Notes to the Accounts

For the year ended 30 June 2007

1 General information

Henderson Investment Limited (the "Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries during the year were property leasing and development, investment holding, infrastructure, hotel operations and provision of security guard services. On 13 June 2007, the Company (i) disposed of its entire interests in certain subsidiaries and associates; and (ii) assigned the loans due to the Company by these entities, to Henderson Land Development Company Limited ("HLD"), the Company's intermediate holding company. Further details are set out in note 9. Subsequent to the disposal, the Group's principal activities are investment holding and infrastructure.

2 Significant accounting policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group and the Company. The adoption of these new developments, to the extent that they are relevant to the Group, did not have significant impact on the Group's results of operations and financial position for the current and prior accounting periods presented in these accounts.

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2007 and which have not been adopted in these accounts.

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it has concluded that the adoption of the following developments may result in new or amended disclosures in the accounts:

		Effective for accounting periods beginning on or after
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007
HKFRS 7	Financial instruments: disclosures	1 January 2007
HKFRS 8	Operating segments	1 January 2009

In respect of other amendments, new standards and new interpretations, the Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2 Significant accounting policies (continued)

(b) Basis of preparation of the accounts

The consolidated accounts for the year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The measurement basis used in the preparation of the accounts is the historical cost basis except that the following assets are stated at their fair values as explained in the accounting policies set out below:

— investment properties (see note 2(g)); and

— financial instruments classified as available-for-sale securities (see note 2(f)).

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell (see note 2(w)(i)).

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs and estimates that have significant effect on the accounts are discussed in note 3.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(n) and (o) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 Significant accounting policies (continued)

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the interests in associates recognised for the year (see notes 2(e) and (m)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 2(m)). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(m)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in the associates.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash-generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 Significant accounting policies (continued)

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity debt securities. Held-to-maturity debt securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(m)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised directly in equity, except for foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)(i)), and the same accounting policies are applied to that interest as are applied to other investment properties held under finance leases.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property following a change in its use, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as property revaluation reserve when it is a gain or in profit or loss when it is a loss. Upon the disposal of the item, the property revaluation reserve is transferred to retained profits.

2 Significant accounting policies (continued)

(h) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(m)):

— hotel properties;

— other buildings;

— bridges; and

— other items of plant and equipment.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold land	Over the unexpired terms of the leases
Buildings	Over the unexpired terms of the respective leases or 40 years whichever is shorter
Bridges	Over the operating periods
Others	2 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Toll highway operation rights

Toll highway operation rights are stated at cost less accumulated amortisation and impairment losses (see note 2(m)).

Amortisation is provided to write off the cost of toll highway operation rights using the straight-line method over the operating period of 25 years.

Toll highway operation rights are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of toll highway operation rights are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2 Significant accounting policies (continued)

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 2(g)).

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)).

(k) Inventories

Inventories are carried at the lower of their cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Completed properties for sale

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less costs to be incurred in selling the property.

(ii) Retail, catering stocks and trading goods

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(m)).

2 Significant accounting policies (continued)

(m) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale equity securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (other than properties carried at revalued amounts);

— toll highway operation rights;

— prepaid lease payments;

— investments in subsidiaries and associates (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)(i))); and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

2 Significant accounting policies (continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

2 Significant accounting policies (continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (continued)

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Toll fee income

Toll fee income is recognised when services are provided.

(iv) Hotel operation

Income from hotel operation is recognised when services are provided.

(v) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Sale of goods

Sale of goods from retail business is recognised when the customer has accepted the goods and the related risks and rewards of ownership.

(vii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit or a completion certificate by the relevant government authorities, whichever is the later.

2 Significant accounting policies (continued)

(u) Translation of foreign currencies

Items included in the accounts of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of an acquired foreign operation is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(w) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the accounts of the Group are concerned are deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the profit and loss account, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 Significant accounting policies (continued)

(x) Related parties

For the purposes of these accounts, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these accounts.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, and corporate and financing expenses.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

As described in note 16, investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers taking into consideration the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) Impairment of non-current assets

If circumstances indicate that the carrying amounts of property, plant and equipment and toll highway operation rights may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the net selling price and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(c) Impairment of trade receivable

If circumstances indicate that the carrying amount of trade receivable may not be recoverable, an impairment loss may be recognised. The carrying amount of trade receivable is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The Group estimates the future cash flows from the trade receivable with reference to the age of the trade receivable, debtors' credit-worthiness and repayment history.

4 Financial risk management

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables, other non-current assets and amounts due from affiliates. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Trade and other receivables comprise toll income receivable, rental receivable and other trade and other receivables. In respect of toll income receivable, the amount is collected on behalf by a relevant government body in Hangzhou in accordance with the terms of agreement entered into between the Group and the government body. In respect of rental income from leasing of properties, monthly rents are received in advance and sufficient rental deposits are held. In respect of other trade and other receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. Normally, the Group does not obtain collateral from customers. Regular review and follow-up actions are carried out on the overdue amounts. Ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise exposure to credit risk. Adequate impairment losses have been made for the estimated irrecoverable amounts.

In respect of the amounts due from affiliates, management monitors the recovery of the debts closely and ensure that adequate impairment losses have been made for the estimated irrecoverable amounts.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. The Group does not provide any other guarantees which expose the Group to credit risk.

4 Financial risk management (continued)

(b) Liquidity risk
The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk
The Group is exposed to interest rate risk primarily through its borrowings from banks (see note 27) and a fellow subsidiary (see note 29) which bear floating interest rates. The Group monitors closely its interest rate exposure and will consider hedging significant interest rate exposure should the need arise. During the year, the Group did not enter into any interest rate hedging instruments.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

	2007		
	Fixed/ floating	Effective interest rate	Within one year HK$ million
Deposits with banks	**Fixed**	**0.5%-4.37%**	**3,609.2**
Cash at bank	**Floating**	**0.72%-1.95%**	**76.8**
Bank loans and overdrafts	**Floating**	**6.33%-7.78%**	**28.9**
Amount due to a fellow subsidiary	**Floating**	**4.11%**	**1,653.2**

	2006		
	Fixed/ floating	Effective interest rate	Within one year HK$ million
Deposits with banks	Fixed	1.62%-5.28%	5,113.8
Cash at bank	Floating	0%-3.1%	39.2
Bank loans and overdrafts	Floating	5.02%-7.02%	283.3
Amount due to a fellow subsidiary	Floating	4.16%	120.2

(d) Foreign currency risk
The Group's primary foreign currency exposure arises from its operations in mainland China as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investment and related returns.

As a whole, the Group's core operations are not exposed to significant foreign exchange rate risk and the Group did not enter into any currency hedging instruments during the year.

(e) Fair values
Financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2006 and 2007.

(f) Estimation of fair values
Fair value of quoted investments is based on the bid prices at the balance sheet date without any deduction for transaction costs. For unquoted equity investments, the Group estimates the fair value by discounted cash flow technique. Estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the balance sheet date.

5 Turnover

Turnover of the Group mainly represents rental income, income from infrastructure business, income from hotel operation, provision of security guard services and information technology services, sales of properties and others. Turnover recognised during the year are analysed as follows:

	2007 HK$ million	2006 (re-stated) HK$ million
Continuing operations		
Toll fee income	188.7	136.4
Discontinued operations		
Rental income	370.1	613.8
Hotel operation	90.9	95.3
Security guard services	65.3	64.8
Sale of properties	38.3	3.6
Information technology services	2.7	56.8
Others	145.7	176.4
	713.0	1,010.7

6 Other income/other gains

	2007 HK$ million	2006 (re-stated) HK$ million
Continuing operations		
Exchange gain, net	—	0.5
Interest income	220.1	123.4
Sundry income	3.9	0.5
	224.0	124.4
Discontinued operations		
Compensation for early termination of tenancy agreements	0.5	0.4
Dividend income from listed investments	2.6	6.7
Interest income	1.2	0.8
Sponsorship fee	0.1	1.4
Sundry income	2.7	5.6
	7.1	14.9

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2007 HK$ million	2006 (re-stated) HK$ million
(a) Finance costs:		
Continuing operations		
Bank loans and overdrafts	**1.7**	9.0
Other borrowings wholly repayable within five years	**2.4**	0.9
	4.1	9.9
Discontinued operations		
Other borrowings wholly repayable within five years	**—**	0.1
(b) Staff costs (including directors' emoluments):		
Continuing operations		
Contributions to defined contribution retirement plans	**0.1**	0.1
Salaries, wages and other benefits	**11.7**	11.0
	11.8	11.1
Discontinued operations		
Contributions to defined contribution retirement plans	**4.2**	8.0
Salaries, wages and other benefits	**108.6**	183.4
	112.8	191.4
(c) Other items:		
Continuing operations		
Amortisation of toll highway operation rights	**10.1**	15.6
Depreciation	**21.6**	20.5
Auditor's remuneration		
— audit service	**1.8**	1.3
Impairment losses on available-for-sale securities	**13.5**	0.3
Operating lease charges: minimum leases payments		
— property rentals	**0.9**	0.7

7 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

	2007 HK$ million	2006 (re-stated) HK$ million
(c) Other items (continued):		
Discontinued operations		
Amortisation of prepaid lease payments	**1.2**	1.7
Depreciation	**12.5**	32.6
Auditor's remuneration		
— audit service	**2.1**	1.6
— non-audit service	**3.3**	0.1
Cost of sales		
— trading inventories	**45.3**	125.4
— completed properties for sale	**19.4**	2.8
Impairment losses on		
— debtors	**—**	1.3
— property, plant and equipment	**—**	4.5
Loss on disposal/write off of property, plant and equipment	**17.5**	7.8
Operating lease charges: minimum leases payments		
— property rentals	**4.8**	98.0
— telecommunications network facilities	**0.5**	2.7
Rental received and receivable from investment properties less direct outgoings of HK$84.6 million (2006: HK$109.9 million) *	**(183.3)**	(224.6)
Other rental income less direct outgoings *	**(84.5)**	(100.4)
Write back of allowance for completed properties for sale	**—**	(19.5)

* *Including contingent rental income of HK$3.3 million (2006: HK$103.8 million) from investment properties and other properties.*

8 Income tax

(a) Income tax in the consolidated profit and loss account represents:

	2007 HK$ million	2006 HK$ million
Current tax – Hong Kong Profits Tax		
Provision for the year	39.4	57.5
Under/(over) provision in respect of prior years	14.7	(17.5)
	54.1	40.0
Current tax – mainland China		
Provision for the year	20.8	12.1
Deferred taxation		
Origination and reversal of temporary differences	34.5	132.8
	109.4	184.9
Attributable to:		
— Continuing operations	36.0	12.4
— Discontinued operations	73.4	172.5
	109.4	184.9

Provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions. Certain subsidiaries of the Group operating in mainland China are eligible for certain tax holidays and concessions for the year.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China ("PRC") (the "new CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises will be subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The new CIT Law provides preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date the consolidated accounts are approved and authorised for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, to the carrying value of deferred tax liabilities as at 30 June 2007. The Group will continue to evaluate the impact when more detailed regulations are announced.

8 Income tax (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 HK$ million	2006 HK$ million
Profit before taxation from continuing and discontinued operations	**5,578.6**	3,880.0
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 17.5%	**976.3**	679.0
Tax effect of non-deductible expenses	**26.1**	30.9
Tax effect of non-taxable income	**(230.8)**	(47.7)
Tax effect of share of profits less losses of associates	**(670.9)**	(435.6)
Tax effect of current year's tax losses not recognised	**12.5**	14.4
Tax effect of prior year's tax losses utilised	**(13.9)**	(25.6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(5.6)**	(4.7)
Under/(over) provision in respect of prior years	**14.7**	(17.5)
Others	**1.0**	(8.3)
Income tax	**109.4**	184.9

9 Discontinued operations

(a) The Group's discontinued operations comprise the following:

(i) Pursuant to an agreement dated 27 March 2007 entered into between the Company and HLD, the Company (i) disposed of its entire interests in certain subsidiaries and associates (collectively referred to as "Sale Companies") and (ii) assigned the loans due to the Company by the Sale Companies, to HLD at a cash consideration totalling approximately HK$12,072.6 million (the "Sale"). Further details are set out in the Company's circular dated 20 April 2007. The Sale was completed on 13 June 2007 (the "Completion"), resulting in a gain on disposal of the Sale Companies of approximately HK$925.4 million.

Following the Completion and commencing from 14 June 2007, the Group ceased to be interested in the businesses of property leasing, hotel operation, security guard services and other businesses, as well as certain associates including Miramar Hotel and Investment Company, Limited and Hong Kong Ferry (Holdings) Company Limited.

(ii) On 2 December 2006, the Company entered into a sale and purchase agreement with Sunlight Real Estate Investment Trust ("Sunlight REIT") for the sale to Sunlight REIT of the shares of a subsidiary of the Company which was engaged in property investment and the shareholders' loan owing by the subsidiary to the Company. The aggregate cash consideration is approximately HK$38.8 million, resulting in a gain on disposal to the Group of approximately HK$4.6 million.

9 Discontinued operations (continued)

(b) The results of the discontinued operations for the years ended 30 June 2006 and 2007 are as follows:

	Note	2007 HK$ million	2006 HK$ million
Turnover	5	713.0	1,010.7
Direct costs		(373.8)	(454.8)
		339.2	555.9
Other income/other gains	6	7.1	14.9
Selling and distribution costs		(23.6)	(61.2)
Administrative expenses		(53.3)	(143.8)
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries *(see note below)*		—	(161.8)
Profit from operations before changes in fair value of investment properties		269.4	204.0
Increase in fair value of investment properties	16	219.5	1,014.9
Profit from operations after changes in fair value of investment properties		488.9	1,218.9
Finance costs	7(a)	—	(0.1)
Share of profits less losses of associates		429.7	690.2
Profit before taxation		918.6	1,909.0
Income tax	8(a)	(73.4)	(172.5)
Profit for the year		845.2	1,736.5
Net gain on disposal of Sale Companies and a subsidiary		930.0	—
		1,775.2	1,736.5

Note: On 8 December 2005, a non wholly-owned subsidiary, Henderson Cyber Limited ("HCL") was privatised jointly by the Company and The Hong Kong and China Gas Company Limited, an associate of the Group. Upon the privatisation, there was an excess of the Company's total cost of acquisition over its interest in the net assets of HCL and goodwill of approximately HK$161.8 million arose. By reference to the cash flow forecast of HCL, the directors were of the opinion that the goodwill arising from the privatisation was impaired and a full provision for impairment loss was made at 30 June 2006.

9 Discontinued operations (continued)

(c) The net cash flows of the discontinued operations for the years ended 30 June 2006 and 2007 are as follows:

	2007 HK$ million	2006 HK$ million
Net cash inflow from operating activities	217.3	150.3
Net cash inflow from investing activities	78.9	145.8
Net cash outflow from financing activities	(289.1)	(293.5)
Net cash inflow attributable to the discontinued operations	7.1	2.6

10 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2007				
	Fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Retirement scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive Directors					
Dr. the Hon. Lee Shau Kee	20	8,404	—	—	8,424
Lee Ka Kit	20	—	—	—	20
Colin Lam Ko Yin	20	—	—	—	20
Lee Ka Shing	20	—	—	—	20
Lee Tat Man	20	—	—	—	20
Suen Kwok Lam	20	—	—	—	20
Lee King Yue	20	—	—	—	20
Eddie Lau Yum Chuen	20	—	—	—	20
Li Ning	20	—	—	—	20
Patrick Kwok Ping Ho	20	—	—	—	20
Lau Chi Keung *	20	—	—	—	20
Augustine Wong Ho Ming	20	—	—	—	20
Sit Pak Wing	20	—	—	—	20
Non-executive Directors					
Sir Po-shing Woo	20	—	—	—	20
Philip Yuen Pak Yiu	20	—	—	—	20
Leung Hay Man	20	180	—	—	200
Jackson Woo Ka Biu	—	—	—	—	—
Independent non-executive Directors					
Gordon Kwong Che Keung	20	180	—	—	200
Professor Ko Ping Keung	20	180	—	—	200
Wu King Cheong	20	180	—	—	200
	380	9,124	—	—	9,504

* *resigned upon retirement on 30 June 2007.*

10 Directors' remuneration (continued)

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows: (continued)

	2006				
	Fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Retirement scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive Directors					
Dr. the Hon. Lee Shau Kee	60	6,291	—	—	6,351
Lee Ka Kit	60	—	—	—	60
Colin Lam Ko Yin	60	—	—	—	60
Lee Ka Shing	60	—	—	—	60
Lee Tat Man	20	—	—	—	20
Ho Wing Fun *	20	—	—	—	20
Suen Kwok Lam	20	—	—	—	20
Lee King Yue	20	—	—	—	20
Eddie Lau Yum Chuen	20	—	—	—	20
Li Ning	20	—	—	—	20
Patrick Kwok Ping Ho	20	—	—	—	20
Lau Chi Keung	20	—	—	—	20
Augustine Wong Ho Ming	20	—	—	—	20
Sit Pak Wing	20	—	—	—	20
Non-executive Directors					
Sir Po-shing Woo	20	—	—	—	20
Philip Yuen Pak Yiu	20	—	—	—	20
Leung Hay Man	20	180	—	—	200
Jackson Woo Ka Biu	—	—	—	—	—
Independent non-executive Directors					
Gordon Kwong Che Keung	20	180	—	—	200
Professor Ko Ping Keung	55	320	—	—	375
Wu King Cheong	20	180	—	—	200
	595	7,151	—	—	7,746

* *resigned upon retirement on 1 July 2006.*

There was no arrangement under which a director has waived or agreed to waive any emoluments during the year.

Certain of the directors received remunerations from the Company's intermediate holding company for services provided to the Group. No apportionment has been made as the directors are of the opinion that it is impracticable to apportion the amounts between their services to the Company's intermediate holding company and its subsidiaries.

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them is a director. Their emoluments are analysed as follows:

	2007 HK$ million	2006 HK$ million
Salaries, emoluments, other allowances and benefits	**5.3**	5.2
Retirement scheme contributions	**0.1**	0.1
Discretionary bonus	**0.3**	0.6
	5.7	5.9

Their emoluments are within the following bands:

	Number of individuals	
	2007	2006
HK$Nil-HK$1,000,000	**4**	3
HK$1,000,001-HK$1,500,000	**—**	1
HK$2,000,001-HK$2,500,000	**1**	1
	5	5

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$7,762.7 million (2006: HK$1,146.6 million) which has been dealt with in the accounts of the Company.

13 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2007 HK$ million	2006 HK$ million
Interim dividend declared of HK13 cents (2006: HK13 cents) per share	**396.2**	396.2
Cash distribution of HK$5 (2006: HK$Nil) per share	**15,236.6**	—
Final dividend proposed after the balance sheet date of HK15 cents (2006: HK15 cents) per share	**457.1**	457.1
	16,089.9	853.3

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 14 May 2007 and upon the fulfilment of the conditions attached to the special resolution, a cash distribution of HK$5 per share, amounting to HK$15,236.6 million, was made on 13 June 2007 to the then shareholders of the Company.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

13 Dividends (continued)

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007 HK$ million	2006 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year, of HK15 cents (2006: HK15 cents) per share	**457.1**	422.6

14 Earnings per share

(a) Earnings per share – basic and diluted

(i) From continuing operations

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$3,626.3 million (2006 (restated): HK$1,928.0 million) and the weighted average number of ordinary shares of 3,047,327,395 (2006: 2,858,916,436) in issue during the year.

(ii) From discontinued operations

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$1,764.8 million (2006 (restated): HK$1,739.2 million) and the weighted average number of ordinary shares of 3,047,327,395 (2006: 2,858,916,436) in issue during the year.

(b) Adjusted earnings per share

The calculation of adjusted earnings per share (excluding fair value gain of investment properties net of deferred taxation) is based on the profit attributable to equity shareholders of the Company, as adjusted below, and the weighted average number of ordinary shares of 3,047,327,395 (2006: 2,858,916,436) in issue during the year:

	2007 HK$ million	2006 HK$ million
Profit attributable to equity shareholders of the Company	**5,391.1**	3,667.2
Effect of changes in fair value of investment properties	**(219.5)**	(1,014.9)
Effect of deferred taxation on changes in fair value of investment properties	**38.4**	153.1
Effect of share of changes in fair value of investment properties (net of deferred taxation) of associates	**(518.4)**	(739.3)
Adjusted earnings	**4,691.6**	2,066.1
Attributable to:		
Continuing operations	**3,313.2**	1,599.2
Discontinued operations	**1,378.4**	466.9
Adjusted earnings	**4,691.6**	2,066.1
	HK$	HK$
Adjusted earnings per share:		
From continuing operations	**1.09**	0.56
From discontinued operations	**0.45**	0.16
	1.54	0.72

15 Segmental information

Segmental information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments
The Group comprises the following main business segments:

Continuing operations
Infrastructure — investment in infrastructure projects

Discontinued operations
Property leasing — property rental
Hotel operation — hotel operations and management
Security guard services — provision of security guard services
Others — miscellaneous business operations

2007

	Continuing operations	Discontinued operations					
	Infrastructure HK$ million	Property leasing HK$ million	Hotel operation HK$ million	Security guard services HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Income and results							
Turnover	188.7	370.1	90.9	65.3	186.7	—	901.7
Other income	3.9	2.1	0.2	—	1.0	—	7.2
External income	192.6	372.2	91.1	65.3	187.7	—	908.9
Inter-segment income	—	0.1	—	0.8	3.8	(4.7)	—
Total income	192.6	372.3	91.1	66.1	191.5	(4.7)	908.9
Segment results	130.7	240.7	29.4	1.4	5.2		407.4
Interest income							221.3
Dividend income from listed investments							2.6
Profit for the year of disposal group							11.3
Increase in fair value of investment properties							219.5
Gain on disposal of Sale Companies and a subsidiary							930.0
Unallocated expenses, net							(43.3)
Finance costs							(4.1)
Share of profits less losses of associates							3,833.9
Profit before taxation							5,578.6
Income tax							(109.4)
Profit for the year							5,469.2

15 Segmental information (continued)

Business segments (continued)

2007

	Continuing operations	Discontinued operations				
	Infrastructure HK$ million	Property leasing HK$ million	Hotel operation HK$ million	Security guard services HK$ million	Others HK$ million	Consolidated HK$ million
Other information						
Capital expenditure incurred during the year	**174.2**	**92.7**	**—**	**0.2**	**1.1**	**268.2**
Amortisation and depreciation	**31.7**	**—**	**8.8**	**0.5**	**4.4**	**45.4**
Loss on disposal/write off of property, plant and equipment	**—**	**—**	**—**	**—**	**17.5**	**17.5**

No business segment analysis in respect of assets and liabilities at 30 June 2007 is presented as there was only infrastructure business segment at 30 June 2007.

2006

	Continuing operations	Discontinued operations					
	Infrastructure HK$ million	Property leasing HK$ million	Hotel operation HK$ million	Security guard services HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Income and results							
Turnover	136.4	613.8	95.3	64.8	236.8	—	1,147.1
Other income	1.0	3.8	0.2	—	3.4	—	8.4
External income	137.4	617.6	95.5	64.8	240.2	—	1,155.5
Inter-segment income	—	19.8	—	0.5	6.1	(26.4)	—
Total income	137.4	637.4	95.5	65.3	246.3	(26.4)	1,155.5
Segment results	81.8	329.4	35.6	2.3	(173.2)		275.9
Interest income							124.2
Dividend income from listed securities							6.7
Profit for the year of disposal group							11.2
Increase in fair value of investment properties							1,014.9
Unallocated expenses, net							(32.0)
Finance costs							(10.0)
Share of profits less losses of associates							2,489.1
Profit before taxation							3,880.0
Income tax							(184.9)
Profit for the year							3,695.1

15 Segmental information (continued)

Business segments (continued)

2006

	Continuing operations	Discontinued operations				
	Infrastructure HK$ million	Property leasing HK$ million	Hotel operation HK$ million	Security guard services HK$ million	Others HK$ million	Consolidated HK$ million
Balance sheet						
Segment assets	1,214.5	6,316.7	276.4	21.5	430.0	8,259.1
Interests in associates						16,243.0
Amounts due from associates						46.1
Unallocated assets						5,328.7
Total consolidated assets						29,876.9
Segment liabilities	270.5	87.0	23.0	5.5	118.7	504.7
Amounts due to associates						0.8
Unallocated liabilities						1,091.3
Total consolidated liabilities						1,596.8
Other information						
Capital expenditure incurred during the year	11.1	—	0.8	0.6	15.9	28.4
Amortisation and depreciation	36.1	—	9.6	0.6	24.1	70.4
Impairment loss on:						
— debtors	—	0.4	0.6	—	0.3	1.3
— property, plant and equipment	—	—	—	—	4.5	4.5
— goodwill arising from acquisition of additional interests in subsidiaries	—	—	—	—	161.8	161.8
Loss on disposal of property, plant and equipment	—	—	—	—	7.8	7.8

15 Segmental information (continued)

Geographical segments

The Group's business is carried out in Hong Kong except for infrastructure business which is in mainland China. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Total consolidated assets and capital expenditure are based on geographical location of the assets.

	Hong Kong		Mainland China		Consolidated	
	2007 HK$ million	2006 HK$ million	2007 HK$ million	2006 HK$ million	2007 HK$ million	2006 HK$ million
Turnover	**713.0**	1,010.7	**188.7**	136.4	**901.7**	1,147.1
Other income	**3.3**	7.4	**3.9**	1.0	**7.2**	8.4
External income	**716.3**	1,018.1	**192.6**	137.4	**908.9**	1,155.5
Attributable to:						
— Continuing operations	**—**	—	**192.6**	137.4	**192.6**	137.4
— Discontinued operations	**716.3**	1,018.1	**—**	—	**716.3**	1,018.1
	716.3	1,018.1	**192.6**	137.4	**908.9**	1,155.5
Total consolidated assets	**18,148.1**	28,536.6	**1,715.3**	1,340.3	**19,863.4**	29,876.9
Capital expenditure incurred during the year	**94.0**	17.3	**174.2**	11.1	**268.2**	28.4

16 Investment properties

	The Group	
	2007	2006
	HK$ million	HK$ million
Valuation		
At 1 July	**6,058.0**	5,000.7
Additions	**92.7**	—
Increase in fair value for the year *(note 9(b))*	**219.5**	1,014.9
Transfer from prepaid lease payments	—	16.0
Transfer from property, plant and equipment	—	26.4
Disposal of subsidiaries *(note 34)*	**(6,370.2)**	—
At 30 June	—	6,058.0

(a) The analysis of net book value of investment properties, which are all situated in Hong Kong, is as follows:

	The Group	
	2007	2006
	HK$ million	HK$ million
Long leases	—	1,615.9
Medium-term leases	—	4,442.1
	—	6,058.0

(b) The Group's investment properties were revalued as at 30 June 2006 and 31 December 2006 by an independent firm of professional surveyors, DTZ Debenham Tie Leung Limited, who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential.

All properties held under operating leases that would otherwise meet the definition of investment property were classified as investment properties.

(c) At 30 June 2006, investment properties in Hong Kong with a total carrying value of HK$543.6 million were co-owned with certain fellow subsidiaries. The carrying values represented the Group's interests in the relevant properties.

17 Property, plant and equipment

(a) The Group

	Hotel properties HK$ million	Other buildings HK$ million	Bridges HK$ million	Leasehold improvements, equipment, furniture, fixtures and motor vehicles HK$ million	Total HK$ million
Cost					
At 1 July 2005	297.5	25.0	549.3	285.8	1,157.6
Additions	—	—	10.5	17.9	28.4
Surplus on revaluation	—	18.4	—	—	18.4
Reclassified to investment properties	—	(30.1)	—	—	(30.1)
Transfer to assets classified as held for sale	—	(3.8)	—	(2.0)	(5.8)
Disposals	—	—	—	(52.7)	(52.7)
At 30 June 2006 and 1 July 2006	297.5	9.5	559.8	249.0	1,115.8
Exchange adjustment	—	—	59.1	1.2	60.3
Additions	—	—	173.1	2.4	175.5
Write off of property, plant and equipment	—	—	—	(75.6)	(75.6)
Disposals					
— through disposal of subsidiaries	(297.5)	(9.5)	—	(108.6)	(415.6)
— others	—	—	—	(20.9)	(20.9)
At 30 June 2007	—	—	792.0	47.5	839.5
Accumulated depreciation and impairment loss					
At 1 July 2005	89.2	8.8	142.5	231.4	471.9
Charge for the year	7.4	0.5	19.0	26.2	53.1
Reclassified to investment properties	—	(3.7)	—	—	(3.7)
Impairment loss	—	—	—	4.5	4.5
Write back on disposal	—	—	—	(44.7)	(44.7)
Elimination upon transfer to assets classified as held for sale	—	(1.3)	—	(1.7)	(3.0)
At 30 June 2006 and 1 July 2006	96.6	4.3	161.5	215.7	478.1
Exchange adjustment	—	—	17.6	1.0	18.6
Charge for the year	7.1	0.1	20.4	6.5	34.1
Write off of property, plant and equipment	—	—	—	(58.2)	(58.2)
Write back on disposal					
— through disposal of subsidiaries	(103.7)	(4.4)	—	(101.2)	(209.3)
— others	—	—	—	(20.4)	(20.4)
At 30 June 2007	—	—	199.5	43.4	242.9
Net book value					
At 30 June 2007	—	—	592.5	4.1	596.6
At 30 June 2006	200.9	5.2	398.3	33.3	637.7

17 Property, plant and equipment (continued)

(b) The analysis of net book value of the Group's properties is as follows:

	Hotel properties		Other buildings		Bridges	
	2007 HK$ million	2006 HK$ million	2007 HK$ million	2006 HK$ million	2007 HK$ million	2006 HK$ million
In Hong Kong						
— Long leases	—	73.1	—	—	—	—
— Medium-term leases	—	127.8	—	4.9	—	—
Outside Hong Kong						
— Long leases	—	—	—	0.3	—	—
— Medium-term leases	—	—	—	—	592.5	398.3
	—	200.9	—	5.2	592.5	398.3

18 Prepaid lease payments

	The Group	
	2007 HK$ million	2006 HK$ million
Leasehold land in Hong Kong:		
— Long leases	—	16.5
— Medium-term leases	—	48.1
	—	64.6
Classified as:		
— Non-current assets	—	63.3
— Current assets (included in "Trade and other receivables")	—	1.3
	—	64.6

19 Toll highway operation rights

	The Group	
	2007 HK$ million	2006 HK$ million
Cost		
At 1 July	**231.8**	789.5
Exchange adjustment	**24.4**	—
Transfer to assets classified as held for sale	**—**	(557.7)
At 30 June	**256.2**	231.8
Accumulated amortisation		
At 1 July	**60.7**	228.0
Exchange adjustment	**6.5**	—
Amortisation for the year *(note 7(c))*	**10.1**	15.6
Elimination upon transfer to assets classified as held for sale	**—**	(182.9)
At 30 June	**77.3**	60.7
Carrying amount		
At 30 June	**178.9**	171.1

On 16 December 1999, the Group was granted the operation rights of Maanshan Huan Tong Highway (the "Highway") by the People's Government of Anhui Province（安徽省人民政府）for a period of 25 years. During the 25-year toll highway concession period, the Group has the rights of management of the Highway and the toll-collection rights thereof. The Group is required to maintain and operate the Highway in accordance with the regulations promulgated by the relevant government authority.

At 30 June 2006 and 2007, the toll highway operation rights are pledged to secure the Group's certain bank loans (see note 27).

The amortisation charge for the year is included in "direct costs" in the consolidated profit and loss account.

20 Investments in subsidiaries

	The Company	
	2007 HK$ million	2006 HK$ million
Unlisted shares, at cost	**1,555.7**	2,158.0

As detailed in note 9, the Group disposed of its entire interests in certain subsidiaries during the year. Details of the principal subsidiaries at 30 June 2007 are set out on pages 91 to 92.

21 Interests in associates

	The Group		The Company	
	2007	2006	2007	2006
	HK$ million	HK$ million	HK$ million	HK$ million
Unlisted				
Shares, at cost	—	—	—	164.2
Share of net assets	—	563.8	—	—
	—	563.8	—	164.2
Listed in Hong Kong				
Investments in associates, including goodwill	**14,443.7**	15,679.2	—	—
	14,443.7	16,243.0	—	164.2
Market value of listed associates	**38,493.6**	39,760.4	—	—

As detailed in note 9, the Group disposed of its entire interests in certain associates during the year. Set out below are the particulars of the associate at 30 June 2007 which, in the opinion of the directors, principally affected the results and assets of the Group for the year. The associate is incorporated and listed in Hong Kong.

	Percentage of issued ordinary shares held by the Group	Principal activity
The Hong Kong and China Gas Company Limited ("HKCG")	38.55	Production, distribution and marketing of gas and related activities in Hong Kong and gas, water and related activities in mainland China

Summary financial information on associates:

	Assets	Liabilities	Equity	Revenues	Profit
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
2007	**39,488.8**	**(13,763.7)**	**25,725.1**	**13,810.6**	**8,823.0**
2006	45,125.9	(15,773.1)	29,352.8	12,276.8	6,393.6

The above summary financial information on associates presented the results, assets and liabilities of the associates in which the Group were interested at the respective balance sheet dates.

The profit of the associates for the year ended 30 June 2007 includes a gain of HK$2,235.7 million from HKCG's disposal of interests in ten piped city-gas joint ventures to Towngas China Company Limited, formerly known as Panva Gas Holdings Limited.

22 Other non-current assets

	The Group	
	2007	2006
	HK$ million	HK$ million
Held-to-maturity debt securities		
Listed outside Hong Kong	—	11.5
Available-for-sale securities		
Listed in Hong Kong	—	255.1
Unlisted	8.6	29.4
	8.6	284.5
Non-current receivable	110.0	116.7
	118.6	412.7
Market value of listed securities	—	266.2

Available-for-sale securities

Available-for-sale securities are stated at their fair values, except for unlisted equity securities with carrying amount of HK$8.6 million (2006: HK$29.4 million) which are stated at cost less impairment losses as their fair values cannot be measured reliably.

Non-current receivable

Non-current receivable represents the non-current portion of the balance of consideration receivable (stated at present value) in relation to the disposal of the Group's toll collection rights of certain toll bridges during the year ended 30 June 2004. At 30 June 2007, the total balance of the consideration receivable is RMB133.6 million (equivalent to HK$137.7 million) (2006: RMB150.6 million, equivalent to HK$140.4 million) which will be settled by instalments of RMB28.1 million (equivalent to HK$29.0 million) per annum for the period from 1 June 2003 to 27 October 2010 and RMB16.0 million (equivalent to HK$16.5 million) per annum for the period from 28 October 2010 to 20 July 2015. At 30 June 2007, the current portion of HK$27.7 million (2006: HK$23.7 million) is included in "Trade and other receivables" (note 24).

23 Inventories

	The Group	
	2007	2006
	HK$ million	HK$ million
Goods for retail, catering stocks and trading goods	—	33.3
Completed properties for sale	—	276.2
	—	309.5

24 Trade and other receivables

	The Group		The Company	
	2007	2006	2007	2006
	HK$ million	HK$ million	HK$ million	HK$ million
Trade debtors	277.9	173.0	—	—
Deposits, prepayments and other receivables	48.1	83.7	1.5	9.7
Consideration receivable *(note 22)*	27.7	23.7	—	—
	353.7	280.4	1.5	9.7

The ageing analysis of trade debtors (net of impairment loss for bad and doubtful debts) of the Group as at the balance sheet date is as follows:

	2007	2006
	HK$ million	HK$ million
Current or less than 1 month overdue	16.9	31.2
1 to 3 months overdue	34.7	35.3
More than 3 months overdue but less than 6 months overdue	45.4	17.0
More than 6 months overdue	180.9	89.5
	277.9	173.0

25 Amounts due from affiliates

	The Group		The Company	
	2007	2006	2007	2006
	HK$ million	HK$ million	HK$ million	HK$ million
Amounts due from subsidiaries	—	—	7,102.9	13,835.5
Amounts due from associates	2.0	46.1	—	46.0
Amounts due from investee companies	4.5	5.5	—	—
Amounts due from minority shareholders	61.5	90.8	—	—
	68.0	142.4	7,102.9	13,881.5

Amounts due from affiliates are unsecured, interest-free and repayable on demand.

26 Cash and cash equivalents

	The Group		The Company	
	2007 HK$ million	2006 HK$ million	2007 HK$ million	2006 HK$ million
Deposits with banks	**3,609.2**	5,113.8	**150.8**	—
Cash at bank and in hand	**74.9**	43.0	**13.1**	0.3
Cash and cash equivalents in the balance sheet	**3,684.1**	5,156.8	**163.9**	0.3
Cash and cash equivalents classified as assets held for sale *(note 31)*	**2.0**	0.5		
Bank overdrafts *(note 27)*	**—**	(30.3)		
Cash and cash equivalents in the consolidated cash flow statement	**3,686.1**	5,127.0		

Included in cash and cash equivalents in the balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007 million	2006 million	2007 million	2006 million
United States Dollars ("USD")	**USD0.1**	USD146.3	**—**	—
Japanese Yen ("JPY")	**JPY172.7**	—	**—**	—

Of the cash and bank balances at 30 June 2007 and of the cash and bank balances and pledged bank deposits at 30 June 2006, a total sum being the equivalent of HK$75.6 million (2006: HK$125.7 million) was maintained in mainland China and is subject to exchange control regulations.

27 Bank loans and overdrafts

At 30 June 2007, bank loans and overdrafts of the Group were repayable as follows:

	2007 HK$ million	2006 HK$ million
Within 1 year and included in current liabilities	**22.7**	87.8
After 1 year and included in non-current liabilities		
— After 1 year but within 2 years	**—**	20.6
— After 2 years but within 5 years	**6.2**	5.5
	6.2	26.1
	28.9	113.9

27 Bank loans and overdrafts (continued)

At 30 June 2007, the Group had the following secured and unsecured bank loans and overdrafts:

	2007 HK$ million	2006 HK$ million
Unsecured bank overdrafts	—	30.3
Bank loans		
— Secured	28.9	55.6
— Unsecured	—	28.0
	28.9	83.6
	28.9	113.9

At 30 June 2007, certain of the Group's bank loans were secured by the Group's toll highway operation rights (see note 19) (2006: the Group's toll highway operation rights and pledged bank deposits of HK$20.2 million).

28 Trade and other payables

	The Group		The Company	
	2007 HK$ million	2006 HK$ million	2007 HK$ million	2006 HK$ million
Trade creditors	37.2	154.4	—	—
Rental deposits and other payables	148.8	126.6	19.7	5.5
	186.0	281.0	19.7	5.5

The ageing analysis of trade creditors of the Group as at the balance sheet date is as follows:

	2007 HK$ million	2006 HK$ million
Due within 1 month or on demand	4.9	103.0
Due after 1 month but within 3 months	20.0	39.2
Due after 3 months but within 6 months	10.3	2.8
Due after 6 months	2.0	9.4
	37.2	154.4

29 Amounts due to affiliates

	The Group		The Company	
	2007 HK$ million	2006 HK$ million	2007 HK$ million	2006 HK$ million
Amounts due to subsidiaries	—	—	1,151.9	228.6
Amount due to a fellow subsidiary	1,653.2	—	—	—
Amounts due to associates	—	0.8	—	—
Amounts due to minority shareholders	148.3	65.1	—	—
Amounts due to affiliates classified as current liabilities	1,801.5	65.9	1,151.9	228.6
Amount due to a fellow subsidiary classified as non-current liability	—	120.2	—	—
	1,801.5	186.1	1,151.9	228.6

Amounts due to affiliates are unsecured, interest-free and repayable on demand except for the amount due to a fellow subsidiary of HK$1,653.2 million (2006: HK$120.2 million) which bears interest by reference to Hong Kong Interbank Offered Rate.

30 Deferred taxation

(a) The Group

The components of deferred tax liabilities/(assets) of the Group recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred taxation arising from:	Depreciation allowances in excess of related depreciation HK$ million	Consideration receivable on disposal of toll collection right of toll bridges HK$ million	Revaluation of investment properties HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
At 1 July 2005	25.3	14.6	525.6	(12.7)	1.9	554.7
Charged to property revaluation reserve	—	—	3.2	—	—	3.2
(Credited)/charged to profit and loss account	(3.9)	(0.7)	153.1	(16.8)	1.1	132.8
At 30 June 2006	21.4	13.9	681.9	(29.5)	3.0	690.7
At 1 July 2006	21.4	13.9	681.9	(29.5)	3.0	690.7
Exchange adjustment	—	1.4	—	—	—	1.4
Charged/(credited) to profit and loss account	3.4	(1.1)	39.7	(7.5)	—	34.5
Disposal of subsidiaries	(24.8)	—	(721.6)	37.0	(3.0)	(712.4)
At 30 June 2007	—	14.2	—	—	—	14.2

30 Deferred taxation (continued)

(a) The Group (continued)

	2007 HK$ million	2006 HK$ million
Net deferred tax asset recognised in the balance sheet	—	(3.2)
Net deferred tax liability recognised in the balance sheet	**14.2**	693.9
	14.2	690.7

(b) The Company

No deferred taxation has been recognised as the Company did not have significant temporary differences as at 30 June 2006 and 2007.

31 Disposal group

On 29 March 2006, the Group entered into a sale and purchase agreement with Fenghua Transportation Investment Co., Ltd. 奉化市交通投資公司, a minority shareholder of Ningbo Subsidiaries (as defined below), to dispose of its entire interests in Ningbo Nickwell Highway Development Company Limited, Ningbo Wise Link Highway Development Company Limited and Ningbo Rayter Highway Development Company Limited (collectively referred to as the "Ningbo Subsidiaries") at a consideration of RMB70 million (approximately HK$72.2 million). As of the date of authorisation for the issuance of these accounts, the transaction has yet to be completed, pending the settlement of the entire consideration which is expected to take place by 31 December 2007.

The results of the Ningbo Subsidiaries for the year since it was classified as a disposal group are as follows:

	2007 HK$ million	2006 HK$ million
Revenue	**17.8**	15.6
Expenses	**(6.5)**	(4.4)
Profit for the year of disposal group	**11.3**	11.2

The assets and liabilities of the Ningbo Subsidiaries were classified as a disposal group held for sale as at 30 June 2006 and 2007. The major classes of assets and liabilities of the disposal group are as follows:

	2007 HK$ million	2006 HK$ million
Assets		
Property, plant and equipment	**3.2**	2.8
Toll highway operation rights	**414.4**	374.8
Debtors, deposits and prepayments	**0.2**	0.5
Bank balances and cash *(note 26)*	**2.0**	0.5
Assets classified as held for sale	**419.8**	378.6
Liabilities		
Accrued expenses	**0.5**	1.3
Bank loans, secured	—	169.4
Amount due to a minority shareholder *(note)*	**254.9**	69.6
Liabilities associated with assets classified as held for sale	**255.4**	240.3
Net assets classified as held for sale	**164.4**	138.3

Note: The amount is unsecured, interest free and has no fixed terms of repayment.

32 Employee retirement benefits

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Schemes Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. No forfeited contribution was utilised during the year (2006: HK$0.1 million). There was no such balance at 30 June 2007 and 30 June 2006.

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. No forfeited contributions were utilised during the year (2006: HK$Nil).

33 Capital and reserves

(a) The Group

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Property revaluation reserve	Capital reserve	Fair value reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 July 2005	563.5	6,158.6	—	12.9	—	—	14,900.4	21,635.4	744.8	22,380.2
Final dividend approved in respect of the previous financial year *(note 13(b))*	—	—	—	—	—	—	(422.6)	(422.6)	—	(422.6)
Issue of shares, net of expenses	46.0	3,057.1	—	—	—	—	—	3,103.1	—	3,103.1
Revaluation surplus, net of deferred taxation	—	—	12.0	—	—	—	—	12.0	3.2	15.2
Changes in fair value of available-for-sale securities	—	—	—	—	53.7	—	—	53.7	—	53.7
Increase in interests in subsidiaries	—	—	—	—	—	—	—	—	(90.7)	(90.7)
Profit for the year	—	—	—	—	—	—	3,667.2	3,667.2	27.9	3,695.1
Interim dividend declared in respect of the current financial year *(note 13(a))*	—	—	—	—	—	—	(396.2)	(396.2)	—	(396.2)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(57.7)	(57.7)
At 30 June 2006	609.5	9,215.7	12.0	12.9	53.7	—	17,748.8	27,652.6	627.5	28,280.1

33 Capital and reserves (continued)

(a) The Group (continued)

	Attributable to equity shareholders of the Company									
	Share capital HK$ million	Share premium HK$ million	Property revaluation reserve HK$ million	Capital reserve HK$ million	Fair value reserve HK$ million	Exchange reserve HK$ million	Retained profits HK$ million	Total HK$ million	Minority interests HK$ million	Total equity HK$ million
At 1 July 2006	609.5	9,215.7	12.0	12.9	53.7	—	17,748.8	27,652.6	627.5	28,280.1
Final dividend approved in respect of the previous financial year *(note 13(b))*	—	—	—	—	—	—	(457.1)	(457.1)	—	(457.1)
Exchange difference on translation of accounts of subsidiaries outside Hong Kong	—	—	—	—	—	61.5	—	61.5	54.3	115.8
Reduction of share premium *(note (d))*	—	(5,000.0)	—	—	—	—	5,000.0	—	—	—
Transfer to retained profits on disposal of subsidiaries	—	—	(12.0)	—	—	—	12.0	—	—	—
Available-for-sale securities:										
— changes in fair value	—	—	—	—	182.8	—	—	182.8	—	182.8
— impairment loss transfer to profit or loss	—	—	—	—	13.5	—	—	13.5	—	13.5
— transfer to profit or loss on disposal of subsidiaries	—	—	—	—	(250.0)	—	—	(250.0)	—	(250.0)
Distribution to minority shareholders	—	—	—	—	—	—	—	—	(90.3)	(90.3)
Profit for the year	—	—	—	—	—	—	5,391.1	5,391.1	78.1	5,469.2
Dividends declared in respect of the current financial year *(note 13(a))*										
— interim dividend	—	—	—	—	—	—	(396.2)	(396.2)	—	(396.2)
— cash distribution	—	—	—	—	—	—	(15,236.6)	(15,236.6)	—	(15,236.6)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(104.5)	(104.5)
At 30 June 2007	609.5	4,215.7	—	12.9	—	61.5	12,062.0	16,961.6	565.1	17,526.7

33 Capital and reserves (continued)

(b) The Company

	Share capital HK$ million	Share premium HK$ million	Capital reserve HK$ million	Retained profits HK$ million	Total equity HK$ million
At 1 July 2005	563.5	6,158.6	3.5	5,823.1	12,548.7
Final dividend approved in respect of the previous financial year *(note 13(b))*	—	—	—	(422.6)	(422.6)
Issue of shares, net of expenses	46.0	3,057.1	—	—	3,103.1
Profit for the year	—	—	—	1,146.6	1,146.6
Interim dividend declared in respect of the current financial year *(note 13(a))*	—	—	—	(396.2)	(396.2)
At 30 June 2006	609.5	9,215.7	3.5	6,150.9	15,979.6
At 1 July 2006	**609.5**	**9,215.7**	**3.5**	**6,150.9**	**15,979.6**
Final dividend approved in respect of the previous financial year *(note 13(b))*	**—**	**—**	**—**	**(457.1)**	**(457.1)**
Reduction of share premium *(note (d))*	**—**	**(5,000.0)**	**—**	**5,000.0**	**—**
Profit for the year	**—**	**—**	**—**	**7,762.7**	**7,762.7**
Dividends declared in respect of the current financial year *(note 13(a))*					
— interim dividend	**—**	**—**	**—**	**(396.2)**	**(396.2)**
— cash distribution	**—**	**—**	**—**	**(15,236.6)**	**(15,236.6)**
At 30 June 2007	**609.5**	**4,215.7**	**3.5**	**2,823.7**	**7,652.4**

33 Capital and reserves (continued)

(c) Share capital

	2007 HK$ million	2006 HK$ million
Authorised:		
5,000,000,000 (2006: 3,600,000,000) ordinary shares of HK$0.2 each	**1,000.0**	720.0
Issued and fully paid:		
3,047,327,395 (2006: 3,047,327,395) ordinary shares of HK$0.2 each	**609.5**	609.5

Pursuant to an ordinary resolution passed at the annual general meeting held on 12 December 2006, the Company's authorised share capital was increased from HK$720 million to HK$1,000 million by the creation of an additional 1,400,000,000 ordinary shares of HK$0.2 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

Pursuant to a share placement arrangement, on 18 April 2006, 230,000,000 new ordinary shares were issued for cash at a price of HK$13.55 per share to the controlling shareholder of the Company. The proceeds, net of expenses, is HK$3,103.1 million, of which HK$46.0 million was credited to the share capital and the remaining balance of HK$3,057.1 million was credited to the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Reduction of share premium

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 14 May 2007 and an order of the High Court of The Hong Kong Special Administrative Region made on 5 June 2007, an amount of HK$5,000 million then standing to the credit of the Company's share premium account was reduced on 13 June 2007, being the date of completion of the Company's disposal of certain subsidiaries and associates as set out in note 9(a), and the same amount was credited to the Company's retained profits in accordance with the provisions of the Hong Kong Companies Ordinance.

(e) Nature and purpose of reserves

(i) Share premium

The application of share premium is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) Property revaluation reserve

Property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment property, the cumulative increase in fair value of investment property at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 2(f).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

(v) Distributability of reserves

At 30 June 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$2,823.7 million (2006: HK$6,150.9 million). After the balance sheet date, the directors proposed a final dividend of HK15 cents (2006: HK15 cents) per share, amounting to HK$457.1 million (2006: HK$457.1 million). This dividend has not been recognised as a liability at the balance sheet date.

34 Disposal of subsidiaries and associates

Details of the subsidiaries and associates disposed of (see note 9 for further details) during the year are set out below:

	Note	2007 HK$ million	2006 HK$ million
Net assets of the subsidiaries disposed of:			
Investment properties	16	6,370.2	—
Property, plant and equipment		206.3	—
Prepaid lease payments		63.3	—
Interests in associates		4,213.4	—
Other non-current assets		459.3	—
Deferred tax assets		5.3	—
Inventories		269.4	—
Trade and other receivables		113.3	—
Amounts due from affiliates		0.1	—
Cash and cash equivalents		4.9	—
Bank overdrafts		(0.3)	—
Trade and other payables		(168.1)	—
Amounts due to affiliates		(2.3)	—
Current taxation		(40.1)	—
Deferred tax liabilities		(717.7)	—
		10,777.0	—
Release of fair value reserve		(250.0)	—
		10,527.0	—
Share of net assets of the associates disposed of		654.4	—
Net gain on disposal of subsidiaries and associates		930.0	—
		12,111.4	—
Satisfied by:			
Cash — disposal of subsidiaries		11,383.6	—
— disposal of associates		727.8	—
		12,111.4	—
Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:			
Cash consideration received		11,383.6	—
Cash and cash equivalents disposed of		(4.6)	—
		11,379.0	—

35 Capital commitments

At the balance sheet date, the Group had commitments not provided for in these accounts as follows:

	2007 HK$ million	2006 HK$ million
Contracted for:		
— acquisition of property, plant and equipment, and for property development and renovation expenditure	—	34.2

36 Contingent liabilities

At the balance sheet date, contingent liabilities of the Company were as follows:

	2007 HK$ million	2006 HK$ million
Guarantees given to banks to secure banking facilities granted to subsidiaries	—	30.1

37 Significant lease arrangements

At 30 June 2006, the Group was both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) The Group as lessor

The total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	2006 HK$ million
Within 1 year	345.9
After 1 year and within 5 years	140.5
	486.4

(b) The Group as lessee

The total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2006 HK$ million
Within 1 year	12.2
After 1 year and within 5 years	5.4
	17.6

At 30 June 2007, the Group did not have any lease commitment.

38 Material related party transactions

In addition to the transactions disclosed elsewhere in these accounts, the Group entered into the following material related party transactions.

(a) Transactions with related parties

During the year, the Group entered into the following material transactions with related parties:

	Fellow subsidiaries		Associates	
	2007 HK$ million	2006 HK$ million	2007 HK$ million	2006 HK$ million
Continuing operations				
Interest expense	2.4	0.8	—	—
Interest income	—	—	4.4	4.0
Discontinued operations				
Agency commission paid	2.1	1.2	—	—
Building management fee paid	5.3	6.1	—	—
Maintenance fee paid	15.5	15.6	—	—
Rental expense	—	93.8	1.4	1.1
Cleaning service income	0.8	0.9	—	0.1
Hotel management income	1.0	—	—	—
Rental income	3.7	5.1	—	—

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group is set out in note 10.

39 Non-adjusting post balance sheet events

(a) On 29 August 2007, Uniland Development Limited, a wholly-owned subsidiary of the Company which beneficially owned 64.06% interest in China Investment Group Limited ("CIG"), entered into a sale and purchase agreement with certain parties in relation to the acquisition of the remaining 35.94% interest in CIG, for a cash consideration of HK$145.02 million. Upon completion of the transaction, CIG will become a wholly-owned subsidiary of the Company.

(b) During the period from 1 July 2007 to 10 August 2007, Macrostar Investment Limited, a wholly-owned subsidiary of the Company, acquired 31,159,000 shares of HKCG at a price range of between HK$16.59 and HK$18.15 per share, for an aggregate consideration of HK$544.5 million.

As at 17 September 2007 (being the date of approval of the Company's consolidated accounts by the directors), the Company was beneficially interested in approximately 39.06% of the issued share capital of HKCG.

(c) After the balance sheet date, the directors proposed a final dividend. Further details are set out in note 13(a).

40 Comparative figures

Certain comparative figures have been adjusted or re-classified to conform with the disclosure requirements in respect of the discontinued operations set out in note 9.

41 Parent and ultimate controlling party

At 30 June 2007, the directors consider that the Company's parent and ultimate controlling party are Kingslee S.A. (a private limited liability company incorporated in the Republic of Panama) and Henderson Development Limited (a private limited liability company incorporated in Hong Kong) respectively. These entities do not produce accounts available for public use.

The parent of Kingslee S.A. is HLD, a public limited liability company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. HLD produces consolidated accounts, including those of the Group, which are available for public use.