exceptional items (Note 4)	951	806
Fair value change on Group's investment properties		
– Revaluation increase	281	405
– Attributable tax effect	(48)	(71)
Finance costs	(92)	(62)
Taxation	(25)	3
Net profit	2,244	2,602
Attributable to:		
Equity holders of the Company	1,907	2,250
Minority interests (Note 4)	337	352
	2,244	2,602

Notes:

- Turnover represented the sum of the Group's turnover of HK\$931 million (2005: HK\$678 million) plus the Group's attributable share of turnover of jointly controlled entities engaging in infrastructure project investment of HK\$1,735 million (2005: HK\$1,514 million) and property development business of HK\$56 million (2005: HK\$103 million).
- The comparative figures of the last year have been restated following the adoption of the New Accounting Standards in the current year.
- 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\$490 million (2005: HK\$184 million); and (ii) share of profits of jointly controlled entities and associates of HK\$1,031 million (2005: HK\$993 million).
Following the adoption of HKAS 1, the Group's share of taxation of jointly controlled entities and associates for the current year of HK\$112 million (2005: HK\$72 million) are presented net of the share of profits of jointly controlled entities and associates.
- The amount included exceptional gain on disposal of a power plant project attributable to minority interests of HK\$41 million (2005: HK\$91 million).

Impact of New Accounting Standards

New accounting standards, reporting standards and interpretations (“New Accounting Standards”) issued by The Hong Kong Institute of Certified Public Accountants were adopted for the year under review. The table below illustrates the effects of the New Accounting Standards on the results of the Group for the year ended 30th June, 2006.

<i>In HK\$ million</i>	2005	2006
Profit attributable to equity holders before adoption of New Accounting Standards	1,662	1,869
(a) Fair value changes on investment properties (less attributable deferred tax provision)		
– The Group	233	334
– Jointly controlled entity/associate	24	(1)
(b) Revaluation deficit of prior period in respect of a disposed investment property	–	67
(c) Depreciation on hotel property and owner-occupied properties (net of attributable decrease in deferred tax provision)	(12)	(12)
(d) Fair value adjustment on interest free loans receivable	–	(2)
(e) Share-based payments	–	(5)
Profit attributable to equity holders after adoption of New Accounting Standards	1,907	2,250

Notes:

- (a) *In prior financial periods, surpluses or deficits arising on the open-market revaluation of the Group's investment properties were dealt with in the investment property revaluation reserve. Following the adoption of HKAS 40, the surpluses or deficits arising from the revaluation are recognized in the income statement. As a result, the Group's profit for the current year increased by HK\$334 million (2005: HK\$233 million). With the adoption of HKAS-Int 21, deferred tax charge of HK\$71 million (2005: HK\$48 million) has been provided for on the fair value increase on investment properties.*
- (b) *In prior financial periods, any surpluses or deficits which were credited or charged to the investment property revaluation reserve had to be transferred to income statement upon disposal. Following the adoption of HKAS 40, the transfer of revaluation deficit to income statement of HK\$67 million (2005: Nil) attributable to a disposed investment property in the current year is no longer required.*
- (c) *Following the adoption of HK Int-2, depreciation has to be charged on hotel properties. In addition, HKAS 40 also requires owner-occupied portion of investment properties to be treated as property, plant and equipment which are subject to depreciation. Depreciation on hotel property and owner-occupied properties amounted to HK\$14 million (2005: HK\$14 million). The resulting decrease in deferred tax provision amounted to HK\$2 million (2005: HK\$2 million).*
- (d) *With the adoption of HKAS 39, certain interest free loans receivable are measured at fair value on initial recognition and stated at amortized cost using the effective interest method at subsequent balance sheet dates and resulted in a decrease of net profit after minority interests of HK\$2 million (2005: Nil).*
- (e) *The adoption of HKFRS 2 has resulted in the fair value of share options granted during the year under review being recognized in the income statement as expenses over the vesting period. The expense charged to income statement amounted to HK\$5 million (2005: Nil).*

Turnover

Turnover for the year ended 30th June, 2006, including the Group's proportionate share of turnover of jointly controlled entities engaging in toll expressway and property development businesses, was HK\$2,722 million, a 19% increase as compared with HK\$2,295 million of last year. The increase was the result of revenue growth of all business segments, in particular, the expressway businesses. The Group's attributable share of net toll revenue of the three toll expressways under operation, namely Guangzhou-Shenzhen Superhighway, Guangzhou East-South-West Ring Road and Phase I of the Western Delta Route, amounted to HK\$1,735 million for the year under review, representing a 15% increase over HK\$1,514 million of the last year.

Earnings before Interest and Tax

The Group's earnings before interest and tax ("EBIT") increased by 29% to HK\$1,521 million from HK\$1,177 million of the last year. The increase was mainly attributable to the prominent growth of our core businesses including infrastructure, property and hospitality, totalling HK\$224 million as well as disposal gain of securities investment, increase in interest income and exchange gain totalling HK\$90 million.

Exceptional Items

The gain from exceptional items was HK\$806 million as compared to HK\$951 million of the previous year. The amount included, inter alia, (i) gain on disposal of interests in Shunde Roads project of HK\$245 million (2005: HK\$496 million); (ii) gain on disposal of interests in Hopewell (Thailand) Limited ("HTL") of HK\$265 million (2005: Nil); (iii) gain on disposal of interests in a power plant project of HK\$186 million (2005: HK\$449 million); and (iv) write back of warranty provision of HK\$80 million (2005: Nil).

Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders was HK\$2,250 million, representing an increase of 18% over HK\$1,907 million of the last year. Excluding the effects of the fair value change on investment properties, the Group's net profit attributable to equity holders would be HK\$1,917 million, a 16% increase over HK\$1,650 million of the last year.

Liquidity and Financial Resources

The Group maintains a strong financial position with net cash balances (including HK\$3,014 million held by Hopewell Highway Infrastructure Limited ("HHI")), of HK\$3,650 million as at 30th June, 2006 (2005: HK\$3,329 million).

In October 2005, the Group's listed subsidiary, HHI, successfully obtained a 5-year HK\$3,600 million unsecured syndicated bank revolving credit and term loan facility from a group of 15 international and local banks. In June 2006, the Group has entered into a HK\$5,350 million five-year syndicated revolving loan facility agreement with 17 international and local banks.



As at 30th June, 2006, the Group's total available and undrawn general banking facilities and project loan facilities, together with deposits and cash holdings, amount to approximately HK\$17,874 million (2005: HK\$8,897 million).

The Group is financially well positioned for recurring operating activities, present and potential investment activities given its solid deposits, cash holdings as well as the available banking facilities on hand. The expected cash proceeds from the sales of Nova City in Macau and Hopewell New Town in Huadu further strengthen the Group's financial position.

Treasury Policies

The Group centralizes its treasury activities at group level for better management of financial risks and for obtaining cost efficient funds. The use of financial instruments 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 reform of Renminbi exchange rate regime, with an initial appreciation of approximately 2% in July 2005, benefited the Group as a whole given the revenue from business operations and HHI and its jointly controlled entities are mainly denominated in Renminbi.

In terms of the bank borrowings, the Group has no significant exposure to foreign exchange risk given the majority of the Group's banking facilities were denominated in Hong Kong dollars. The bank borrowings are principally arranged on a floating rate basis. As at 30th June, 2006, the Group has no bank borrowings. The bank loan of HK\$55 million outstanding at 30th June, 2005 has a maturity period of three years.

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

<i>In HK\$ million</i>	<i>As at 30th June,</i>	
	<i>2005</i>	2006
	<i>(Note)</i>	
Equity attributable to equity holders of the Company	15,466	17,234
Minority interests	2,469	2,862
Total Equity	17,935	20,096
Bank Borrowings	55	–
Total Capitalization	17,990	20,096

Note: Following the adoption of the New Accounting Standards, the comparative figures as of 30th June, 2005 have been restated to facilitate evaluation of financial performance.

Project Commitments

Details of the project commitments are set out in note 45 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities are set out in note 47 to the financial statements.

Charges on Assets

As at 30th June, 2006, no mortgage was charged on the Group's assets.

Material Acquisition or Disposal

Other than the disposal of HTL as mentioned above, there was no material acquisition or disposal of the Company's subsidiaries and associates during the year ended 30th June, 2006.

Corporate governance practices

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board of Directors 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year, the Company has complied with all code provisions set out in the CG-Code.

Board of Directors

The Company is managed through the Board of Directors which currently comprises of ten Executive Directors (including the Chairman), three Non-Executive Directors and three Independent Non-Executive Directors. The names of the Directors and their biographical details and the relationship amongst them, if any, are set out on pages 8 to 13 of this Annual Report. At least one of the Independent Non-Executive Directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

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 matters 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, the Managing Director, is responsible for the day-to-day management of the business of the Company. The division of the responsibilities between the Chairman and the Managing Director has been established and clearly set out 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. Each of the Independent Non-Executive Directors is required to confirm in writing his/her independence as required by the Listing Rules every year.

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 in accordance with the Company's Articles of Association. At the annual general meeting of the Company held on 19th October, 2005, amendments to the Company's Articles of Association were approved by the Company's shareholders pursuant to which 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 subject to the provisions of the Articles of Association. All Non-Executive Directors and Independent Non-Executive Directors are appointed for a fixed term of three years and are subject to re-election.

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 down 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, a new Executive Director, Mr. Barry Chung Tat MOK, was 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.

	<i>Audit Committee</i>	<i>Remuneration Committee</i>
Year of establishment	1999	2005
Committee members	Mr. Lee Yick NAM* <i>Chairman</i> Ms. Linda Lai Chuen LOKE* Mr. Guy Man Guy WU*	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, 2005 and the interim financial statements for the six months ended 31st December, 2005. • Reviewed the work performed by the Internal Audit Department and the Group's internal control system. 	<ul style="list-style-type: none"> • Reviewed and made recommendations to the Board on annual salary adjustment and bonuses. • Determined the remuneration package of a newly appointed Executive Director. • Reviewed the level of Directors' fees for the year.

Executive Director

* *Independent Non-Executive Director*

Attendance at meetings

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

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

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 and share options which are performance related. 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, 2005.

Securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 enquiries made, each of the Directors has confirmed that he or she has 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 Report of the Auditors 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, 2005 as well as advising on tax compliance and related matters. During the year ended 30th June, 2006, 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	4,630
Non-audit services:	
Tax compliance and advisory services	609
Others	–
	5,239

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 treasures the relationship with investors and continues to provide a better and more open environment to interact with shareholders and investors through frequent meetings and prompt communications with them.

In 2006, the Group maintained its active role in participating in road shows and investors' conferences. These investor meetings help the financial analysts, fund managers and potential investors better understand the Group's current operations, future planning and strategic developments.

With the post-results announcement and analyst and press presentations as well as general meetings, shareholders and investors can easily acquire timely and accurate information unveiled by the Group and share their views with the Directors.

The Company also welcomes views of investors and shareholders and they can contact the Company's investor relations team, the contact details of which are set out on page 60 of this Annual Report.

The corporate website, www.hopewellholdings.com, is interlinked with that of its listed subsidiary, Hopewell Highway Infrastructure Limited at www.hopewellhighway.com, which provides extensive information of the Group including business activities, corporate announcements, press releases as well as interim and annual reports. The Group will dedicate incessant efforts to maximize the returns to the shareholders and consistently be devoted to maintain the relationship with the investment community.

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, 2006.

Principal Activities

The principal activity of the Company is investment holding and its subsidiaries are active in the field 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, 2006 are set out in the consolidated income statement on page 63.

Dividends

The Directors recommend the payment of a final dividend of HK48 cents (2005: HK38 cents) per share which, together with the interim dividend of HK36 cents (2005: interim dividend of HK12 cents and special interim dividend of HK30 cents) per share paid on 23rd March, 2006, represents a total dividend distribution of HK84 cents (2005: HK80 cents) per share, totalling HK\$755 million in respect of the year ended 30th June, 2006 (2005: HK\$718 million).

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 35.

Share Capital

Movements in share capital of the Company during the year are set out in note 38 to the financial statements.

Share Premium and Reserves

Movements in share premium and reserves during the year are set out in note 39 to the financial statements.

Distributable Reserve

The Company's distributable reserve at 30th June, 2006 amounts to HK\$2,585 million (2005: HK\$2,727 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\$22,136,000 (2005: HK\$10,386,000).

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out

in notes 20 and 21 to the financial statements respectively. Particulars regarding the major properties and property interests of the Group are set out on pages 115 and 116.

Major Customers and Suppliers

The turnover attributable to the Group's five largest customers combined was less than 30% of the Group's turnover for the year. The five largest suppliers of the Group accounted for approximately 37% of the Group's total purchases and the largest supplier included therein accounted for approximately 20%.

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. Barry Chung Tat MOK (appointed on 15th August, 2005)

Mr. Colin Henry WEIR (resigned on 1st December, 2005)

In accordance with the Company's Articles of Association, Mr. Eddie Ping Chang HO, Mr. David Yau-gay LUI, Mr. Albert Kam Yin YEUNG, Mr. Andy Lee Ming CHEUNG and Mr. Eddie Wing Chuen HO Junior will retire at the forthcoming annual general meeting and all of them, being eligible, offer themselves for re-election.

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

Qualified Accountant

Ms. Virginia Yuk Ying LU, aged 41, Qualified Accountant, joined the Group in 1995. She currently holds the position of Assistant Group Financial Controller and is responsible for financial reporting and accounting functions of the Group. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Directors' Interest in Contracts of Significance

Except for the acquisition of a property from a director as detailed under "Connected Transactions", 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, 2006, 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	Total interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation) ⁽ⁱⁱ⁾	Other interests ⁽ⁱⁱⁱ⁾			
Gordon Ying Sheung WU	71,853,032	21,910,000 ^(iv)	111,250,000 ^(v)	30,680,000	9,213,000 ^(vi)	244,906,032 ^(xi)	27.26%
Eddie Ping Chang HO	24,273,462	1,365,538	2,050,000	–	–	27,689,000	3.08%
Josiah Chin Lai KWOK	1,005,000	–	–	–	–	1,005,000	0.11%
Thomas Jefferson WU	27,170,000	–	820,000	–	–	27,990,000	3.11%
Henry Hin Moh LEE	5,045,322	–	–	–	747,000 ^(vi)	5,792,322	0.64%
Robert Van Jin NIEN	720,000	–	–	–	–	720,000	0.08%
Guy Man Guy WU	2,645,650	–	–	–	–	2,645,650	0.29%
Ivy Sau Ping KWOK WU	21,910,000	121,913,032 ^(vii)	61,190,000 ^(viii)	30,680,000	9,213,000 ^(ix)	244,906,032 ^(xi)	27.26%
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	–	–	–	–	850,000 ^(x)	850,000	0.09%
Andy Lee Ming CHEUNG	90,000	–	–	–	500,000 ^(x)	590,000	0.07%
Eddie Wing Chuen HO Junior	500,000	–	–	–	–	500,000	0.06%
Lee Yick NAM	90,000	–	–	–	–	90,000	0.01%
Barry Chung Tat MOK	–	–	–	–	2,500,000 ^(x)	2,500,000	0.28%

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 family interests in 21,910,000 Shares represented the interests of Lady Ivy WU.
- (v) The corporate interests in 111,250,000 Shares held by Sir Gordon WU included the interests in 61,190,000 Shares referred to in Note (viii).
- (vi) The interest in underlying shares of equity derivatives represented rights to acquire Shares in the Company by Sir Gordon WU and Mr. Henry Hin Moh LEE ("Mr. Henry LEE") under the 1-Year Daily Securities Accumulator (Contingent Step-up) schemes with a counter party ("the Schemes"). The duration of each Scheme was approximately one year and was divided into 12 periods; the start date of each period is the end date of the immediately preceding period. Daily Number of Shares ("DNS") are accumulated each scheduled trading day on which the closing price of the Shares is at or above the Accumulating Forward Price ("AFP"). The Step-Up Daily Number of Shares ("Step-Up DNS") are accumulated if the closing price of the Shares is below the AFP. The Scheme will be terminated when a trigger event occurs, i.e. when the closing price of the Shares is at or above the Knock-Out level.

With respect of each period, the number of shares to be purchased from the counter party at the AFP shall be the sum of DNS or Step-Up DNS of each scheduled trading day starting from but excluding the start date, up to and including the end date, or up to and including the scheduled trading day immediately prior to the day on which the trigger event is deemed to occur.

Summary of the terms of the Schemes held by Sir Gordon WU and Mr. Henry LEE as at 30th June, 2006 was as follows:

Terms	Directors					
	Sir Gordon WU					Mr. Henry LEE
Date of acquisition	02/06/2006	02/06/2006	02/06/2006	07/06/2006	09/06/2006	07/06/2006
Expiration Date	04/06/2007	04/06/2007	04/06/2007	07/06/2007	11/06/2007	07/06/2007
Knock-Out level (HK\$)	23.28	23.10	22.94	23.65	22.76	22.89
Accumulating Forward Price (AFP) (HK\$)	20.40	20.68	20.41	20.72	19.95	20.06
Maximum Number of Nominal Shares	1,992,000	2,241,000	996,000	1,992,000	1,992,000	747,000
Maximum Number of Scheduled Trading Days	249	249	249	249	249	249
Daily Number of Shares (DNS)	4,000	4,500	2,000	4,000	4,000	1,500
Step-Up Daily Number of Shares (Step-Up DNS)	8,000	9,000	4,000	8,000	8,000	3,000

- (vii) The family interests in 121,913,032 Shares represented the interests of Sir Gordon WU, the husband of Lady Ivy 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) The family interests in underlying shares of equity derivatives in 9,213,000 Shares represented the interests held by Sir Gordon WU referred to in Note (vi).
- (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".
- (xi) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

(B) Associated Corporations

(a) Hopewell Highway Infrastructure Limited ("HHI")

Directors	HHI Shares				Underlying shares of equity derivatives ⁽ⁱⁱ⁾ (i.e. HHI Warrants)	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	6,249,403	2,491,000 ⁽ⁱⁱⁱ⁾	10,124,999 ^(iv)	3,068,000 ^(v)	–	21,933,402 ^(x)	0.74%
Eddie Ping Chang HO	1,824,046	136,554	205,000	–	–	2,165,600	0.07%
Thomas Jefferson WU	3,043,500	–	–	–	1,741,500 ^(vi)	4,785,000	0.16%
Henry Hin Moh LEE	279,530	–	–	–	–	279,530	0.01%
Robert Van Jin NIEN	10,000	–	–	–	–	10,000	0.00%
Ivy Sau Ping KWOK WU	2,491,000 ^(vii)	10,255,403 ^(viii)	6,118,999 ^(ix)	3,068,000 ^(v)	–	21,933,402 ^(x)	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) These represented HHI Warrants, which conferred rights to subscribe for HHI Shares at HK\$4.18 per HHI Share (subject to adjustments) exercisable during a period of 3 years from 6th August, 2003 to 5th August, 2006.
- (iii) The interests in 2,491,000 HHI Shares were interests held by Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU"), the wife of Sir Gordon Ying Sheung WU ("Sir Gordon WU").
- (iv) 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 (ix).
- (v) The other interests in 3,068,000 HHI Shares represented the interests held jointly by Sir Gordon WU and Lady Ivy WU.
- (vi) The interests in 1,741,500 HHI Warrants held by Mr. Thomas Jefferson WU included personal interests of 1,659,500 HHI Warrants and corporate interests of 82,000 HHI Warrants.
- (vii) 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 (iii).
- (viii) The family interests in 10,255,403 HHI Shares represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 4,006,000 HHI Shares held by Sir Gordon WU through corporations.
- (ix) 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.
- (x) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

(b) HCNH Insurance Brokers Limited (“HCNH”)

Mr. Eddie Ping Chang HO together with his associate beneficially owned 600,000 ordinary shares of HCNH, 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, 2006, 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 termination (to the effect that no further options shall be offered) of the 1994 Share Option Scheme and the adoption of a new share option scheme (the “2003 Share Option Scheme”) both effective on 1st November, 2003.

(A) 1994 Share Option Scheme

The 1994 Share Option Scheme was terminated on 1st November, 2003 and no further options was granted under the 1994 Share Option Scheme. As at 30th June, 2006, there was no outstanding share option under the 1994 Share Option Scheme.

(B) 2003 Share Options Scheme

- (1) 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 (2) below.
- (2) 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 82,548,212 shares (representing approximately 9.19% 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.

All options granted are exercisable from the date of grant.

- (3) Details of the movement of share options under the 2003 Share Option Scheme during the year ended 30th June, 2006 were as follows:

	<i>Date of grant</i>	<i>Exercise Price HK\$</i>	<i>Balance of outstanding options at 01/07/2005</i>	<i>Options granted during the year</i>	<i>Options exercised during the year</i>	<i>Options cancelled/ lapsed during the year</i>	<i>Balance of outstanding options at 30/06/2006</i>	<i>Exercise period</i>	<i>Closing price before date of grant falling within the year HK\$</i>
Directors									
Albert Kam Yin YEUNG	08/09/2004	17.10	950,000	–	100,000	–	850,000	08/09/2004 – 07/09/2007	N/A
Andy Lee Ming CHEUNG	08/09/2004	17.10	500,000	–	–	–	500,000	08/09/2004 – 07/09/2007	N/A
Eddie Wing Chuen HO Junior	08/09/2004	17.10	495,000	–	495,000	–	–	08/09/2004 – 07/09/2007	N/A
Barry Chung Tat MOK	02/09/2005	19.94	–	2,500,000	–	–	2,500,000	02/03/2006 – 01/03/2009	20.05
Total			1,945,000	2,500,000	595,000	–	3,850,000		

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 and Mr. Eddie Wing Chuen HO Junior during the year were HK\$20.75 and HK\$19.85 respectively.

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

<i>Maximum options exercisable</i>	<i>Exercisable period</i>
50% of options granted	from the expiry of 6 months from the date of grant up to 18 months thereof (i.e. 2nd March, 2006 to 1st March, 2007)
all remaining options including those not previously exercised	from the expiry of 18 months from the date of grant up to 42 months thereof (i.e. 2nd March, 2007 to 1st March, 2009)

The fair value of the share options granted during the year with the exercise price per share of HK\$19.94 is estimated at HK\$2.73 at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$19.6 at the grant date, the historical volatility of share price of the Company of 23.3% which is based on statistical analysis of daily share prices over one year immediately preceding the grant date, expected life of options of 3.4 years, expected dividend yield of 4.1% and the risk free rate of 3.66% per annum with reference to the rate on the 3-year and 4-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded options. Such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year 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 283,200,000 shares (representing 9.6% 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) There was no movement in the share options under the HHI Option Scheme during the year ended 30th June, 2006 and as at 30th June 2006, the outstanding share options were as follows:

	<i>Date of grant</i>	<i>Exercise Price HK\$</i>	<i>Balance of outstanding options at 01/07/2005</i>	<i>Options granted during the year</i>	<i>Options exercised during the year</i>	<i>Options cancelled/ lapsed during the year</i>	<i>Balance of outstanding options at 30/06/2006</i>	<i>Exercise period</i>	<i>Closing price before date of grant falling within the year HK\$</i>
<i>Director of HHI</i>									
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
Total			2,400,000	–	–	–	2,400,000		

All options granted are exercisable from the date of grant.

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous sections headed “Share Options of the Company” and “Share Options of HHI”, at no time during the year ended 30th June, 2006 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 by rotation 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. During the year, the Group made contributions to the MPF Schemes amounted to HK\$7,884,000.

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 Shareholder

Save as disclosed under the section headed “Directors’ Interests in Shares, Underlying Shares and Debentures”, as at 30th June, 2006, 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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the securities of the Company during the year.

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

During the year, the Group has entered into the following transactions as described below with the persons who are “connected persons” of the Company for the purposes of the Listing Rules:

- (1) On 5th September, 2005, two conditional amending agreements (“Amending Agreements”) were entered into between Hopewell Guangzhou-Zhuhai Superhighway Development Limited (“HHI West HK Co”), a wholly owned subsidiary of HHI, and Guangdong Provincial Highway Construction Company Limited (“West Route PRC Partner”) in connection with the investment in and the planning, design, construction and operation of Phase III of the Western Delta Route (“Phase III West”) through Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (“West Route JV”). The Amending Agreements were to amend the Sino-foreign co-operative joint venture contract dated 5th January, 2004 (as amended on 14th July, 2004) made between HHI West HK Co and West Route PRC Partner and to amend the articles of association of West Route JV dated 5th January, 2004 (as amended on 14th July, 2004).

The major terms of the Amending Agreements were to expand the areas of co-operation to include Phase III West and related facilities in addition to Phase I and Phase II of the Western Delta Route with an estimated total amount of investment in Phase III West of RMB3,260 million. The registered capital of West Route JV will be increased by RMB1,141 million (from RMB2,303 million to RMB3,444 million) which will be contributed in cash by HHI West HK Co and West Route PRC Partner in equal share. The co-operation period will be subject to the approval of the relevant PRC authorities and may be extended by unanimous approval by the board of directors of West Route JV and the relevant regulatory authorities within six months before the expiry of the co-operation period.

Pursuant to Clause 46 of the Listing Agreement made 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 the HHI Group and the West Route PRC Partner, 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. West Route PRC Partner 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 HHI and the Company for the purpose of Chapter 14A of the Listing Rules.

The connected transaction, which details were contained in the joint press announcements by HHI and the Company dated 14th July, 2004 and 4th August, 2004 and the joint circular issued on 21st August, 2004, has been duly approved by the shareholders of the Company at the extraordinary general meeting held on 6th September, 2004.

- (2) On 1st June, 2006, Banbury Investments Limited (“Banbury”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (“Sale and Purchase Agreement”) with Theopald Limited (“Theopald”), a company the entire issued share capital of which was beneficially owned by Mr. Eddie Ping Chang HO, the Vice-Chairman and Managing Director of the Company, and his spouse. Theopald is thus a connected person of the Company under the Listing Rules and the entering into of the Sale and Purchase Agreement between Theopald and Banbury constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Sale and Purchase Agreement, Theopald agreed to sell and Banbury agreed to purchase the property known as Ground Floor of Block E and Car Park No.8, 12 Broadwood Road, Hong Kong (“the Property”) at a purchase price of HK\$45,000,000. A deposit of HK\$4,500,000 was paid by Banbury upon signing of the Sale and Purchase Agreement, and the balance of HK\$40,500,000 was paid by Banbury on 2nd June, 2006.

The Group plans to acquire all properties comprising the proposed residential development by the Group located at 12 Broadwood Road, Happy Valley, Hong Kong with a site area of approximately 22,000 square feet (“the Broadwood Road Project”), and to redevelop the same into a first class residential development with, according to present estimation, approximately 110,000 square feet in gross floor area. As the Property is part of the Broadwood Road Project, the Group has to purchase the Property in order to complete the aforesaid acquisition for the redevelopment.

Details of the connected transaction were contained in the press announcement of the Company dated 1st June, 2006.

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 roads 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, 30th August, 2006

Board of Directors

Sir Gordon Ying Sheung WU ^{GBS, KCMG, FICE}
Chairman

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

Mr. Josiah Chin Lai KWOK
Deputy Managing Director

Mr. Thomas Jefferson WU
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

* 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

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

183 Queen's Road East

Wanchai

Hong Kong

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

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

Chiyu Banking Corporation 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

Industrial and Commercial Bank of China (Asia) Limited

Liu Chong Hing Bank Limited

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

Rooms 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

Tel: (852) 2862 8628 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

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REPORT OF THE AUDITORS



TO THE MEMBERS OF HOPEWELL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 63 to 114 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the 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.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June, 2006 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30th August, 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2006

	Notes	2005 HK\$'000 (restated)	2006 HK\$'000
Turnover	6	678,032	931,401
Cost of sales and services		(362,735)	(471,385)
Other income	8	315,297	460,016
Selling and distribution costs		116,764	261,563
Administrative expenses		(24,338)	(40,104)
Other operating expenses	9	(168,511)	(169,625)
Gain arising from changes in fair value of investment properties		(54,838)	(22,136)
Gain on disposal of a power station project	10	281,166	405,529
Gain on disposal/deemed disposal of subsidiaries	11	449,216	185,755
Reversal of impairment loss on an amount due from a former jointly controlled entity	12	–	294,491
Write back of warranty provisions	47(a)	–	245,480
Gain on disposal of interests in jointly controlled entities and an associate	12	–	80,000
Finance costs	13	502,117	–
Share of profits of Jointly controlled entities	14	(92,182)	(61,706)
Associates		989,870	1,014,775
		3,220	16,564
Profit before taxation	15	2,317,781	2,670,602
Income tax expense	16	(73,646)	(68,148)
Profit for the year		2,244,135	2,602,454
Attributable to:			
Equity holders of the Company		1,907,333	2,249,896
Minority interests		336,802	352,558
		2,244,135	2,602,454
Dividends paid	17	646,120	664,901
Earnings per share	18	HK\$	HK\$
Basic		2.13	2.50
Diluted		2.12	2.50

CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	Notes	2005 HK\$'000 (restated)	2006 HK\$'000
ASSETS			
Non-current Assets			
Investment properties	20	6,116,284	6,537,344
Property, plant and equipment	21	440,627	458,804
Prepaid land lease payments	22	790,970	972,953
Properties for or under development	25	201,395	231,647
Interests in jointly controlled entities	26	6,526,214	6,949,504
Interests in associates	27	10,143	23,376
Other investment project	45(b)	–	92,344
Available-for-sale investments	28	–	194,932
Investments in securities	29	22,114	–
Long-term loans and receivables	30	1,216,483	1,039,530
Pledged deposits	33	94,263	–
		15,418,493	16,500,434
Current Assets			
Inventories	31	9,333	11,537
Properties for sale	32	359,730	462,094
Prepaid land lease payments	22	6,874	8,449
Investments in securities - current portion	29	737,591	–
Trade and other receivables	33	522,057	656,117
Deposits and prepayments		34,655	50,616
Loans to a jointly controlled entity	30	10,870	45,620
Bank balances and cash	33	2,551,430	3,649,562
		4,232,540	4,883,995
Total Assets		19,651,033	21,384,429

CONSOLIDATED BALANCE SHEET (continued)

At 30th June, 2006

	Notes	2005 HK\$'000 (restated)	2006 HK\$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	38	2,244,925	2,246,413
Share premium and reserves	39	13,221,087	14,987,392
Equity attributable to equity holders of the Company		15,466,012	17,233,805
Minority interests		2,468,602	2,862,080
Total Equity		17,934,614	20,095,885
Non-current Liabilities			
Bank borrowings	40	55,000	–
Amounts due to associates	42	12,038	–
Warranty provisions	47(a)	164,059	84,059
Deferred tax liabilities	43	580,491	659,113
		811,588	743,172
Current Liabilities			
Trade and other payables	34	759,622	330,204
Deposits received from sale of properties		–	41,589
Rental and other deposits		95,258	125,457
Amounts due to associates	35	–	10,891
Amount due to a minority shareholder	37	–	8,531
Tax liabilities		49,951	28,700
		904,831	545,372
Total Liabilities		1,716,419	1,288,544
Total Equity and Liabilities		19,651,033	21,384,429

Josiah Chin Lai KWOK
Deputy Managing Director

Thomas Jefferson WU
Deputy Managing Director

COMPANY BALANCE SHEET

At 30th June, 2006

	Notes	2005 HK\$'000 (restated)	2006 HK\$'000
ASSETS			
Non-current Assets			
Investments in subsidiaries	23	27,813	1,595
Amounts due from subsidiaries	24	13,396,525	176,501
Investments in associates	27	401	401
Available-for-sale investments	28	–	3,000
Investments in securities	29	3,000	–
		13,427,739	181,497
Current Assets			
Trade and other receivables	33	428	441
Deposits and prepayments		622	358
Amounts due from subsidiaries	36	–	13,377,570
Bank balances and cash	33	355,414	171,222
		356,464	13,549,591
Total Assets		13,784,203	13,731,088
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	38	2,244,925	2,246,413
Share premium and reserves	39	11,388,780	11,260,187
		13,633,705	13,506,600
Non-current Liabilities			
Amounts due to subsidiaries	41	110,225	–
Amounts due to associates	42	12,038	–
		122,263	–
Current Liabilities			
Trade and other payables	34	21,825	22,145
Amounts due to subsidiaries	36	–	191,237
Amounts due to associates	35	–	11,106
Tax liabilities		6,410	–
		28,235	224,488
Total Liabilities		150,498	224,488
Total Equity and Liabilities		13,784,203	13,731,088

Josiah Chin Lai KWOK
Deputy Managing Director

Thomas Jefferson WU
Deputy Managing Director

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30th June, 2006

	2005 HK\$'000 (restated)	2006 HK\$'000
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	(183)	101,611
Gain arising from changes in fair value of available-for-sale investments	–	48,191
Share of reserves of jointly controlled entities and associates	(5,956)	–
Net (expenses) income recognised directly in equity	(6,139)	149,802
Transfer to consolidated income statement on disposal of available-for-sale investments	–	(20,931)
Translation reserve realised on disposal of jointly controlled entities	2,839	–
Profit for the year	2,244,135	2,602,454
Total recognised income for the year	2,240,835	2,731,325
Attributable to:		
Equity holders of the Company	1,905,701	2,355,616
Minority interests	335,134	375,709
	2,240,835	2,731,325
Effect of changes in accounting policies (note 3)		
Attributable to equity holders of the Company		
Decrease in investment property revaluation reserve at beginning of the year	(2,131,845)	(2,454,573)
Increase in retained profits at beginning of the year	1,365,292	1,671,831
	(766,553)	(782,742)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June, 2006

	2005 HK\$'000 (restated)	2006 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	2,317,781	2,670,602
Adjustments for:		
Interest from		
Jointly controlled entities	(43,653)	(108,279)
Defeasance and other bank deposits, loans and receivables	(82,694)	(140,045)
Yield on held-to-maturity debt securities (after deducting amortisation of premium on acquisition)	(24,494)	(3,822)
Loss on disposal of held-to-maturity debt securities	751	–
Exchange losses on held-to-maturity debt securities, net	5,599	–
Depreciation of property, plant and equipment	26,154	26,509
Amortisation of prepaid land lease payments	3,227	3,227
Share-based payment expense	–	5,295
Gain arising from changes in fair value of investment properties	(281,166)	(405,529)
Gain on disposal of a power station project	(449,216)	(185,755)
(Gain) loss on disposal of other property, plant and equipment	(812)	80
Gain on disposal/deemed disposal of subsidiaries	–	(294,491)
Gain on disposal of available-for-sale investments	–	(28,889)
Reversal of impairment loss on an amount due from a former jointly controlled entity	–	(245,480)
Write back of warranty provisions	–	(80,000)
Gain on disposal of interests in jointly controlled entities and an associate	(502,117)	–
Finance costs	92,182	61,706
Share of profits of		
Jointly controlled entities	(989,870)	(1,014,775)
Associates	(3,220)	(16,564)
Operating cash flows before movements in working capital	68,452	243,790
Increase in inventories	(462)	(2,204)
Increase in properties for sale	(95,570)	(102,364)
Decrease (increase) in trade and other receivables, and deposits and prepayments	19,944	(39,330)
Increase in deposits received from sale of properties	–	41,589
Increase in trade and other payables, and rental and other deposits	40,235	40,090
Cash generated from operations	32,599	181,571
Tax paid		
Hong Kong Profits Tax	(91,258)	(5,482)
Taxation elsewhere	(6,482)	(9,278)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(65,141)	166,811

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 30th June, 2006

	<i>Note</i>	<i>2005</i> <i>HK\$'000</i> <i>(restated)</i>	<i>2006</i> <i>HK\$'000</i>
INVESTING ACTIVITIES			
Interest received		297,684	165,483
Dividends received		857,378	902,622
Additions to investment properties		(255,960)	(53,255)
Additions to property, plant and equipment		(24,520)	(45,444)
Addition to prepaid land lease payments		(137,649)	(285,336)
Investments in associates		–	(12)
Advances from (repayments to) associates		6,934	(1,147)
Investments in jointly controlled entities		(31,536)	(4,000)
Loans to jointly controlled entities		(34,612)	(29,500)
Repayments from jointly controlled entities		649,049	293,911
Decrease in long-term receivables		92,079	51,066
Acquisition of available-for-sale investments		–	(199,497)
Proceeds from sale of available-for-sale investments		–	79,396
Acquisition of held-to-maturity debt securities		(301,120)	–
Proceeds on redemption and disposal of held-to-maturity debt securities		1,277,476	733,035
Increase in other investment project		–	(92,344)
Additions to properties for or under development		(8,569)	(24,948)
Net proceeds received on disposal of			
Power station project		672,464	89,785
Other property, plant and equipment		864	241
Investment properties		–	44,289
Interest in an associate		6,484	–
Interests in jointly controlled entities		518,376	–
Decrease in defeasance deposits		1,587,990	–
Acquisition of additional interests in a subsidiary		–	(992)
Disposal of subsidiaries	44	–	–
NET CASH FROM INVESTING ACTIVITIES		5,172,812	1,623,353

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 30th June, 2006

	2005 HK\$'000 (restated)	2006 HK\$'000
FINANCING ACTIVITIES		
Interest paid	(88,061)	(5,636)
Loan arrangement fees and bank charges paid	(21,122)	(38,016)
Dividends paid to		
Shareholders	(646,120)	(664,901)
Minority shareholders of subsidiaries	(181,903)	(200,476)
Distributions to minority shareholders	(137,828)	(17,773)
Proceeds from exercise of warrants issued by a subsidiary	22,542	255,964
Capital contribution and advances from minority shareholders	11,710	8,531
Net proceeds from issue of shares by the Company	127,389	10,166
Repurchase of shares	(19,912)	–
New bank loans	55,000	1,152,000
Repayment of bank loans	(1,233,555)	(1,207,000)
Redemption of notes	(1,474,201)	–
NET CASH USED IN FINANCING ACTIVITIES	(3,586,061)	(707,141)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,521,610	1,083,023
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,029,933	2,551,430
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(113)	15,109
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	2,551,430	3,649,562

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006

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 financial statements are presented in Hong Kong dollars, which is the same as 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 HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of recognised income and expense. In particular, the presentation of minority interests and share of tax of associates and jointly controlled entities has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Hotel Properties

Hong Kong Interpretation 2 "The Appropriate Accounting Policies for Hotel Properties" ("HK-Int 2") clarifies the accounting policy for owner-operated hotel properties. In previous years, the Group's self-operated hotel properties were carried at cost and were not subject to depreciation. HK-Int 2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16 "Property, Plant and Equipment", and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for these hotel properties using the cost model. In the absence of any specific transitional provisions in HK-Int 2, the new accounting policy has been applied retrospectively. Comparative figures have been restated (see Note 3 for the financial impact).

Owner-occupied leasehold interest in land and development properties

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. Under HKAS 17 "Leases", the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Comparative figures have been restated (see Note 3 for the financial impact).

The Group's development properties held for sale within the normal operating cycle of the Group, which were previously classified as non-current, have been reclassified as current in accordance with HKAS 1 "Presentation of Financial Statements". Comparative figures have been restated (see Note 3 for the financial impact).

Investment properties

In previous periods, investment properties under Statement of Standard Accounting Practice 13 ("SSAP 13") issued by the HKICPA were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property" and has elected to apply this standard retrospectively. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. The Group has applied the transitional provision in HKAS 40 and elected to apply HKAS 40 retrospectively. Comparative figures have been restated (see Note 3 for the financial impact).

The adoption of HKAS 40 has also resulted in a change of classification of certain properties which were previously classified as investment properties according to SSAP 13. In previous periods, property with 15% or less by area or value that was occupied by the Group would normally be regarded as an investment property as a whole though part of it is not held for investment purposes. According to HKAS 40, if a portion of the properties could be sold separately, an entity accounts for the portion separately. In the current year, the Group applied HKAS 40 and has reclassified certain owner-occupied properties from investment properties to property, plant and equipment and prepaid land lease payments retrospectively. Comparative figures have been restated (see Note 3 for the financial impact).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Deferred tax related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amounts of the properties through sale in accordance with the predecessor Interpretation. HK(SIC) Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" ("HK(SIC) 21") removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see Note 3 for the financial impact).

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 had no material effect on the presentation of financial instruments in the financial statements. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30th June, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of SSAP 24 "Investments in Securities" issued by the HKICPA. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any) under SSAP 24. From 1st July, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair value recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. On 1st July, 2005, the Group reclassified its investment securities as available-for-sale investments in accordance with the transitional provisions in HKAS 39. The application of HKAS 39 in this respect has had no material impact to the Group's retained profits at 1st July, 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1st July, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Prior to the application of HKAS 39, interest-free loans were stated at their nominal value. HKAS 39 requires that all financial assets and financial liabilities to be measured at fair value on initial recognition. Interest-free loans are measured at amortised cost using the effective interest method at subsequent balance sheet dates. The Group's retained profits as at 1st July, 2005 have been increased by approximately HK\$61,617,000. Profit for the year ended 30th June, 2006 has been decreased by approximately HK\$1,822,000.

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st July, 2005. In relation to share options granted before 1st July, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st July, 2005 in accordance with the relevant transitional provisions. Accordingly, the adoption of HKFRS 2 has not resulted in an impact to the results of the Group for the prior accounting period.

The financial impacts on the adoption of HKFRS 2 to the results of the Group for the current year are summarised in note 3.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above on the results of the Group for the current and prior year are as follows:

	2005 HK\$'000	2006 HK\$'000
Depreciation and amortisation of		
- hotel property	(7,391)	(7,392)
- property, plant and equipment reclassified from investment properties	(3,077)	(3,134)
Amortisation of prepaid land lease payments	(3,227)	(3,227)
Decrease in deferred taxes relating to depreciation and amortisation of hotel property and property, plant and equipment reclassified from investment properties	1,735	1,800
Gains arising from changes in fair value of investment properties of		
- the Group	281,166	405,529
- a jointly controlled entity	27,000	1,000
- an associate	-	(1,895)
Increase in deferred taxes relating to investment properties of		
- the Group	(48,284)	(70,968)
- a jointly controlled entity	(3,000)	-
Decrease in loss on disposal of an investment property	-	66,702
Expenses in relation to share option granted to employees	-	(5,295)
Increase in imputed interest income relating to interest-free loan to a jointly controlled entity	-	42,745
Decrease in share of profits of jointly controlled entities relating to their financial liabilities	-	(45,233)
Share of tax of jointly controlled entities and associates reclassified from (to):		
- share of profits of jointly controlled entities	(70,855)	(111,577)
- share of profits of associates	(668)	(36)
- income tax expense	71,523	111,613
Increase in profit for the year	244,922	380,632
Attributable to:		
Equity holders of the Company	244,922	381,298
Minority interests	-	(666)
	244,922	380,632

Analysis of increase in profit for the year by line items presented according to their function:

	2005 HK\$'000	2006 HK\$'000
Increase in turnover	-	42,745
Increase in cost of sales and services	(13,695)	(13,753)
Increase in administrative expenses	-	(5,295)
Decrease in other operating expenses	-	66,702
Increase in gain arising from changes in fair value of investment properties	281,166	405,529
Decrease in share of profits of		
- jointly controlled entities	(46,855)	(155,810)
- associates	(668)	(1,931)
Decrease in income tax expense	24,974	42,445
Increase in profit for the year	244,922	380,632

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The Group

The cumulative effects of the application of the new HKFRSs as at 30th June, 2005 and 1st July, 2005 are summarised below:

	As at 30th June, 2005 (originally stated) HK\$'000	Effects of adoption of					HK(SIC) 21 HK\$'000	As at 30th June, 2005 (restated) HK\$'000	Effect of adoption of HKAS 39 HK\$'000	As at 1st July, 2005 (restated) HK\$'000
		HK-Int 2 HK\$'000	HKAS 1 HK\$'000	HKAS 17 HK\$'000	HKAS 32 HK\$'000	HKAS 40 HK\$'000				
Balance sheet items										
Investment properties	6,477,300	-	-	-	-	(361,016)	-	6,116,284	-	6,116,284
Property, plant and equipment	538,378	(129,804)	-	(78,996)	-	111,049	-	440,627	-	440,627
Prepaid land lease payments										
- Non-current	-	-	-	737,207	-	53,763	-	790,970	-	790,970
- Current	-	-	-	5,528	-	1,346	-	6,874	-	6,874
Properties for or under development	1,125,532	-	(260,398)	(663,739)	-	-	-	201,395	-	201,395
Interests in jointly controlled entities	7,725,147	-	-	-	(1,198,933)	-	-	6,526,214	268,592	6,794,806
Interests in associates	14,164	-	-	-	-	-	(4,021)	10,143	-	10,143
Investments in securities										
- Non-current	22,114	-	-	-	-	-	-	22,114	(22,114)	-
- Current	737,591	-	-	-	-	-	-	737,591	(737,591)	-
Held-to-maturity investments	-	-	-	-	-	-	-	-	737,591	737,591
Available-for-sale investments	-	-	-	-	-	-	-	-	22,114	22,114
Long-term loans and receivables	-	-	-	-	1,216,483	-	-	1,216,483	(186,187)	1,030,296
Long-term receivables	17,550	-	-	-	(17,550)	-	-	-	-	-
Properties for sale	99,332	-	260,398	-	-	-	-	359,730	-	359,730
Deferred tax liabilities	(64,815)	22,716	-	-	-	889	(539,281)	(580,491)	-	(580,491)
Total effects on assets and liabilities		(107,088)	-	-	-	(193,969)	(543,302)		82,405	
Retained profits	2,819,949*	(107,088)	-	-	-	2,260,604	(543,302)	4,430,163	61,617	4,491,780
Investment property revaluation reserve	2,454,573	-	-	-	-	(2,454,573)	-	-	-	-
Minority interests	-	-	2,468,602	-	-	-	-	2,468,602	20,788	2,489,390
Total effects on equity		(107,088)	2,468,602	-	-	(193,969)	(543,302)		82,405	
Minority interests	2,468,602	-	(2,468,602)	-	-	-	-	-	-	-

The financial effects of the application of the new HKFRSs to the Group's equity at 30th June, 2004 and 1st July, 2004 are summarised below:

	As at 30th June, 2004 (originally stated) HK\$'000	Effects of adoption of				HK(SIC) 21 HK\$'000	As at 30th June, 2004 and 1st July, 2004 (restated) HK\$'000
		HK-Int 2 HK\$'000	HKAS 1 HK\$'000	HKAS 40 HK\$'000	HK(SIC) 21 HK\$'000		
Retained profits	1,829,891*	(99,439)	-	1,959,749	(495,018)	3,195,183	
Investment property revaluation reserve	2,131,845	-	-	(2,131,845)	-	-	
Minority interests	-	-	2,418,947	-	-	2,418,947	
Total effects on equity		(99,439)	2,418,947	(172,096)	(495,018)		
Minority interests	2,418,947	-	(2,418,947)	-	-	-	

* The retained profits shown above include dividend reserve previously presented as a separate item in reserves.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The Company

The cumulative effects of the application of the new HKFRSs as at 30th June, 2005 and 1st July, 2005 are summarised below:

	<i>As at 30th June, 2005 (originally stated) HK\$'000</i>	<i>Effects of adoption of HKAS 32 HK\$'000</i>	<i>As at 30th June, 2005 (restated) HK\$'000</i>	<i>Effect of adoption of HKAS 39 HK\$'000</i>	<i>As at 1st July, 2005 (restated) HK\$'000</i>
Balance sheet items					
Interests in subsidiaries	13,424,338	(13,424,338)	–	–	–
Investments in subsidiaries	–	27,813	27,813	–	27,813
Amounts due from subsidiaries					
- Non-current	–	13,396,525	13,396,525	–	13,396,525
Investments in securities	3,000	–	3,000	(3,000)	–
Available-for-sale investments	–	–	–	3,000	3,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		–		–	

The application of the new HKFRSs has had no significant effect on the Company's equity at 30th June, 2004 and 1st July, 2004.

New standards and interpretations not yet effective

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

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS 21 (Amendment)	Net Investment in a Foreign Operation ²
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS 39 (Amendment)	The Fair Value Option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts ²
HKFRS 6	Exploration for and Evaluation of Mineral Resources ²
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease ²
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ²
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment ³
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴
HK(IFRIC)-Int 8	Scope of HKFRS 2 ⁵
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁶

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

² Effective for annual periods beginning on or after 1st January, 2006

³ Effective for annual periods beginning on or after 1st December, 2005

⁴ Effective for annual periods beginning on or after 1st March, 2006

⁵ Effective for annual periods beginning on or after 1st May, 2006

⁶ Effective for annual periods beginning on or after 1st June, 2006

The directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the financial statements of the Group and the Company, except for HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts". HKAS 39 and HKFRS 4 (Amendments) require financial guarantee contracts be initially recognised at fair value. The Group is not yet in a position to quantify the overall effect of HKAS 39 and HKFRS 4 (Amendments) on the results of operations and financial position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

4. SIGNIFICANT ACCOUNTING POLICIES

The 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 financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“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 its subsidiaries.

The results of subsidiaries acquired or disposed of during the year, if any, 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.

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.

Goodwill

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary, associate or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

Excess of an acquirer’s interest in the net fair value of an acquiree’s identifiable assets, liabilities and contingent liabilities over cost (“discount on acquisition”)

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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. The cost of investments in jointly controlled entities comprises capital contributed, development expenditure incurred by the Group, financial expenses capitalised less interest income on advances to jointly controlled entities deferred to the extent of the Group's interest therein during the development stage of the projects undertaken by the jointly controlled entities.

The cost of investments, to the extent not borne by the jointly controlled entities, is 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.

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. 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 profit or loss and of changes in equity of the associate, less any identified impairment loss.

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.

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. 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 any subsequent accumulated depreciation and any identified accumulated impairment loss.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment - other than goodwill

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 losses are 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.

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 years.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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, pledged deposits 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.

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.

The Group's financial liabilities, including amounts due to associates, trade and other payables and amount due to a minority shareholder, are subsequently measured at amortised cost, using the effective interest method.

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 the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the balance sheet (i.e. 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, including any non-cash assets transferred or liabilities assumed, 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.

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 income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense on a straight-line basis over the lease term.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in 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.

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.

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 Company (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 year 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 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 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.

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 profit 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 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.

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 they fall due.

Equity-settled share-based payment transactions

Share options granted to employees after 1st July, 2005

The fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the 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 still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods 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 properties under pre-sale arrangement prior to completion of the development 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. Payments received from the purchasers prior to this stage are recorded as deposits received from sale of properties and presented as current liabilities.

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 bank deposits, advances to jointly controlled entities undertaking infrastructure project investments, loans and other receivables 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 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, long-term loans and receivables, trade and other receivables, loans to a jointly controlled entity, pledged deposits, bank balances and cash, bank borrowings, amounts due to 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.

Market risk

(i) Currency risk

Certain trade receivables and payables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Group has exposures to cash flow interest rate risk regarding its loans to jointly controlled entities 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 and deposits 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 FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30th June, 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet and in respect of the guarantees given by the Group is the amounts covered by the guarantees. The recoverability of each individual receivable and the Group'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 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.

6. TURNOVER

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

	2005 HK\$'000	2006 HK\$'000
Infrastructure project investments	52,473	115,508
Property letting, agency and management	289,696	330,636
Property development	–	107,849
Hotel investment and management	179,491	200,460
Restaurant operations and food catering	151,488	176,255
Other operations	4,884	693
	678,032	931,401

Note: The turnover from infrastructure project investments shown above includes interest income from jointly controlled entities of HK\$108 million (2005: HK\$44 million), of which HK\$43 million (2005: Nil) represents imputed interest on interest-free loans advanced by the Group to certain jointly controlled entities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

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

Infrastructure project investments	–	investments in expressway projects
Property investment	–	property letting, agency and management
Property development	–	development of properties
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

	2005			2006		
	External HK\$'000	Inter- segment HK\$'000	Combined HK\$'000	External HK\$'000	Inter- segment HK\$'000	Combined HK\$'000
Infrastructure project investments	52,473	–	52,473	115,508	–	115,508
Property investment	289,696	23,328	313,024	330,636	25,730	356,366
Property development	–	–	–	107,849	–	107,849
Hotel investment and management	179,491	175	179,666	200,460	175	200,635
Restaurants and catering	151,488	–	151,488	176,255	–	176,255
Other operations	4,884	300	5,184	693	–	693
Eliminations	–	(23,803)	(23,803)	–	(25,905)	(25,905)
Total turnover	678,032	–	678,032	931,401	–	931,401

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

Segment results

Year ended 30th June

	2005				2006			
	Company and subsidiaries HK\$'000	Jointly controlled entities HK\$'000	Associates HK\$'000	Total HK\$'000	Company and subsidiaries HK\$'000	Jointly controlled entities HK\$'000	Associates HK\$'000	Total HK\$'000
Infrastructure project investments	16,642	888,381	–	905,023	100,610	982,199	–	1,082,809
Property investment								
- Operations	163,133	–	2,680	165,813	187,696	–	382	188,078
- Gain arising from changes in fair value of investment properties	281,166	–	–	281,166	405,529	–	–	405,529
Property development	(24,930)	101,489	–	76,559	(506)	32,576	15,758	47,828
Hotel investment and management	42,350	–	–	42,350	55,204	–	–	55,204
Restaurants and catering	7,019	–	–	7,019	17,936	–	–	17,936
Other operations	(32,104)	–	540	(31,564)	15,166	–	424	15,590
Segment results	453,276	989,870	3,220	1,446,366	781,635	1,014,775	16,564	1,812,974

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business Segments (continued)

	2005 HK\$'000	2006 HK\$'000
Segment results		
Company and subsidiaries	453,276	781,635
Interest and other income	107,188	164,798
Exchange (losses) gains	(9,703)	15,062
Unallocated corporate and other expenses	(85,221)	(66,252)
	465,540	895,243
Gain on disposal of a power station project	449,216	185,755
Gain on disposal/deemed disposal of subsidiaries	–	294,491
Reversal of impairment loss on an amount due from a former jointly controlled entity	–	245,480
Write back of warranty provisions	–	80,000
Gain on disposal of interests in jointly controlled entities and an associate	502,117	–
Finance costs	(92,182)	(61,706)
Share of profits of		
Jointly controlled entities	989,870	1,014,775
Associates	3,220	16,564
Profit before taxation	2,317,781	2,670,602
Income tax expense	(73,646)	(68,148)
Profit for the year	2,244,135	2,602,454

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
Infrastructure project investments	102,469	7,489,046	–	7,591,515	53,225	53,225
Property investment	6,631,603	4,000	19,973	6,655,576	131,822	131,822
Property development	1,585,770	541,608	3,403	2,130,781	159,275	159,275
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
	8,856,734	8,034,654	23,376	16,914,764	465,289	465,289
Available-for-sale investments				194,932		–
Other assets/liabilities				4,274,733		823,255
				21,384,429		1,288,544

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business Segments (continued)

At 30th June, 2005

	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
Infrastructure project investments	12,081	7,256,485	–	7,268,566	48,893	48,893
Property investment	6,204,271	–	10,143	6,214,414	127,271	127,271
Property development	1,225,071	479,532	–	1,704,603	117,377	117,377
Hotel investment and management	395,382	–	–	395,382	43,581	43,581
Restaurants and catering	110,162	–	–	110,162	18,494	18,494
Other operations	119,100	–	–	119,100	464,128	464,128
	8,066,067	7,736,017	10,143	15,812,227	819,744	819,744
Investments in securities				756,078		–
Other assets/liabilities				3,082,728		896,675
				19,651,033		1,716,419

The Group's total assets less current liabilities and the Group's net current assets at 30th June, 2006 amounted to HK\$20,839,057,000 (2005: HK\$18,746,202,000) and HK\$4,338,623,000 (2005: HK\$3,327,709,000) respectively.

Other Information

	2005			2006		
	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
Infrastructure project investments	833	101,097	–	223	112,696	–
Property investment	262,693	6,136	–	63,364	3,538	–
Property development	12,641	915	951	31,114	982	–
Hotel investment and management	6,428	15,762	179	32,087	17,489	857
Restaurants and catering	2,537	3,598	12	7,158	4,700	85
Other operations	7	698	–	28	674	–
Unallocated	3,795	1,988	–	1,542	1,983	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical Segments

The Group's property investment, hotel investment and management, restaurants and catering activities are mainly carried out in Hong Kong. All the infrastructure project investments are located in the Mainland 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:

	<i>Turnover</i>	
	2005 HK\$'000	2006 HK\$'000
Hong Kong	622,611	705,926
The PRC and Macau	55,421	225,475
	678,032	931,401

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:

	<i>Assets</i>		<i>Additions to investment properties, property, plant and equipment and properties for or under development</i>	
	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000
Group segment assets				
Hong Kong	7,607,712	8,241,632	288,498	134,745
The PRC	345,509	608,985	436	771
Other regions	126,211	18,656	-	-
Other assets (Note)	8,079,432	8,869,273	288,934	135,516
	11,571,601	12,515,156	-	-
	19,651,033	21,384,429	288,934	135,516

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

	2005 HK\$'000	2006 HK\$'000
Included in other income are:		
Interest from		
Defeasance and other bank deposits	66,021	122,399
Loans and other receivables	16,673	17,646
Yield on held-to-maturity debt securities (after deducting amortisation of premium on acquisition of HK\$3,914,000 (2005: HK\$40,826,000))	24,494	3,822
Gain on disposal of available-for-sale investments		
Listed equity securities	-	20,931
Unlisted equity investments	-	7,958
Exchange gains, net	-	39,021

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

9. OTHER OPERATING EXPENSES

	2005 HK\$'000	2006 HK\$'000
Included in other operating expenses are:		
Charitable donations	10,386	22,136
Exchange losses, net	9,703	–

10. GAIN ON DISPOSAL OF A POWER STATION PROJECT

The amount represents gain on disposal of the Tanjung Jati B Power Station in Indonesia recognised during the year. The power station was disposed of in 2003 for a cash consideration of US\$306.2 million which was payable by instalments over a period of 39 months from July 2003 under the sale agreement. As the timing and ultimate receipt of the instalments could be materially affected by the occurrence of certain events stipulated in the loan agreements and the finance lease agreements entered into by the purchasers, including, inter alia, force majeure events which would have a material adverse effect on the construction of the plant resulting in the cancellation by the lenders of the project loan facilities granted to the purchasers, the outstanding instalments are recognised by the Group when payments are received. Up to the date of approval of these financial statements, the total consideration for disposal, after deducting related expenses, has been fully received by the Group, giving rise to a gain on disposal amounting to HK\$185.8 million (2005: HK\$449.2 million) recognised in the current year's consolidated income statement.

11. GAIN ON DISPOSAL/DEEMED DISPOSAL OF SUBSIDIARIES

	2005 HK\$'000	2006 HK\$'000
Gain on disposal of a subsidiary (Note a)	–	265,387
Gain on deemed disposal of interest in a listed subsidiary (Note b)	–	29,104
	–	294,491

Notes:

- (a) During the 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 represents the net liabilities of HTL discharged by the Group on disposal.
- (b) Following the exercise of the HHI Warrants by the warrants holders during the year as detailed in note 38, the Company's interest in HHI has been reduced by 1.54% to 73.24%, giving rise to a gain on deemed disposal of HK\$29 million recognised in the consolidated income statement for the year.

12. REVERSAL OF IMPAIRMENT LOSS ON AN AMOUNT DUE FROM A FORMER JOINTLY CONTROLLED ENTITY/GAIN ON DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES AND AN ASSOCIATE

	2005 HK\$'000	2006 HK\$'000
Reversal of impairment loss on an amount due from a former jointly controlled entity (Note)	–	245,480
Gain on disposal of interests in		
Jointly controlled entities (Note)	495,633	–
An associate	6,484	–
	502,117	245,480

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

12. REVERSAL OF IMPAIRMENT LOSS ON AN AMOUNT DUE FROM A FORMER JOINTLY CONTROLLED ENTITY/GAIN ON DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES AND AN ASSOCIATE (continued)

Note: In the prior year, 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 current year, 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 the current year.

13. FINANCE COSTS

	2005 HK\$'000	2006 HK\$'000
Interests on:		
Bank loans and overdrafts wholly repayable within five years	14,647	5,636
Notes wholly repayable within five years	18,197	–
Other interest expense (note 26(c))	37,860	39,549
Total interest	70,704	45,185
Note issue expenses amortised	356	–
Loan arrangement fees and bank charges	21,122	16,521
	92,182	61,706

14. SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

	2005 HK\$'000	2006 HK\$'000
Share of profits of jointly controlled entities before amortisation of cost of investments in jointly controlled entities	1,090,683	1,127,101
Amortisation of cost of investments in jointly controlled entities	(100,813)	(112,326)
	989,870	1,014,775

Included in the share of profits of jointly controlled entities for the year ended 30th June, 2005 is profit from disposal of a development property by a jointly controlled entity amounted to HK\$83 million.

15. PROFIT BEFORE TAXATION

	2005 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	3,933	4,630
Depreciation of property, plant and equipment	26,154	26,509
Amortisation of prepaid land lease payments	6,875	8,532
Less: Amount capitalised to properties for or under development	(3,648)	(5,305)
	3,227	3,227
Rentals in respect of properties under operating leases	891	1,095
Staff costs (including directors' emoluments)	231,868	243,415
Share of tax of jointly controlled entities (included in share of profits of jointly controlled entities)	70,855	111,577
Share of tax of associates (included in share of profits of associates)	668	36
Rental income in respect of land and buildings under operating leases, less outgoings of HK\$125,444,000 (2005: HK\$118,821,000)	(164,558)	(197,250)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

16. INCOME TAX EXPENSE

	2005 HK\$'000	2006 HK\$'000
Hong Kong Profits Tax		
Current year	8,633	12,585
Overprovision in respect of prior years	–	(16,525)
	8,633	(3,940)
Taxation elsewhere		
Current year	8,306	11,610
Overprovision in respect of prior years	–	(18,144)
	16,939	(10,474)
Deferred tax (note 43)	56,707	78,622
	73,646	68,148

Hong Kong Profits Tax is calculated at 17.5% (2005: 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 43.

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

	2005 HK\$'000	2006 HK\$'000
Profit before taxation	2,317,781	2,670,602
Tax at Hong Kong Profits Tax rate of 17.5% (2005: 17.5%)	405,612	467,355
Tax effect of expenses not deductible for tax purposes	34,689	20,204
Tax effect of income not taxable for tax purposes	(109,066)	(170,248)
Tax effect of tax losses not recognised	6,535	6,851
Tax effect of utilisation of tax losses not previously recognised	(11,546)	(6,021)
Tax effect of utilisation of deductible temporary differences not previously recognised	(78,613)	(32,507)
Tax effect of share of profits of jointly controlled entities and associates	(173,791)	(180,484)
Overprovision in respect of prior years	–	(34,669)
Effect of different tax rates of subsidiaries operating in other jurisdictions	730	(1,856)
Others	(904)	(477)
Income tax expense	73,646	68,148

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

17. DIVIDENDS

	2005 HK\$'000	2006 HK\$'000
Dividends paid		
Final dividend for the year ended 30th June, 2005 of HK38 cents per share (2005: year ended 30th June, 2004 of HK30 cents per share)	268,931	341,454
Interim dividend for the year ended 30th June, 2006 of HK36 cents per share (2005: year ended 30th June, 2005 of HK12 cents per share)	107,768	323,447
2005: special interim dividend for the year ended 30th June, 2005 of HK30 cents per share	269,421	–
	646,120	664,901
Dividend proposed		
Final dividend for the year ended 30th June, 2006 of HK48 cents per share (2005: year ended 30th June, 2005 of HK38 cents per share)	341,229	431,311

The proposed final dividend of HK48 cents per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these financial statements.

18. EARNINGS PER SHARE

	2005 HK\$'000	2006 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	1,907,333	2,249,896
Effect of dilutive potential ordinary shares of HHI (note 38):		
Adjustment to the Group's results arising from a dilution of HHI's earnings attributable to warrants and share options issued	(4,109)	(3,803)
Earnings for the purposes of diluted earnings per share	1,903,224	2,246,093
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	895,900,603	898,379,751
Effect of dilutive potential ordinary shares:		
Share options	1,364,784	280,799
Weighted average number of ordinary shares for the purposes of diluted earnings per share	897,265,387	898,660,550

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

18. EARNINGS PER SHARE (continued)

Impact of changes in accounting policies

The following table summarises the impact on basic earnings per share as a result of changes in accounting policies as described in notes 2 and 3:

	2005 HK\$	2006 HK\$
Figures before changes in accounting policies	1.86	2.08
Effect of changes in accounting policies (see notes 2 and 3)	0.27	0.42
Figures after changes in accounting policies	2.13	2.50

19. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

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

	Year ended 30th June, 2006				
	Directors' fees HK\$'000	Basic salaries, allowances and benefits-in-kind HK\$'000	Bonus HK\$'000	Contributions to provident fund schemes HK\$'000	Total HK\$'000
Sir Gordon Ying Sheung Wu	600	4,500	–	–	5,100
Mr. Eddie Ping Chang Ho	500	3,492	–	–	3,992
Mr. Josiah Chin Lai Kwok	200	3,000	–	12	3,212
Mr. Thomas Jefferson Wu	400	3,354	–	24	3,778
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	–	8	1,944
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	–	97	29,684

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

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

(a) Directors' emoluments (continued)

	Year ended 30th June, 2005				
	Directors' fees HK\$'000	Basic salaries, allowances and benefits-in-kind HK\$'000	Bonus HK\$'000	Contributions to provident fund schemes HK\$'000	Total HK\$'000
Sir Gordon Ying Sheung Wu	600	4,500	–	–	5,100
Mr. Eddie Ping Chang Ho	500	3,600	–	–	4,100
Mr. Josiah Chin Lai Kwok	200	3,000	–	12	3,212
Mr. Thomas Jefferson Wu	400	3,354	–	24	3,778
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	126	12	1,976
Mr. David Yau-gay Lui	200	–	–	–	200
Mr. Carmelo Ka Sze Lee	200	–	–	–	200
Mr. Andy Lee Ming Cheung	200	1,573	121	12	1,906
Mr. Eddie Wing Chuen Ho Junior	200	819	63	12	1,094
Mr. Lee Yick Nam	363	–	–	–	363
Mr. Colin Henry Weir	200	2,096	–	12	2,308
	4,263	23,010	310	96	27,679

Other than fees of HK\$800,000 (2005: HK\$763,000) 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.

20. INVESTMENT PROPERTIES

The Group

	2005 HK\$'000	2006 HK\$'000
Investment properties at fair value		
At beginning of the year	5,562,962	6,116,284
Additions	258,464	59,820
Reclassified from property, plant and equipment	13,692	–
Disposals	–	(44,289)
Increase in fair value recognised in consolidated income statement	281,166	405,529
At end of the year	6,116,284	6,537,344

The Group's investment properties comprises:

	2005 HK\$'000	2006 HK\$'000
Land and buildings in Hong Kong on		
Long leases	3,049,910	3,268,730
Medium-term leases	3,066,374	3,268,614
	6,116,284	6,537,344

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

20. INVESTMENT PROPERTIES (continued)

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, 2006 has been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Services Limited ("Savills"), independent professional property valuers not connected with the Group. The valuation report on these properties is signed by a director of Savills who is a member of The Hong Kong Institute of Surveyors ("HKIS"), and the valuation, which is prepared in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by HKIS, was arrived at by reference to market evidence of transaction prices for similar properties or on the basis of capitalisation of net rental income from properties.

21. 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, 2004	369,543	174,511	292,871	836,925
Additions	–	2,922	15,360	18,282
Reclassified to investment properties	–	–	(13,692)	(13,692)
Disposals	–	–	(11,872)	(11,872)
At 30th June, 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
DEPRECIATION				
At 1st July, 2004	96,080	43,299	235,303	374,682
Provided for the year	7,391	3,633	15,130	26,154
Eliminated on disposals	–	–	(11,820)	(11,820)
At 30th June, 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
CARRYING VALUES				
At 30th June, 2005	266,072	130,501	44,054	440,627
At 30th June, 2006	258,680	128,454	71,670	458,804

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

21. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	<i>The Group</i>	
	2005 HK\$'000	2006 HK\$'000
Hotel property on land under medium-term leases	266,072	258,680
Other properties on land under		
Long leases	16,260	16,671
Medium-term leases	114,241	111,783
	130,501	128,454

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

22. PREPAID LAND LEASE PAYMENTS

	<i>The Group</i>	
	2005 HK\$'000	2006 HK\$'000
The Group's prepaid land lease payments comprise:		
Leasehold land in Hong Kong on		
Long leases	656,185	843,196
Medium-term leases	141,659	138,206
	797,844	981,402
Analysed for reporting purposes as		
Non-current asset	790,970	972,953
Current asset	6,874	8,449
	797,844	981,402

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

23. INVESTMENTS IN SUBSIDIARIES

	<i>The Company</i>	
	2005 HK\$'000	2006 HK\$'000
Unlisted shares		
At cost less impairment	24,568	603
At directors' 1972 valuation less impairment	3,245	–
	27,813	603
Shares listed in Hong Kong, at cost	–	992
	27,813	1,595
Market value of listed shares	–	1,170

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

24. AMOUNTS DUE FROM SUBSIDIARIES

	<i>The Company</i>	
	2005 HK\$'000	2006 HK\$'000
Amounts due from subsidiaries, less allowances		
Interest bearing	–	176,501
Interest free	13,396,525	–
	13,396,525	176,501

The amount due from a subsidiary amounting to HK\$177 million at 30th June, 2006, which is unsecured and repayable more than one year from the balance sheet date, carries interest ranging from 4.6% to 5.9% per annum which is based on Hong Kong Inter-bank Offered Rate plus a specific margin. The directors consider that the carrying amount of the amount at 30th June, 2006 approximates its fair value.

25. PROPERTIES FOR OR UNDER DEVELOPMENT

	<i>The Group</i>	
	2005 HK\$'000	2006 HK\$'000
COST		
At beginning of the year	189,207	201,395
Additions	12,188	30,252
At end of the year	201,395	231,647

Included in the cost of properties for or under development is net interest capitalised totalling HK\$55.4 million (2005: HK\$55.4 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

26. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<i>The Group</i>	
	2005 HK\$'000	2006 HK\$'000
Expressway and property projects in the PRC		
Unlisted investments, at cost	5,411,604	5,865,933
Share of post acquisition reserves	1,505,102	1,562,129
Less: Accumulated amortisation	(442,446)	(554,772)
	6,474,260	6,873,290
Property development project in Macau		
Unlisted investment, at cost	4,850	4,850
Share of post acquisition reserves	47,104	67,364
	51,954	72,214
Other unlisted investments	–	4,000
	6,526,214	6,949,504

Notes:

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 GS Superhighway's official opening date. The Group's entitlement to the profit of the toll operations of 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 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.

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 joint venture co-operation period of phase I of the project ("Phase I West") is 30 years commencing from 17th September, 2003. The Group is entitled to 50% of the profits from the operation of West Route JV arising from Phase I West. At the end of the joint venture co-operation period, all the immovable assets and facilities in relation to Phase I West will revert to the PRC government without compensation. Phase I West was opened in April, 2004.

The project commitments regarding phase II ("Phase II West") and phase III ("Phase III West") of the project are disclosed in note 45(a).

(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.

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\$40 million (2005: HK\$38 million).

(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.

Subsequent to the balance sheet date, the occupation permit regarding certain properties developed by Nova Taipa was issued. Profit from sale of these properties will be recognised in the financial statements of Nova Taipa in the ensuing year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

26. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2005 HK\$'000	2006 HK\$'000
Current assets	2,234,156	3,603,120
Non-current assets	16,003,196	16,425,608
Current liabilities	725,512	2,439,526
Non-current liabilities	12,397,555	12,205,984
Income	3,347,595	4,003,989
Expenses	1,315,614	1,762,096

27. INTERESTS IN ASSOCIATES

	<i>The Group</i>	
	2005 HK\$'000	2006 HK\$'000
Cost of investments, unlisted	706	522
Share of post acquisition profits and reserves, net of dividends received	9,437	22,854
	10,143	23,376

	<i>The Company</i>	
	2005 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	401	401

Particulars of the principal associates are set out in note 51.

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

	2005 HK\$'000	2006 HK\$'000
Total assets	76,180	77,932
Total liabilities	(33,130)	(18,578)
Net assets	43,050	59,354
Group's share of net assets of associates	10,143	23,376
Revenue	16,857	49,120
Profit for the year	7,887	44,667
Group's share of profits of associates for the year	3,220	16,564

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

28. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments at 30th June, 2006 are set out below:

	<i>The Group</i> <i>HK\$'000</i>	<i>The Company</i> <i>HK\$'000</i>
Unlisted equity investments, at cost	18,682	3,000
Equity securities listed in Hong Kong, at fair value	176,250	–
	194,932	3,000
Market value of equity securities	176,250	–

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 fair value of these investments cannot be measured reliably as the information regarding the measurement of the fair value is not available.

29. INVESTMENTS IN SECURITIES

Investments in securities at 30th June, 2005 are set out below. Upon the application of HKAS 39 on 1st July, 2005, investments in securities were reclassified to appropriate categories under HKAS 39 (see Note 3 for details).

	<i>The Group</i> <i>HK\$'000</i>	<i>The Company</i> <i>HK\$'000</i>
Held-to-maturity debt securities listed overseas (Note)	737,591	–
Investment securities		
Unlisted equity investments, at cost	92,403	3,000
Less: Impairment loss recognised	(70,289)	–
	22,114	3,000
	759,705	3,000
Carrying amount analysed for reporting purposes:		
Non-current	22,114	3,000
Current	737,591	–
	759,705	3,000

Note: During the year, held-to-maturity debt securities were redeemed upon maturity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

30. LONG-TERM LOANS AND RECEIVABLES

	<i>The Group</i>	
	2005 HK\$'000	2006 HK\$'000
Loans to jointly controlled entities	1,209,803	1,085,150
Proceeds on disposal of a jointly controlled entity and property receivable	147,290	96,224
	1,357,093	1,181,374
Less: Amounts due within one year classified under current assets:		
Loans to a jointly controlled entity	(10,870)	(45,620)
Proceeds on disposal of a jointly controlled entity and property receivable (included in trade and other receivables)	(129,740)	(96,224)
	1,216,483	1,039,530
Analysis of long-term loans and receivables:		
Interest bearing at commercial lending rates	173,938	284,804
Interest bearing at a fixed rate of 6% to 7% per annum	433,364	429,394
Interest free	749,791	467,176
	1,357,093	1,181,374

The loans to jointly controlled entities are unsecured and with no fixed repayment terms except for an aggregate amount of HK\$616 million (2005: HK\$782 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\$467 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 (2005: 5% to 7% per annum).

The directors consider the carrying amount of the long-term loans and receivables at 30th June, 2006 approximates their fair value.

31. INVENTORIES

	<i>The Group</i>	
	2005 HK\$'000	2006 HK\$'000
Hotel and restaurant inventories	9,333	11,537

The cost of inventories recognised as an expense during the year amounted to HK\$108,844,000 (2005: HK\$90,646,000).

32. PROPERTIES FOR SALE

	<i>The Group</i>	
	2005 HK\$'000	2006 HK\$'000
Properties		
Under development	355,968	337,281
Completed	3,762	124,813
	359,730	462,094

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

33. OTHER FINANCIAL ASSETS

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>	
	2005 HK\$'000	2006 HK\$'000
Receivables aged		
0 - 30 days	16,301	56,027
31 - 60 days	4,353	7,964
Over 60 days	5,889	6,823
Interest on defeasance, bank deposits and other receivables	19,598	2,519
Proceeds on disposal of investment and property, plant and equipment receivable	152,586	229,948
Retentions receivable	314	-
Dividend from a jointly controlled entity receivable	323,016	352,836
	522,057	656,117

The directors consider that the carrying amounts of trade and other receivables of the Group and the Company approximate their respective fair value.

Pledged deposits

The amount represents deposits pledged by HTL to a bank to secure a performance bond of the same amount issued by the bank in connection with the BERTS Project referred to in note 11(a). The deposits, which carried interest ranging from 0.5% to 1% (2005: 0.5%) per annum which was based on prevailing bank deposits rates, were disposed of following the disposal of HTL.

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 prevailing market interest rates ranging from 1.5% to 4.9% (2005: 1.2% to 3.4%) per annum.

The directors consider that the carrying amounts of the bank balances and cash of the Group and the Company approximate their respective fair value.

34. TRADE AND OTHER PAYABLES

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

	<i>The Group</i>	
	2005 HK\$'000	2006 HK\$'000
Payables due		
0 - 30 days	246,308	159,362
31 - 60 days	3,348	6,476
Over 60 days	148,215	150,973
Retentions payable	1,943	13,393
Development expenditure payable (Note)	359,808	-
	759,622	330,204

Note: The development expenditure payable at 30th June, 2005 represents construction and plant costs incurred by the Group in connection with the its overseas infrastructure project, the development of which has been suspended. Such development expenditure payable has been discharged following the disposal of the subsidiary undertaking the overseas infrastructure project during the year.

The directors consider that the carrying amounts of trade and other payables of the Group and the Company approximate their respective fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

35. AMOUNTS DUE TO ASSOCIATES

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

The directors consider that the carrying amounts of the amounts due to associates of the Group and the Company approximate their respective fair value.

36. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

The directors consider that the carrying amounts of the amounts due from/to subsidiaries approximate their respective fair value.

37. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due to a minority shareholder is unsecured and interest free with no fixed repayment terms.

The directors consider that the carrying amount of the amount due to a minority shareholder approximates its fair value.

38. SHARE CAPITAL

	<i>Number of shares</i>		<i>Nominal value</i>	
	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>'000</i>	<i>'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	884,082	897,970	2,210,205	2,244,925
Issued during the year	14,955	595	37,388	1,488
Repurchased during the year	(1,067)	–	(2,668)	–
At end of the year	897,970	898,565	2,244,925	2,246,413

During the year, the Company issued a total of 595,000 (2005: 14,955,000) ordinary shares of HK\$2.50 each for a total cash consideration of HK\$10,175,000 (2005: HK\$127,441,000) 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.

During the year ended 30th June, 2005, the Company repurchased 1,067,000 ordinary shares of the Company on the Hong Kong Stock Exchange, all of which have been cancelled, as follows:

<i>Month</i>	<i>Number of ordinary shares repurchased</i>	<i>Purchase price per share</i>		<i>Total consideration paid (including transaction costs)</i>
		<i>Highest</i>	<i>Lowest</i>	
	<i>'000</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$'000</i>
2005				
January	717	19.10	17.75	13,209
February	250	19.60	19.55	4,903
March	100	17.95	17.95	1,800
	1,067			19,912

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 Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

38. SHARE CAPITAL (continued)

Share option schemes

(a) The Company

In 1994, the Company adopted a share option scheme ("HHL 1994 Scheme") which was effective for a period of 10 years. Pursuant to an ordinary resolution passed on 21st October, 2003, a new share option scheme ("HHL 2003 Scheme") was adopted with effect from 1st November, 2003 to replace the HHL 1994 Scheme. The principal purpose of these schemes are to provide incentives to directors and eligible employees. The Board is authorised under the share option scheme adopted 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 1994 Scheme and HHL 2003 Scheme, options granted must be taken up within 28 days and 14 days respectively 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 income statement when received.

Upon termination of the HHL 1994 Scheme on 1st November, 2003, no further options may be granted thereunder. However, all options granted under the HHL 1994 Scheme shall continue to be subject to the provisions of this scheme.

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, 2004	Number of shares under options granted			At 30th June, 2005		Closing prices at the date of exercise HK\$
			Movements during the year			Outstanding	Exercisable	
			Granted	Exercised	Cancelled/lapsed			
Directors								
<u>HHL 1994 Scheme</u>								
28th March, 2002	6.15	1,000,000	-	(1,000,000)	-	-	-	16.05
1st April, 2002	6.15	1,000,000	-	(1,000,000)	-	-	-	16.40, 17.15
3rd April, 2002	6.15	2,400,000	-	(2,400,000)	-	-	-	16.40, 17.15
9th September, 2003	9.55	8,000,000	-	(8,000,000)	-	-	-	16.40
<u>HHL 2003 Scheme</u>								
8th September, 2004	17.10	-	2,700,000	(755,000)	-	1,945,000	1,945,000	18.35, 18.45 18.15
		12,400,000	2,700,000	(13,155,000)	-	1,945,000	1,945,000	
Employees								
<u>HHL 1994 Scheme</u>								
2nd April, 2002	6.15	1,800,000	-	(1,800,000)	-	-	-	16.40, 17.15
		14,200,000	2,700,000	(14,955,000)	-	1,945,000	1,945,000	
Weighted average exercise price		HK\$8.07	HK\$17.10	HK\$8.52	N/A	HK\$17.10	HK\$17.10	

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

38. SHARE CAPITAL (continued)

Share option schemes (continued)

(a) The Company (continued)

Date of grant	Subscription price per share HK\$	Number of shares under options granted						Closing prices at the date of exercise HK\$
		Outstanding at 1st July, 2005	Movements during the year			At 30th June, 2006		
			Granted	Exercised	Cancelled/lapsed	Outstanding	Exercisable	
<i>Directors</i>								
<i>HHL 2003 Scheme</i>								
8th September, 2004	17.10	1,945,000	-	(595,000)	-	1,350,000	1,350,000	21.20, 20.00
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	

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

No. of share options	Vesting period	Exercisable period
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		

Save as disclosed above, no options were granted, exercised, cancelled or lapsed during either of the years presented.

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 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 model. The inputs into the model were as follows:

Weighted average share price (at grant date)	HK\$19.6
Exercise price	HK\$19.94
Expected volatility	23.3%
Expected life	3.4 years
Risk-free rate	3.66%
Expected dividend yield	4.1%

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, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK\$5,295,000 for the year (2005: Nil) in relation to share options granted by the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

38. SHARE CAPITAL (continued)

Share option schemes (continued)

(b) HHI

A share option scheme ("HHI Scheme") was adopted by HHI pursuant to the written resolutions of the 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 income statement when received.

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

Date of grant	Subscription price per share HK\$	Outstanding at 1st July, 2004	Movements during the year			At 30th June, 2005		Closing prices at the date of exercise HK\$
			Granted	Exercised	Cancelled/lapsed	Outstanding	Exercisable	
8th September, 2004	4.875	–	2,800,000	(400,000)	–	2,400,000	2,400,000	6.00
13th September, 2004	4.880	–	2,000,000	(2,000,000)	–	–	–	4.9, 5.15, 4.8
		–	4,800,000	(2,400,000)	–	2,400,000	2,400,000	
Weighted average exercise price		N/A	HK\$4.88	HK\$4.88	N/A	HK\$4.875	HK\$4.875	

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	

The options are exercisable within a period of three years from the dates of grant of the options.

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 are listed on the Hong Kong Stock Exchange.

During the year, 61,235,525 (2005: 5,392,715) HHI warrants carrying an aggregate subscription price of HK\$255,964,495 (2005: HK\$22,541,549) were exercised by the warrant holders resulting in the issuance of 61,235,525 (2005: 5,392,715) ordinary shares in HHI. A total of 20,315,350 HHI warrants remained outstanding at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

39. SHARE PREMIUM AND RESERVES

Attributable to equity holders of the Company

	Share premium	Capital redemption reserve	Capital reserve	Investment property revaluation reserve	Translation reserve	PRC statutory reserves	Investment revaluation reserve	Share option reserve	Dividend reserve	Retained profits	Total	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
At 1st July, 2004													
As originally stated	8,558,817	-	83,010	2,131,845	(5,682)	57,421	-	-	268,631	1,561,260	12,655,302	2,418,947	15,074,249
Effect of changes in accounting policies (note 3)	-	-	-	(2,131,845)	-	-	-	-	-	1,365,292	(766,553)	-	(766,553)
Transfer between categories	-	-	-	-	-	-	-	-	(268,631)	268,631	-	-	-
As restated	8,558,817	-	83,010	-	(5,682)	57,421	-	-	-	3,195,183	11,888,749	2,418,947	14,307,696
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	-	-	-	-	1,485	-	-	-	-	-	1,485	(1,668)	(183)
Share of reserves of jointly controlled entities and associates	-	-	-	-	(5,956)	-	-	-	-	-	(5,956)	-	(5,956)
Net expense recognised directly in equity	-	-	-	-	(4,471)	-	-	-	-	-	(4,471)	(1,668)	(6,139)
Realised on disposal of interest in jointly controlled entities	-	-	-	-	2,839	-	-	-	-	-	2,839	-	2,839
Profit for the year	-	-	-	-	-	-	-	-	-	1,907,333	1,907,333	336,802	2,244,135
Total recognised (expense) income for the year	-	-	-	-	(1,632)	-	-	-	-	1,907,333	1,905,701	335,134	2,240,835
Issue of shares	90,053	-	-	-	-	-	-	-	-	-	90,053	-	90,053
Shares issue expenses	(52)	-	-	-	-	-	-	-	-	-	(52)	-	(52)
Repurchase of shares	-	2,668	-	-	-	-	-	-	-	(19,912)	(17,244)	-	(17,244)
Proceeds from exercise of warrants issued by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	22,542	22,542
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	11,710	11,710
Dividends and distributions to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(319,731)	(319,731)
Transfers between reserves	-	-	-	-	-	6,321	-	-	-	(6,321)	-	-	-
Dividends paid (note 17)	-	-	-	-	-	-	-	-	-	(646,120)	(646,120)	-	(646,120)
At 30th June, 2005 (as restated)	8,648,818	2,668	83,010	-	(7,314)	63,742	-	-	-	4,430,163	13,221,087	2,468,602	15,689,689
Effect of changes in accounting policies (note 3)	-	-	-	-	-	-	-	-	-	61,617	61,617	20,788	82,405
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

39. SHARE PREMIUM AND RESERVES (continued)

Attributable to equity holders of the Company

	Share premium	Capital redemption reserve	Capital reserve	Investment property revaluation reserve	Translation reserve	PRC statutory reserves	Investment revaluation reserve	Share option reserve	Dividend reserve	Retained profits	Total	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
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)
Proceeds from exercise of warrants issued by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	255,964	255,964
Dividends and distributions 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	-	-	-	-	-	-	-	-	-	-	-	(38,650)	(38,650)
Transfers between reserves	-	-	-	-	-	7,213	-	-	-	(7,213)	-	-	-
Dividends paid (note 17)	-	-	-	-	-	-	-	-	-	(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 FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

39. SHARE PREMIUM AND RESERVES (continued)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
The Company							
At 1st July, 2004, as originally stated	8,558,817	–	9,872	–	268,631	1,706,033	10,543,353
Transfer between categories	–	–	–	–	(268,631)	268,631	–
At 1st July, 2004, as restated	8,558,817	–	9,872	–	–	1,974,664	10,543,353
Profit for the year and total income recognised for the year	–	–	–	–	–	1,418,790	1,418,790
Issue of shares	90,053	–	–	–	–	–	90,053
Shares issue expenses	(52)	–	–	–	–	–	(52)
Repurchase of shares	–	2,668	–	–	–	(19,912)	(17,244)
Dividends paid (note 17)	–	–	–	–	–	(646,120)	(646,120)
At 30th June, 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 17)	–	–	–	–	–	(664,901)	(664,901)
At 30th June, 2006	8,657,496	2,668	9,872	5,295	–	2,584,856	11,260,187

40. BANK BORROWINGS

	The Group	
	2005 HK\$'000	2006 HK\$'000
Unsecured bank loans repayable between two and five years	55,000	–

The bank borrowings, which carried interest at floating rates, were denominated in the functional currencies of the relevant group entity. The average effective borrowing rates range from 3.6% to 5.1% (2005: 0.7% to 3.9%) per annum.

41. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries, which are unsecured and interest free, have been reclassified as current.

42. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates, which are unsecured and interest free, have been reclassified as current.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

43. DEFERRED TAX LIABILITIES

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

	<i>Accelerated tax depreciation</i> HK\$'000	<i>Fair value adjustments on investment properties</i> HK\$'000	<i>Arising from business combinations</i> (Note) HK\$'000	<i>Tax losses</i> HK\$'000	<i>Others</i> HK\$'000	<i>Total</i> HK\$'000
At 1st July, 2004, before accounting for effects of changes in accounting policies	127,113	(58,376)	35,161	(57,257)	8,016	54,657
Effects of changes in accounting policies (note 3)	(11,924)	404,957	222,696	(146,602)	–	469,127
At 1st July, 2004, as restated	115,189	346,581	257,857	(203,859)	8,016	523,784
Charge (credit) to income statement	18,140	49,204	(775)	(8,961)	(901)	56,707
At 30th June, 2005, as restated	133,329	395,785	257,082	(212,820)	7,115	580,491
Charge (credit) to 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

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\$1,638 million (2005: HK\$1,633 million) for offset against future profits. A deferred tax asset of HK\$213 million (2005: HK\$213 million) in respect of tax losses has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$422 million (2005: HK\$417 million) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

At 30th June, 2005, the Group had deferred tax asset not recognised in respect of other deductible temporary differences amounted to HK\$206 million. Such deductible temporary differences have been utilised during the current year against the tax effect of the related profit recognised in the year.

44. DISPOSAL OF SUBSIDIARIES

	2005 HK\$'000	2006 HK\$'000
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 did not contribute significantly to the Group's cash flows, turnover or profit before taxation for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

45. PROJECT COMMITMENTS

(a) Expressway projects in the PRC

At 30th June, 2006, the Group had agreed, subject to approval of relevant authorities, to make capital contribution to the West Route JV for the development of the Phase II West and the Phase III West totalling RMB 1,428 million (2005: RMB 858 million for the Phase II West). As at that date, no contribution to the registered capital of the joint venture company had been made by the Group in this respect.

At 30th June, 2006, the Group's attributable share of the commitment of GS Superhighway JV and Ring Road JV in respect of the capital expenditure to be incurred for their toll roads, which was contracted for but not provided, amounted to approximately HK\$19 million (2005: HK\$4 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, which is at a preliminary planning stage, is subject to approval 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 RMB1,400 million. At the balance sheet date, the Group has funded the development of the power station project amounting to approximately HK\$92 million (2005: Nil).

(c) Property development

(i) Projects undertaken by the Group

	2005 HK\$'000	2006 HK\$'000
Authorised but not yet contracted for	193,166	495,772
Contracted for but not provided	161,428	128,118
	354,594	623,890

(ii) Project undertaken by a jointly controlled entity

	2005 HK\$'000	2006 HK\$'000
Group's share of property development expenditure		
Authorised but not yet contracted for	312,635	15,797
Contracted for but not provided	153,578	119,622
	466,213	135,419

(d) Property renovation

	2005 HK\$'000	2006 HK\$'000
Property renovation expenditure		
Authorised but not yet contracted for	–	429,489
Contracted for but not provided	40,539	34,258
	40,539	463,747

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

46. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year is approximately HK\$323 million (2005: HK\$283 million). At the balance sheet date, the investment properties of the Group with an aggregate carrying amount of approximately HK\$5,029 million (2005: HK\$4,022 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:

	2005 HK\$'000	<i>The Group</i> 2006 HK\$'000
Within one year	139,368	187,633
In the second to fifth years inclusive	117,398	252,224
After five years	–	10,590
	256,766	450,447

47. 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 financial statements in prior years. During the year, 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. 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.

(b) Guarantees

- (i) The bank loan facility of a jointly controlled entity of RMB736 million (2005: RMB736 million) utilised as at the balance sheet date is guaranteed by the Group.
- (ii) 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\$24 million (2005: Nil).
- (iii) The credit facilities of the Company’s subsidiaries to the aggregate extent of HK\$10,640 million (2005: HK\$5,579 million), of which HK\$12 million (2005: HK\$66 million) was utilised at the balance sheet date, are guaranteed by the Company.

48. 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. At the balance sheet date, there were no forfeited contributions available to reduce future obligations. The contributions made by the Group to the MPF Scheme for the year are HK\$7,884,000 (2005: HK\$6,486,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

49. RELATED PARTY TRANSACTIONS

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

- (a) During the year, the Group purchased a property from a company owned by a director of the Company for a consideration of HK\$45,000,000. The consideration was determined with reference to the market value of the property as valued by an independent property valuer.
- (b) The remuneration paid or payable to the Group's key management personnel, who are the directors of the Company, in respect of the year is disclosed in note 19. Such remuneration is determined by the remuneration committee having regard to the performance of individuals and market trends.

50. PRINCIPAL SUBSIDIARIES

The following list contains only the details of the subsidiaries 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\$100 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	–	71.4	Investment in super-highway 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
HITEC Management Limited (formerly known as Primory Company 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

50. 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 Guangzhou-Zhuhai Superhighway Development Limited (ii)	2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	–	73.24	Investment in super-highway 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
Hopewell Shunde Roads Limited (ii)	2 shares of HK\$1 each	–	100	Investment in highway system project
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 (formerly known as Hopewell 109 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 (formerly known as HH Secretarial Limited)	2 shares of HK\$1 each	–	100	Property management

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

50. 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>				
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
<i>Incorporated in Macau:</i>				
Slipform Engineering (Macau) Limited	500,000 shares of MOP 1 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
Goldvista Properties Limited (i)	1 share of US\$1 each	–	100	Property investment
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	–	73.24	Investment in highway system project
Kammer Investment Limited (i)	1 share of US\$1 each	100	–	Investment holding
H-Power Investor Limited	16 shares of US\$1 each	–	87.5	Investment in a power station project
Primax Investment Limited (i)	1 share of US\$1 each	100	–	Investment holding
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
Tubanan Power Limited (i)	100 shares of US\$1 each	–	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30th June, 2006

50. 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 the Cayman Islands:</i>				
Delta Roads Limited (i)	46,422 shares of HK\$10 each	–	100	Investment holding
Hopewell Highway Infrastructure Limited (v)	2,949,618,286 shares of HK\$0.1 each	0.01	73.23	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:

- (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 in 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 Companies Ordinance.

51. PRINCIPAL ASSOCIATES

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

Name of company	Proportion of nominal value of issued capital held by the Company		Principal activities
	%		
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 Companies Ordinance.

52. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 63 to 114 were approved and authorised for issue by the Board of Directors on 30th August, 2006.

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 – Shopping arcade & carparks	3 Tsuen Wah Street, Tsuen Wan, New Territories	Hotel operation Commercial and carparks		47,167 24,595*	100 100
			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
196-206 Queen's Road East	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 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 car parks – Nova City Phase I – Nova City Phase II & III (Phase II planned to be completed in 1st quarter of 2007) – Remaining Phases	Completed Phase II superstructure works in progress Phase III under planning Under planning stage	 29,547 29,269	 100,000 80,000 80,000 260,000 300,000	50*
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	79,000 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	27th February, 2006
Close of Register	17th March, 2006 to 22nd March, 2006 <i>(both days inclusive)</i>
Interim dividend paid <i>(HK36 cents per ordinary share)</i>	23rd March, 2006
Final results announcement	30th August, 2006
Close of Register	16th October, 2006 to 19th October, 2006 <i>(both days inclusive)</i>
Annual General Meeting	19th October, 2006
Proposed final dividend payable <i>(HK48 cents per ordinary share)</i>	on or about 20th October, 2006

財務日誌

公佈中期業績	二零零六年二月二十七日
暫停辦理股份過戶登記	二零零六年三月十七日至二零零六年三月二十二日 <i>(包括首尾兩天在內)</i>
派付中期股息 <i>(每普通股港幣36仙)</i>	二零零六年三月二十三日
公佈全年業績	二零零六年八月三十日
暫停辦理股份過戶登記	二零零六年十月十六日至二零零六年十月十九日 <i>(包括首尾兩天在內)</i>
股東週年大會	二零零六年十月十九日
派付建議末期股息 <i>(每普通股港幣48仙)</i>	約於二零零六年十月二十日



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