**HOPEWELL HOLDINGS LIMITED**
**合 和 實 業 有 限 公 司**
*(incorporated in Hong Kong with limited liability)*
**(Stock Code: 54)**

# INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

## Highlights

**1H FY17**

- HHL is planning celebrations for the 45th anniversary of listing on Hong Kong Stock Exchange
- EBIT decreased 16% yoy to HK$1,010 million mainly because EBIT for the last corresponding period included profit of HK$427 million shared from sales of The Avenue. Excluding the profit shared from sales of The Avenue, EBIT increased 27% yoy to HK$988 million from HK$778 million
- Core profit attributable to owners of the Company (excluding fair value gain of completed investment properties) fell 29% yoy to HK$669 million, or HK$0.77 per share, mainly because of a decrease in the profit shared from sales of The Avenue
- An interim dividend of HK55 cents per share
- Retail rental income increased 6% yoy given retail portfolio consists of neighborhood shopping centres for local shoppers and hence less hit by drop in tourist arrivals to Hong Kong; and the full period contribution from Lee Tung Avenue
- E-Max's G/F upmarket fashion outlet opened in August 2016 and well-received by market
- Hopewell Centre II construction advancing full steam forwards. It targets to complete in 2019
- As at 31 December 2016, all units of The Avenue were sold
- Hopewell New Town is estimated to book around RMB700 million sales in FY17, which will exceed the target of RMB600 million. In 1H FY17, RMB474 million of sales was booked
- Panda Hotel's total revenue fell 2% yoy mainly due to the drop in tourist arrivals

**Upcoming: 2H FY17 & beyond**

- E-Max is undergoing evolution with expansion of upmarket fashion outlet. Tenants on B1/F will be vacated for renovation by the first quarter of 2017 and new tenants are planned to start operation in summer 2018. Food court on 2/F will partially open in the first quarter of 2017. Target E-Max's retail rental income to grow 50% in FY19 as compared to FY16
- Expand the project of 155-167 QRE into 153-167 QRE to increase the interface for Hopewell Holdings' property portfolio on Queen's Road East. The project is envisioned to commence operation in 2021
- Hopewell New Town targets to book sales revenue of approximately RMB500 million in FY18. Pre-sale is planned to start in the second quarter of 2017

## GROUP RESULTS

***Overview***

The Group's revenue for the six months ended 31 December 2016 ("the period under review") decreased to HK$3,387 million from HK$6,640 million for the corresponding period in 2015. The revenue from investment properties business continued to grow healthily and there was an increase in property sales recognition from Hopewell New Town project. However, these positive factors were mainly offset by a decrease in property sales recognition of The Avenue.

The Group's EBIT for the period under review decreased to HK$1,010 million from HK$1,205 million for the corresponding period in 2015 mainly because EBIT for the last corresponding period included profit of HK$427 million shared from sales of The Avenue. EBIT of investment properties, toll road business and property development of the Hopewell New Town project continued to grow healthily. In addition, a lower exchange loss from RMB depreciation was recorded. However, these positive factors were mainly offset by a decrease in the profit shared from property sales recognition of The Avenue.

Excluding the profit shared from sales of The Avenue, the Group's EBIT for the period under review increased to HK$988 million from HK$778 million.

The Group's revenue and EBIT by activities for the six months ended 31 December 2016 were as follows:

| | **Revenue** | | **EBIT*** | |
|---|---|---|---|---|
| ***HK$ million*** | *2015* | ***2016*** | *2015* | ***2016*** |
| Property letting, agency and management | 550 | **567** | 371 | **383** |
| Hotel, restaurant and catering operation | 216 | **215** | 51 | **44** |
| Investment properties and hospitality sub-total | 766 | **782** | 422 | **427** |
| Property development | 4,131 | **880** | 453 | **274** |
| Toll road investment | 1,246 | **1,253** | 293 | **305** |
| Power plant | 414 | **434** | 62 | **34** |
| Treasury income | 83 | **38** | 83 | **38** |
| Others | - | **-** | (108) | **(68)** |
| Revenue/EBIT (Note) | 6,640 | **3,387** | 1,205 | **1,010** |

* *These figures represent EBIT of the Company and its subsidiaries plus net profits (after interest and tax) shared from JVs*

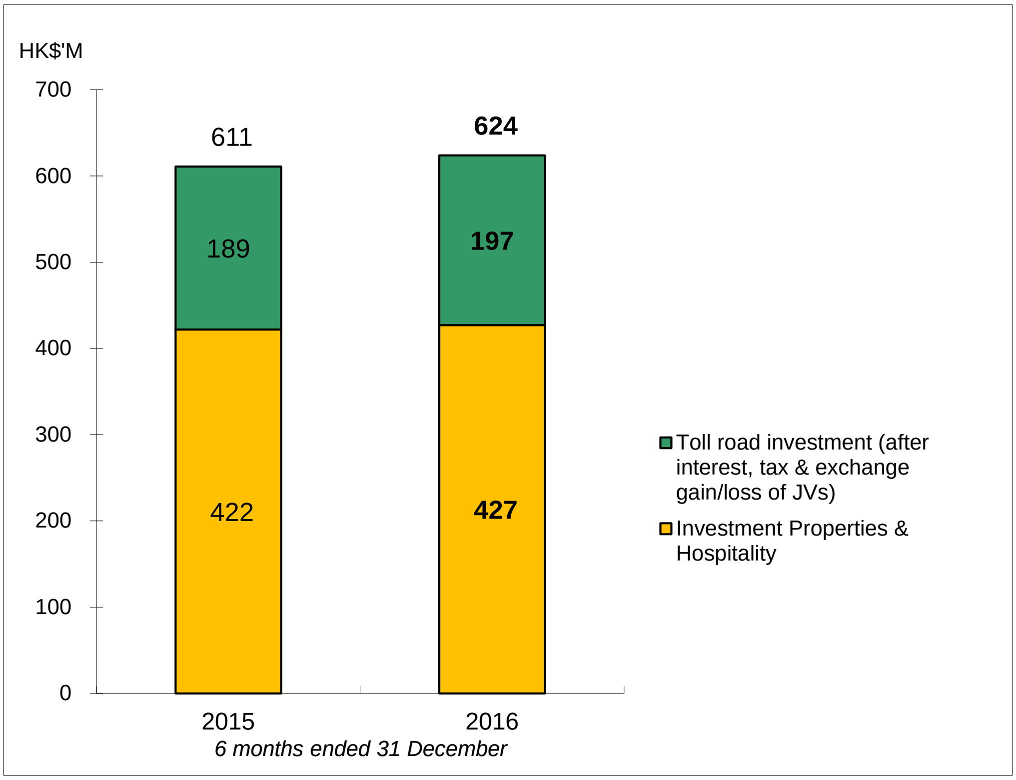
**Note:**

**Reconciliation of Revenue/EBIT with Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

| | Results | |
|---|---|---|
| ***HK$ million*** | *2015* | ***2016*** |
| EBIT | 1,205 | **1,010** |
| Finance costs | (34) | **(5)** |
| Fair value gain of completed investment properties | 621 | **192** |
| Profit before taxation | 1,792 | **1,197** |
| Taxation | (117) | **(217)** |
| Profit for the period | 1,675 | **980** |
| Attributable to: | | |
| Owners of the Company | 1,559 | **861** |
| Non-controlling interests | 116 | **119** |
| | 1,675 | **980** |

| | Revenue | |
|---|---|---|
| ***HK$ million*** | *2015* | ***2016*** |
| Revenue per Group Results | 6,640 | **3,387** |
| Less: | | |
| Sales proceeds of Broadwood Twelve properties | - | **(85)** |
| Treasury income | (83) | **(38)** |
| Share of revenues of JVs engaged in | | |
| - Toll road investment | (1,246) | **(1,253)** |
| - Power plant | (414) | **(434)** |
| - Property development and property investment | (4,014) | **(295)** |
| Turnover per Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 883 | **1,282** |

**Operating Profit* from Prime-Earning Businesses**




** Being the EBIT net of the proportional share by non-controlling interests*

***Revenue***

The Group's revenue for the period under review totalled HK$3,387 million, a 49% decrease from the HK$6,640 million recorded for the corresponding period in 2015. This revenue included the sales proceeds of investment properties held for sale (i.e. Broadwood Twelve), treasury income and the Group's share of revenues of JVs.

The revenue from investment properties business continued to grow healthily and there was an increased property sales recognition of Hopewell New Town project. However, these positive factors were offset by a decrease in property sales recognition of The Avenue.

***Earnings before Interest and Tax***

During the period under review, the Group's EBIT decreased by 16% to HK$1,010 million from HK$1,205 million for the corresponding period in 2015 mainly because EBIT for the last corresponding period included profit of HK$427 million shared from sales of The Avenue, which generated share of profit of only HK$22 million in the period under review from the sale of remaining stock. EBIT of investment properties, toll road business and property development of the Hopewell New Town project continued to grow healthily. In addition, a lower exchange loss from RMB depreciation was recorded. However, these positive factors were mainly offset by a decrease in the profit shared from property sales recognition of The Avenue.

Excluding the profit shared from sales of The Avenue, the Group's EBIT for the period under review increased by 27% to HK$988 million from HK$778 million.

The Group's management will endeavour to formulate and implement cost-control measures for the Group's corporate administrative costs to enhance shareholder's value.

***Enterprise Income Tax ("EIT") of HHI joint ventures ("JVs")***

The EIT rate applicable for both the GS Superhighway and Phase I West is 25% since 2012 and until the expiry of their contractual operation periods. Phase II West's applicable EIT rate from 2013 to 2015 was 12.5%, and it rises to 25% from 2016 until the expiry of its contractual toll collection period. Phase III West was exempted from EIT from 2013 to 2015. Its applicable rate from 2016 to 2018 is 12.5%, and it will rise to 25% from 2019 until the expiry of its contractual toll collection period.

***Profit Attributable to Owners of the Company***

The profit attributable to owners of the Company during the period under review decreased to HK$861 million or HK$0.99 per share from HK$1,559 million for the corresponding period in 2015 mainly because of a decrease in the profit shared from sales of The Avenue and the lower fair value gain of completed investment properties recorded during the period under review.

Excluding the fair value gain of the Group's completed investment properties, core profit attributable to owners of the Company during this period fell 29% to HK$669 million or HK$0.77 per share from HK$938 million, mainly because of a decrease in the profit shared from property sales recognition of The Avenue. Excluding the profit shared from sales of The Avenue, the Group's core profit attributable to owners of the Company during the period increased to HK$647 million from HK$511 million. The core profit included exchange loss attributable to owners of the Company of HK$42 million due to RMB depreciation, which mainly consist of exchange loss shared from the GS Superhighway JV's US Dollar loan. As a result, if RMB against HK$/US Dollars depreciated by 1%, the exchange loss attributable to owners of the Company would increase by approximately HK$8 million mainly based on GS Superhighway JV's US Dollar loan.

***Major Assets in Balance Sheet*** (Adjusted Shareholders' Equity)

In order to reflect the underlying economic value of the Group's hotel properties and HHI business (which are stated on a cost basis), the following chart regarding the Group shareholders' equity ("Adjusted Shareholders' Equity") is presented on the basis that the hotel properties and HHI business were stated at market valuations as at 31 December 2016.

| Balance Sheet Highlights as at 31 Dec 2016 (HK$ in million) | HHI Business | HHL - Other Businesses | HHL Group Total |
|---|---|---|---|
| Completed investment properties | - | 29,814 | 29,814 |
| Panda Hotel | - | 334 | 334 |
| Properties under development | | | |
| Hopewell Centre II | | | |
| - Commercial portion | - | 4,593 | 4,593 |
| - Hotel portion | - | 2,462 | 2,462 |
| 155-167 Queen's Road East** | - | 773 | 773 |
| Properties for development | - | 1,022 | 1,022 |
| Interests in JVs (Toll Roads, Power Plant & The Avenue/Lee Tung Avenue) | 5,800 | 1,759 | 7,559 |
| Other assets/liabilities | 503 | 1,612 | 2,115 |
| Non-controlling interests | (2,082) | (167) | (2,249) |
| Shareholders' equity | 4,221 | 42,202 | 46,423 |
| | | | *(HK$53.4/share) ** |
| Total hidden value | | | 8,336 |
| | | | *(HK$ 9.6 /share) ** |
| Adjusted shareholders' equity (unaudited) | | | 54,759 |
| | | | *(HK$ 63.0 /share)** |

* No. of HHL shares in issue: 869.8 million (as of 31 Dec 2016)

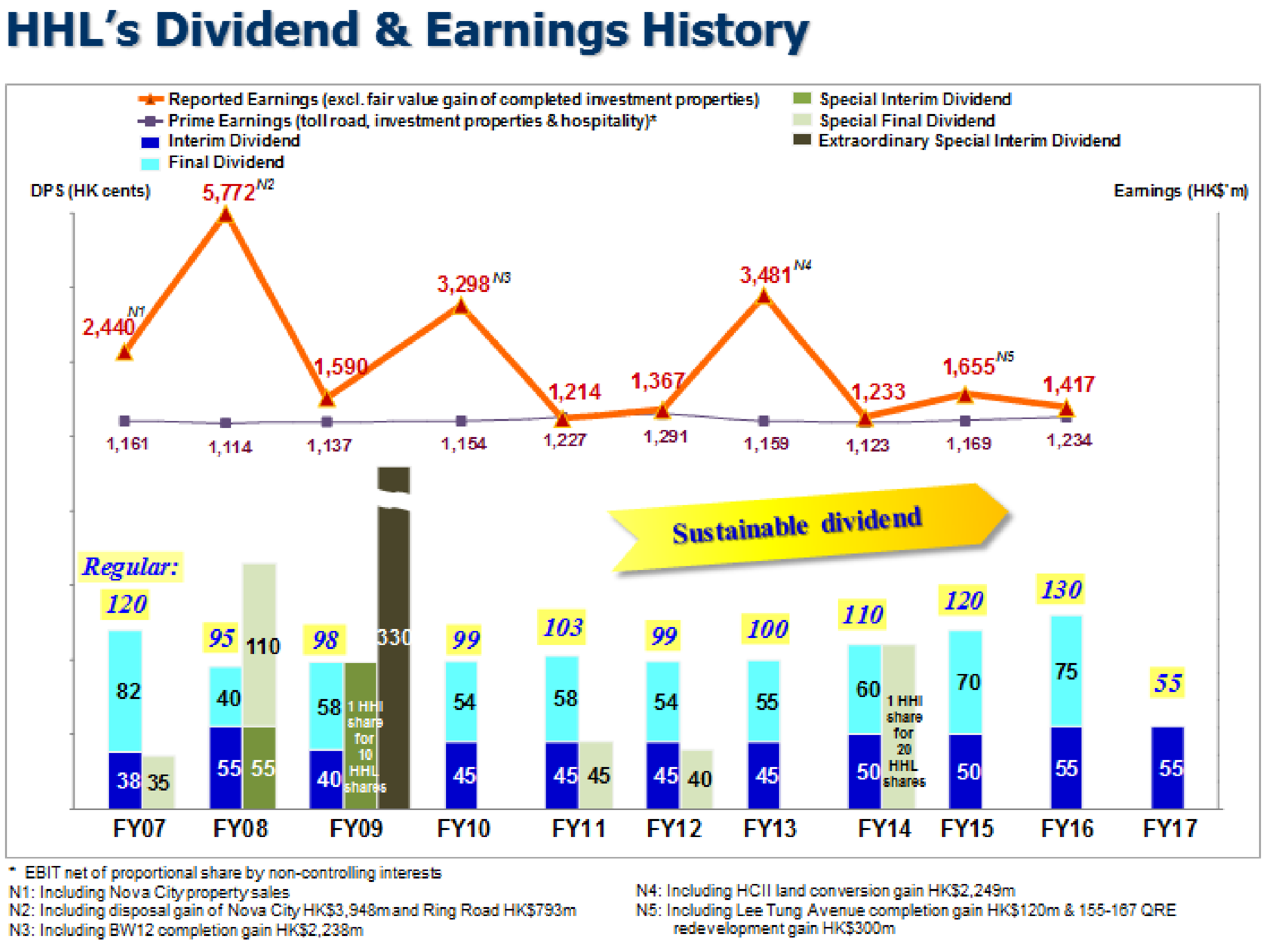
** The Group has expanded the project into 153-167 Queen's Road East

| As at 31 Dec 2016 (HK$) | Panda Hotel | HC II hotel portion | HHI Business |
|---|---|---|---|
| Market value | $ 2,946 m<br>$3.2m/room<br>*DTZ valuation report* | $ 4,043 m<br>$3.9m/room under development<br>*DTZ valuation report* | $ 8,364 m<br>*2,055m shares (HHL's 66.7% stake) x HHI's market price @HK$ 4.07 as of 31.12.2016* |
| Book value | $ 334 m<br>$0.4m/room<br>*at cost less depreciation* | $ 2,462 m<br>$2.4m/room under development<br>*at cost* | $ 4,221 m<br>*at cost less depreciation* |
| Hidden value | $ 2,612 m<br>*$ 3.0 /share** | $ 1,581 m<br>*$ 1.8 /share** | $ 4,143 m<br>*$ 4.8 /share** |

Total: $ 8,336 m
*$9.6 /share**

## DIVIDEND

The Board of Directors has declared an interim dividend of HK55 cents per share in respect of the financial year ending 30 June 2017 (financial year ended 30 June 2016: interim dividend HK55 cents per share). This dividend represents a payout ratio of 72% of the Group's profit attributable to owners of the Company excluding the fair value gain of completed investment properties. The interim dividend will be paid on Wednesday, 22 February 2017 to shareholders of the Company registered as at the close of business on Friday, 10 February 2017.




### Closure of Register of Members

To ascertain shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed on Friday, 10 February 2017 and no transfer of the shares of the Company will be effected on the aforementioned book-close date. To qualify for the interim dividend, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 9 February 2017.

## FINANCIAL REVIEW

***Liquidity and Financial Resources***

As at 31 December 2016, the cash position and available banking facilities of HHL and its subsidiaries (excluding the HHI Group) were as follows:

| ***HK$ million*** | *30.6.2016* | ***31.12.2016*** |
|---|---|---|
| Cash | 2,886 | **3,561** |
| Available Banking Facilities *(Note 1)* | 3,590 | **3,790** |
| Cash and Available Banking Facilities | 6,476 | **7,351** |

*Note 1: As at 31 December 2016, available banking facilities included undrawn bank overdrafts and uncommitted banking facilities amounting to HK$640 million.*

The gearing ratio and debt-to-total-asset ratios of HHL and its subsidiaries (excluding the HHI Group) were as follows:

| ***HK$ million*** | *30.6.2016* | ***31.12.2016*** |
|---|---|---|
| Total debt | 2,550 | **2,350** |
| Net cash *(Note 2)* | 336 | **1,211** |
| Total assets | 45,640 | **46,495** |
| Shareholders' equity (excluding equity shared from HHI Group) | 41,139 | **42,202** |
| Total debt / total assets ratio | 5.6% | **5.1%** |
| Net gearing ratio *(Note 3)* | Net Cash | **Net Cash** |

*Note 2: "Net cash" is defined as bank balances and cash less total debt*
*Note 3: "Net gearing ratio" is calculated by dividing net debt by shareholders' equity (excluding equity shared from HHI Group)*

The cash balance of HK$3,561 million included RMB1,303 million (equivalent to HK$1,454 million) and HK$2,107 million. The net cash position of HK$1,211 million comprised bank balances and cash less outstanding bank loans totalling HK$2,350 million.

***Debt Maturity Profile of the Group*** *(excluding the HHI Group)*

| ***HK$ million*** | *30.6.2016* | | ***31.12.2016*** | |
|---|---|---|---|---|
| Repayable: | | | | |
| Within 1 year | *200* | *8%* | ***-*** | ***0%*** |
| Between 1 and 5 years | *2,350* | *92%* | ***2,350*** | ***100%*** |
| | *2,550* | | ***2,350*** | |

The Group expects its abundant financial resources will well cover the capital needs of existing and future projects under development. It currently plans to spend approximately HK$4.6 billion on these projects between FY17 and FY19. The Group's cash on hand remains robust. This, together with the healthy cash flow from its prime-earning businesses, property sales proceeds and the committed banking facilities of HK$2.3 billion and HK$3.2 billion maturing in 2018 and 2020 respectively, should provide adequate funding for the projects the Group is currently developing. Given the strong financial position, the Group will continue to seek appropriate investment opportunities.

***Major Projects Plan***

| Projects | Target Completion | Total Investment[N1] HK$'M | Interest % | HHL's Injection FY17 to FY19[N1] HK$'M |
|---|---|---|---|---|
| ***Hong Kong*** | | | | |
| **Hopewell Centre II** | 2019 | 9,000 - 10,000 | 100% | 4,320 (FY17: 550; FY18: 2,530; FY19: 1,240) |
| **153-167 Queen's Road East** | 2021[N3] | approx. 1,200 | 100%[N2] | 300 |
| **TOTAL** | | | | **4,620** |

*N1: Present planning, subject to change*
*N2: The Group has 100% ownership of 155-167 QRE and has secured over 80% ownership of 153 & 153A QRE. Compulsory sale for redevelopment (by auction) of the latter was applied in January 2017 to achieve the 100% ownership.*
*N3: Targeted operation start*

As at 31 December 2016, HHI Group (consisting of HHI and its subsidiaries but excluding its JVs) maintained a net cash position of RMB523 million (equivalent to HK$583 million) at corporate level and it had no outstanding loan balance. HHI had available banking facilities amounting to HK$500 million as at 31 December 2016.

The Group's financial position remains strong. With ample cash balance on hand and undrawn banking facilities, sufficient financial resources are available not only for funding all recurring operating activities but also any present and potential future investment activities.

***Treasury Policies***

The Group maintains prudent and conservative treasury policies that the key objective is to minimise finance costs while optimising returns on financial assets.

During the period under review, the Group did not have any arrangements to hedge its exposure to interest or exchange rates. The Group will continue to remain vigilant in monitoring such forms of risk exposure on a regular basis.

In view of the RMB's depreciation trend, the Group has adopted the strategy of reducing RMB exposure to mitigate the exchange risk. During the period under review, the Group did not invest in any accumulator, equity-linked note or other financial derivative instruments and all Group cash is placed as deposits denominated mainly in HK Dollars and RMB.

***Charges on Assets***

As at 31 December 2016, none of the Group's assets had been pledged to secure any loans or banking facilities.

***Project Commitments***

(a) Hopewell Centre II

As at 31 December 2016, the Group's commitment in respect of development costs of the Hopewell Centre II project, which had been contracted for but not provided, was approximately HK$153 million.

(b) Hopewell New Town

| | *30.6.2016* | ***31.12.2016*** |
|---|---|---|
| | *HK$'000* | ***HK$'000*** |
| Contracted for but not provided | 34,260 | **21,153** |

(c) Heyuan Power Plant Project

The Group's share of the commitments of the joint venture in respect of the existing development of the power plant is as follows:

| | *30.6.2016* | ***31.12.2016*** |
|---|---|---|
| | *HK$'000* | ***HK$'000*** |
| Contracted for but not provided | 55,203 | **73,047** |

(d) Property renovation

| | *30.6.2016* | ***31.12.2016*** |
|---|---|---|
| | *HK$'000* | ***HK$'000*** |
| Contracted for but not provided | 17,379 | **9,929** |

(e) Other property for/under development

| | *30.6.2016* | ***31.12.2016*** |
|---|---|---|
| | *HK$'000* | ***HK$'000*** |
| Contracted for but not provided | 41,257 | **95,399** |

***Contingent Liabilities***

A subsidiary of the Company acted as the guarantor for the repayment of mortgage bank loans amounting to HK$581 million as at 31 December 2016 granted to purchasers of the subsidiary's properties.

The Company acted as guarantor of certain performance bonds issued by banks in respect of Grand Site, a joint venture, to the extent of HK$119 million as at 31 December 2016.

In the opinion of the Directors, the fair values of such financial guarantee contracts are insignificant at initial recognition. Accordingly, no financial guarantee contract has been recognised in the condensed consolidated statement of financial position.

***Material Acquisition or Disposal***

The Group made no material acquisitions or disposals during the period.

# BUSINESS REVIEW

## 1. PROPERTIES

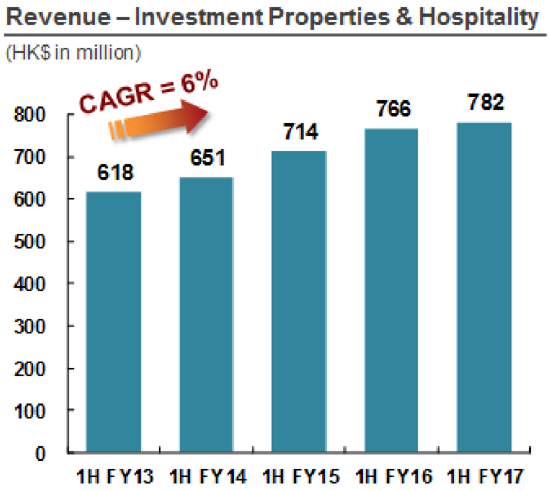
### A. Investment Properties and Hospitality

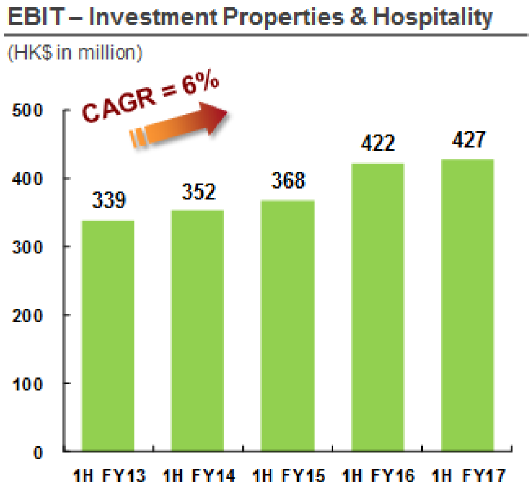
The Group's investment properties and hospitality businesses comprise its wholly-owned investment property portfolio and hotel, restaurant and catering operations. The revenue from these businesses increased 2% yoy to HK$782 million during the six months under review.

| (HK$ in million)<br>For the six months ended 31-Dec | Revenue*<br>2015 | <br>2016 | yoy<br>change |
|---|---|---|---|
| *Investment Properties* | | | |
| Rental income - office | 198 | 195 | -2% |
| Rental income - retail | 157 | 167 | +6% |
| Rental income - residential | 39 | 40 | +3% |
| Convention and exhibition | 34 | 39 | +15% |
| Air conditioning & management fee | 76 | 79 | +4% |
| Carpark & others | 46 | 47 | +2% |
| Investment Properties sub-total | 550 | 567 | +3% |
| *Hospitality* | | | |
| Room Revenue | 106 | 105 | -1% |
| Restaurants, catering operations and others | 110 | 110 | +0% |
| Hospitality sub-total | 216 | 215 | -0% |
| Total | 766 | 782 | +2% |

* Excluding tenancies for HHL's own use

EBIT for the Group's investment properties and hospitality businesses increased by 1% yoy to HK$427 million. The five-year compound annual growth rates of revenue and EBIT for the Group's investment properties and hospitality businesses during the first half of FY13 to FY17 were 6% and 6% respectively.




**Investment Properties**

Revenues for the Group's property letting, agency and management operations rose 3% yoy to HK$567 million during the period under review, while EBIT for these operations increased by 3% yoy to HK$383 million. The five-year compound annual growth rates of revenue and EBIT for our investment properties during the first half of FY13 to FY17 were 10% and 10% respectively. EBIT margin for 1H FY17 maintained at 67% as compared to last corresponding period, mainly due to cost control despite the fall in office rental income for Hopewell Centre.

The Group's retail assets are neighborhood shopping centres for local shoppers, therefore less hit by drop in tourist arrivals to Hong Kong. With the full period contribution from Lee Tung Avenue after its opening, the rental income from retail properties grew 6% yoy. Given the evolution now underway at E-Max, together with Lee Tung Avenue and Hopewell Centre II which is currently under construction, the Group expects retail segment will be the major growth driver of its investment properties business in the next few years.

In view of the uncertainties in the market, the Group will adopt a defensive rental strategy for office rental business which will focus on renewing lease of existing tenants with a flexible lease term so as to increase flexibility and capture opportunities brought by the economic turnaround. Given the tenant reshuffling at Hopewell Centre and KITEC, the Group expects a slight fall of 2% in office rental income on a year-on-year basis in FY17.

Nevertheless, the Group will continue to strengthen its branding by actively managing its properties and maintaining an uncompromising focus on service and quality.

Occupancy rates for the Group's investment properties remained at high levels while average rental rates for the major ones increased during the period under review.

### Occupancy and Rental Rates of Investment Properties

| | Average Occupancy Rate | | | Change in Average Rental Rate |
|---|---|---|---|---|
| | 1H FY16 | 1H FY17 | yoy | |
| **Hopewell Centre** | 94% | 87%[N1] | -7% | +5% |
| **KITEC Office** | 95% | 95% | 0% | +1% |
| **KITEC E-Max** | 88% | 83%[N2] | -5% | +7% |
| **Panda Place** | 97% | 98% | +1% | -1% |
| **QRE Plaza** | 100% | 99% | -1% | -1% |
| **Lee Tung Avenue** | -[N3] | 96% | n/a | n/a |
| **GardenEast (apartments)** | 87% | 94% | +7% | -9% |

N1: Occupancy rate was approximately 90% as at 31 December 2016 given a lease was signed with a FMCG Company for 20,000 sq.ft. in November 2016.
N2: Tenants in B1/F started moving out in the fourth quarter of 2016 to prepare for renovation for E-Max's fashion outlet expansion.
N3: Opened in the first quarter of 2016.

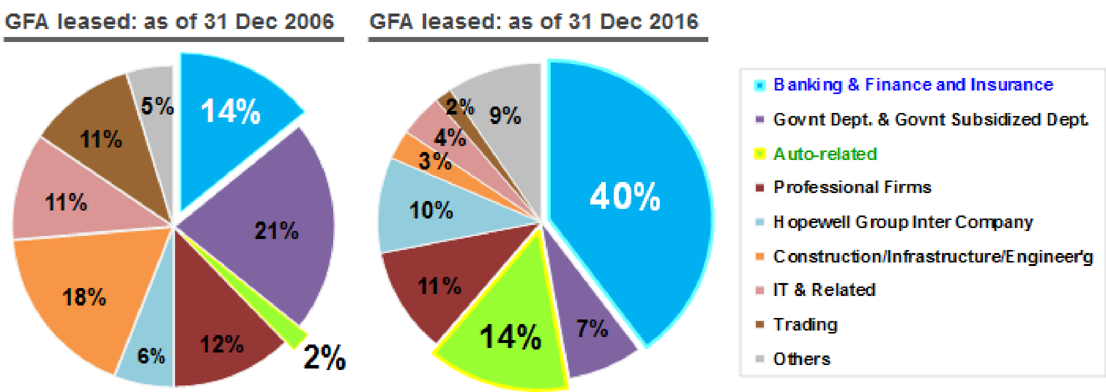
## ***Hopewell Centre***

Hopewell Centre's overall revenue (excluding tenancies for the Group's own use) for 1H FY17 fell 1% yoy to HK$215 million mainly due to the drop in revenue from office given tenant reshuffling. Overall average occupancy rate was at 87%.

*Office*

Throughout tenant mix reshuffling over the past years, the Group has successfully attracted more high-margin industries, such as banking, finance and auto-related companies, to set up offices in Hopewell Centre. This has helped to bring more high-paid employees and has benefited the rental growth for the Group's retail properties in Wanchai.

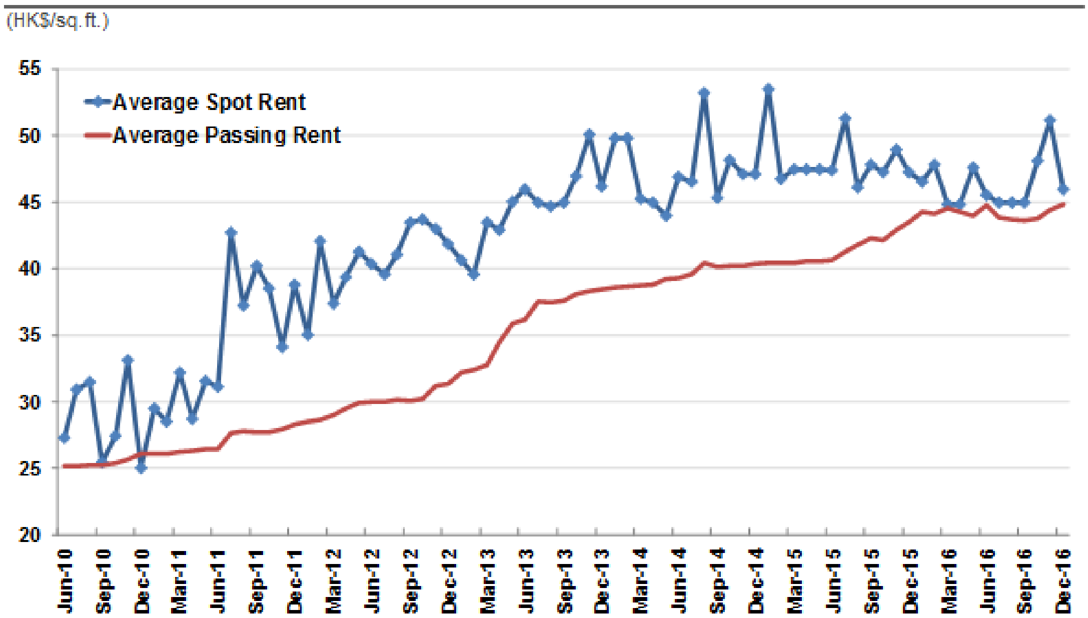
Office tenants' industry mix based on GFA leased




During the period under review, rental income fell 3% yoy to HK$126 million and average occupancy rate fell to 86% in 1H FY17 from 95% in 1H FY16 mainly due to tenant reshuffling. Despite softened demand for office space which resulted in the gap between the passing rent and spot rent narrowed compared with the previous period, the Group's continuous AEI to enhance facilities and services has led to average passing rent increasing by 6% yoy to HK$43.5/sq.ft. and average spot rent maintaining at around HK$48/sq.ft. in 1H FY17. In November 2016, the Group has signed the lease with a globalized FMCG company to lease approximately 20,000 sq.ft. at Hopewell Centre, which has further proved our recognised market position. As at 31 December 2016, the occupancy rate for Hopewell Centre office was approximately 90%. Nevertheless, the Group expects the next phase of major rental uplift for Hopewell Centre will be at the time when Hopewell Centre II completes which in turn will further upgrade the surroundings in Wan Chai.

The Group will continue to implement asset enhancement measures on facilities and services to maintain its competitiveness and to help uplift rental rates.

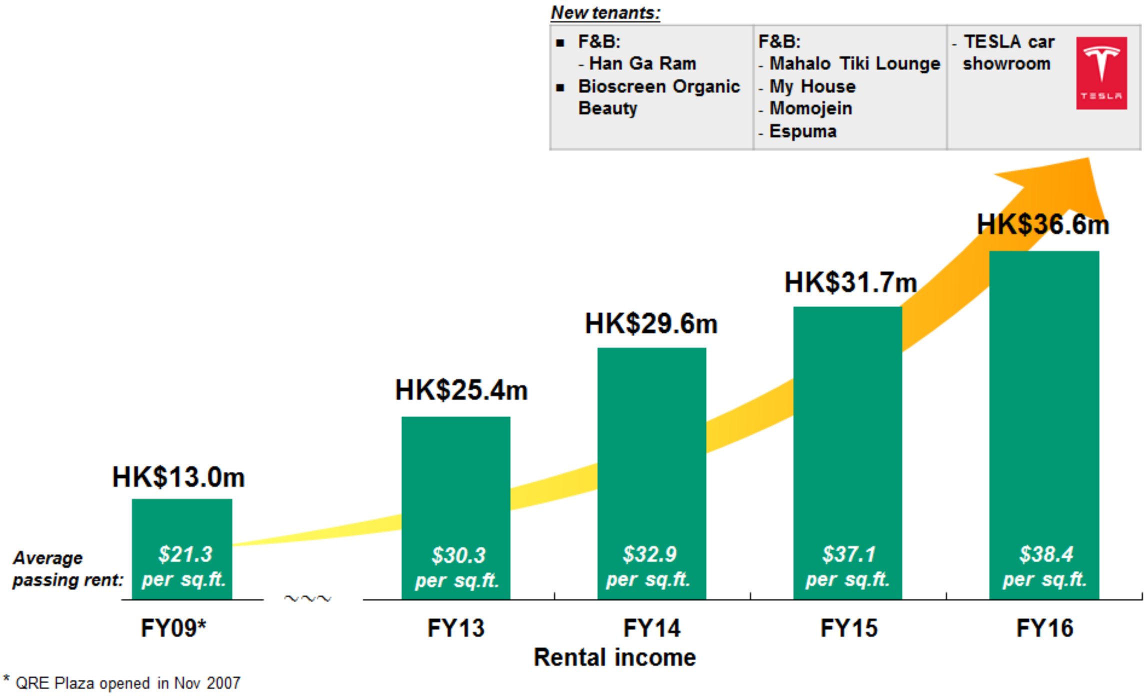
**Hopewell Centre Office**
**Average Spot and Average Passing Rent (FY11 – 1H FY17)**




*Retail*
The Group has replaced some retail tenants with high quality F&B and lifestyle stores offering more diversified dining and shopping experience. Besides, an upmarket "live house" performance venue – "1563' Live House" at 6/F with GFA of around 7,000 sq.ft. has opened in August 2016. It is a restaurant with live band performance during dinner and will help promote the evening business of tenants of "The East". New residents from around such as The Avenue have added to customers of the Group's retail tenants in Wan Chai.

***QRE Plaza***

Continuous efforts in refining tenant mix have helped to lift rental income of QRE Plaza. Besides, marketing and promotional activities have succeeded in attracting increased traffic and renowned retailers to "The East". QRE Plaza's overall rental income maintained at HK$19 million in 1H FY17.




***Lee Tung Avenue***

Lee Tung Avenue is a tree-lined pedestrian walkway equipped with lifestyle and dining options that perfectly complement their beautiful streetscape surroundings. It is a URA redevelopment project. Net rental income will be split 40:60 between the URA and the 50:50 joint venture between the Group and Sino Land. With a total GFA of approximately 87,700 sq.ft., it opened in the first quarter of 2016 and has so far received very positive responses from tenants. The average occupancy rate of Lee Tung Avenue was around 96% and the average rent was around HK$66/sq.ft. in 1H FY17.

Lee Tung Avenue has further enlarged the Group's rental property portfolio and created synergy among existing properties such as Hopewell Centre, QRE Plaza and GardenEast which helped upgrade the image of "The East". With the eventual completion of Hopewell Centre II, the Group's cluster will be one of the Wan Chai's largest retail hubs.

Connecting Wan Chai MTR station and Lee Tung Avenue, construction of the Johnston Tunnel is underway and is targeted for completion in the fourth quarter of 2017. An additional QRE Tunnel connecting Lee Tung Avenue and Hopewell Centre is currently under planning.

| *Progress* | 2014 | 2015 | 2016 | 2017 | 2018 & Beyond |
|---|---|---|---|---|---|
| Johnston Tunnel (Lee Tung Avenue → MTR) | 2Q2014: Approved by Government and under construction. Plan to complete construction in 4Q2017 | | | | |
| Queen's Road East Tunnel (Lee Tung Avenue → Hopewell Centre) | Under planning | | | | |

***<u>Wu Chung House (Retail shops)</u>***

The Group also owns several retail outlets with a total GFA of 17,670 sq.ft. at Wu Chung House. These properties all form part of "The East" and are fully let to a number of well-known retailers. The opening of Hong Kong's only Rolls-Royce car showroom here was followed by McLaren's launch of its first Asia showroom, thus measurably expanding "The East's" car showroom cluster.

***<u>GardenEast</u>***

Overall revenue dropped by 1% yoy mainly due to softening demand and challenging economic environment. Average rental rates dropped by 9% yoy for serviced apartments while average occupancy of serviced apartments increased by 7% to 94%.

***<u>KITEC</u>***

***Office***

In its 2017 Policy Address, the Hong Kong Government will continue to take forward the "Kai Tak Fantasy", a recreational landmark on the site of the former airport runway at the Kai Tak Development Area ("The Area"). More residential flats and commercial floor areas will be provided in The Area. In addition, the Government will construct the Central Kowloon Route which will link Yau Ma Tei with Kowloon Bay and the Kai Tai Development Area. These will create a cluster effect that will boost traffic flows into the district and further increase demand for KITEC's office space which offers top quality services. In addition, KITEC will benefit from the improved connectivity along with the completion of Shatin Central Link which will link up the area with others at Kai Tak Station.

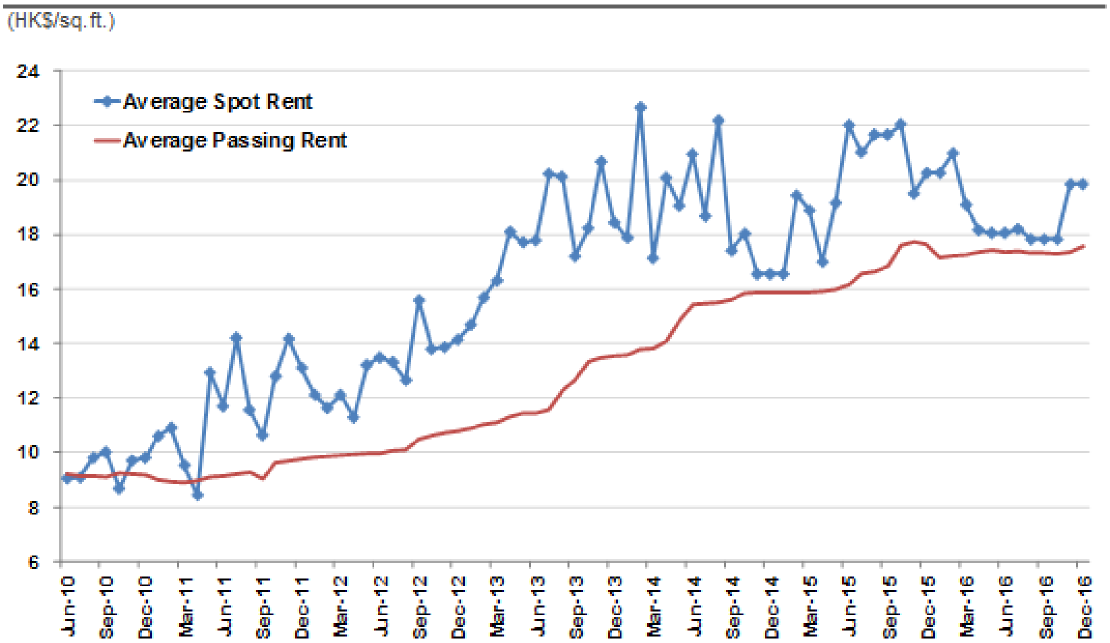
The Group remains determined to pursue a flexible marketing strategy and carry out improvement works by providing quality working environment for office tenants. KITEC is well-positioned to benefit from the relocation plan of Government offices, revitalisation and development of Kowloon East into a quality business district in the long term.

On the office front, during the period under review, rental income was flat at HK$68 million mainly due to softened demand. Average passing rent increased 1% yoy to HK$17.3/sq.ft. in 1H FY17 from HK$17.1/sq.ft. in 1H FY16 and average spot rent stood at HK$20.0/sq.ft., whereas average occupancy rate remained at high level of 95%. The gap between passing rent and spot rent narrowed compared with the previous period mainly due to softened demand. Nevertheless, the Group plans to initiate further AEI to upgrade services and improve the image of KITEC by phase, including revamp of corridors and toilets, set up gymnasium room for tenants and offer baby care room to cater for the need of our tenants. The Group expects KITEC office to experience the next phase of rental uplift when Kowloon East becomes more developed, as the area evolves as CBD2 in the longer term.

The GFAs of KITEC's office and retail portions are approximately 750,000 sq.ft. and 760,000 sq.ft. respectively. The Government remains as an anchor tenant with approximately 212,000 sq.ft. of space, which represented 28% of KITEC office's total GFA after one of the Governmental tenants partly move out by the fourth quarter of FY17.

**KITEC Office**

**Average Spot and Average Passing Rent (FY11 – 1H FY17)**



***E-Max***

E-Max is an entertainment-driven shopping arcade that includes a live house, The Metroplex, and Star Hall. In light of The Metroplex and the Music Zone@E-Max, the tenant mix on G/F and 2/F has been refined to renowned brands and general retailers which helped to stimulate the footfall and enable E-Max to achieve higher rental rates.

Foreseeing a high traffic flow and purchasing power in Kowloon East, the Group continues to optimize E-Max's tenant mix in the past few years. In 2014, the Group launched a multi-cinema complex, The Metroplex, at G/F and introduced a new E-Max Home concept spanning the premise's 4/F and 5/F. The refined tenant mix now tempts shoppers with lifestyle, household furniture, kitchen and home design ideas, resulting in strong uplift in rental rate which more than tripled. In 2015, the Group has succeeded in attracting a number of F&B shops near the cinema to satisfy the taste buds of moviegoers and shoppers. "BOUNCE", a leading Australian fitness specialist, opened their first gymnasium in Asia Pacific here in July 2015. This colourful gymnasium with interconnected trampolines targets kids, teenagers and young adults and draws family visitors to E-Max thus increasing rental revenue.

As the evolution of E-Max unfolded since 2014, success has been shown. The introduction of more popular brands to E-Max has been well-received by the market. To further refine the tenant mix on G/F and 2/F, the Group has launched an asset enhancement initiative in 2016. The world's top-3 automakers and premium auto brand "Volkswagen", opened a showroom of approximately 8,000 sq.ft. on G/F in February 2016. A supermarket opened on 2/F in June 2016. An upmarket fashion outlet of approximately 65,000 sq.ft. opened on G/F in August 2016, with popular brands including Gap, Vivienne Westwood and The North Face. In December 2016, the Group has renewed lease with automall on B3/F with rental rates more than doubled. This will help E-Max to maintain its diversity in tenant mix and secure stable rental income at the same time. In addition, a new food court of approximately 30,000 sq.ft. will partially open on 2/F in the first quarter of 2017.

In 2017 and 2018, subject to Government approval, the Group plans to convert the existing automall and Duty Free Shop ("DFS") on B1/F of approximately 100,000 sq.ft. into a retail area as an expansion of G/F's fashion outlets. This second phase of E-Max's evolution will begin with DFS and automall on B1/F to be vacated for renovation by the first quarter of 2017. It is planned that the new tenants of the fashion outlet's expansion will move in and start operation by summer 2018. The short term negative impact on rental revenue from the moving out of DFS and automall on B1/F during FY17 will be partially offset by the increase in rental income from automall on B3/F as the rental rate will be more than doubled under the new rental agreement. More importantly, it will be outweighed by the benefits on the long term growth when E-Max's second phase of evolution completes. In order to capture more local consumptions, E-Max will enlarge the area for F&B to increase footfall and increase rental income from the retail tenants. As a result of the increase in footfall alongside the enlarged area for F&B, the encouraging performance of the upmarket fashion outlet on G/F together with the second phase of evolution, E-Max's rental income is targeted to grow 50% in FY19 as compared to FY16.

**<u>E-Max's Evolution</u>**

| Year | | Event | Achievements / Plans |
|---|---|---|---|
| 2014 | Feb | The Metroplex: G/F | - Over 1 milliom audience since opening Feb 2014<br>- Box office ↑94% yoy in 2015 (vs HK market ↑21%) |
| | Jun | Rotunda 2 refurbishment: 2/F | |
| | 2H | Refined tenant mix: G/F & 2/F | - 759 flagship store opened |
| | Nov | E-Max Home: 4/F & 5/F | - Rental rate more than tripled |
| 2015 | Jul | BOUNCE Trampoline gymnasium: G/F (former swimming pool area) | - Rental rate more than tripled |
| 2016 | Feb | Volkswagen showroom: G/F ~8,000sq.ft. | - World's top-3 automakers |
| | Jun | Supermarket: 2/F | |
| | Aug | Upmarket fashion outlets: G/F ~65,000sq.ft. | - Including Gap, Vivienne Westwood, The North Face |
| | | "The Glass Pavilion" for wedding banquets and corporate events: 3/F | - Will increase footfall and positive to E-Max's rental |
| 2017 \| 2018 | 1Q2017 | Food court: 2/F ~30,000sq.ft. | - Will open partially |
| | Under planning | Expansion of upmarket fashion outlets: B1/F ~100,000sq.ft. | - Plans to convert existing DFS and automall on B1/F into retail shops (subject to Government approval) |

***Conventions, Exhibitions and Entertainment***

KITEC's venues are well diversified in terms of venue mix and usage in order to meet the needs of different clients. Venues range from meeting rooms for 10 people to multi-function halls for 3,600 people, all of which are equipped with comprehensive facilities. Proactive sales strategy and competitive prices reaffirm KITEC's position as a preferred choice for hosting concerts, exhibitions, meetings and conferences, banquets and sports events in Hong Kong. Over 90 shows including concerts, sports, live broadcasts and musicals were held in KITEC during the period under review.

Star Hall continues to be an attractive venue for hosting concerts, musicals, award presentations and various stage performances. 28 shows were staged during the period under review, featuring local and overseas performers such as Dear Jane, Jason Chan, Joyce Cheng, Bondy Chiu, Bii and Japanese pop band w-inds. In addition, the Huading Award Presentation Ceremony was also held in Star Hall. The Music Zone@E-Max has also successfully tapped into the mini-concert market and attracted both local and overseas premium performances, with 53 shows being held during the period under review.

KITEC's convention, exhibition and entertainment business continued to grow steadily during the period under review and revenue rose 15% yoy to HK$39 million.

***The Metroplex (multi-cinema complex)***

The Metroplex has continued to be one of the most popular venues for movie event in Hong Kong. During the period under review, The Metroplex has drawn more than 320,000 audiences to E-Max, 18 gala premieres were held and over 120 films were shown, ranging from Hollywood blockbusters, international award-winning pictures, local, specialty and independent films. Revenue of The Metroplex increased by 5% yoy in 1H FY17.

The Metroplex remains committed to supporting the strong emerging independent film culture in Hong Kong. 6 Metro Select programs were held in 1H FY17 including the “2016 Sundance Film Festival: Hong Kong” in September 2016, showcasing 13 narrative and documentary films; and award-winning shorts of “Sundance Film Festival: Hong Kong Short Film Competition”, which aim to nurture creativity of local filmmakers and provide a precious opportunity to showcase their inspiring works on the big screen.

The Metroplex has curated a second season of “Arts in Cinema”, which took audience on a unique journey in exploring three of Italy’s major cities – Rome, Milan, and Florence.

***Panda Place***

Located in the heart of Tsuen Wan, Panda Place is a 229,000 sq.ft. shopping mall. Its image has been enhanced by recent renovation and refined tenant mix. The mall entices shoppers with a superb and convenient shopping experience.

Rental income at Panda Place was flat at HK$31 million in 1H FY17. The average occupancy rate was 98% during the period under review. The Group expects stable rental income contribution from Panda Place as the major tenant restructuring had been completed.

**Hospitality**

***Panda Hotel***

During the period under review, Panda Hotel’s total revenue fell by 2% yoy to HK$160 million mainly due to drop in tourist arrivals. The downward trend for room revenue has become more stable. Room revenue dropped slightly by 1% yoy to HK$105 million compared with 1H FY16 which dropped 18% yoy. The drop in room revenue was due to the slight decrease in occupancy of 1% yoy to 97% given the average room rate remained flat yoy. The decrease in room revenue was in line with the general market. F&B revenue decreased by 5% yoy to HK$54 million, mainly due to drop in number of banquets.

The outlook for Hong Kong's hotel industry remains challenging due to the continuous drop in tourist arrivals. However, Panda Hotel will continue to maintain its competitiveness by adopting flexible marketing strategy and maintaining diversification on customer mix to avoid over reliance on Mainland China leisure visitors. It will also expand its partner network in order to enlarge its travel agent base and various marketing programmes are being deployed to sustain the business volume. Panda Hotel has mobilised the sales team to launch extensive sales blitz to capture more business and expand its market share in both hotel and catering business.

Furthermore, Panda Hotel will continue the ongoing refurbishment and renovation program for guestrooms as needed in order to increase its competitiveness and prepare for market rebound.

As of 31 December 2016, the market value of hotel amounted to HK$2,946 million (equivalent to approximately HK$3.2 million per room) as estimated by DTZ Debenham Tie Leung Limited ("DTZ"). According to the general market practice, the asset value of hotel is stated at cost less accumulated depreciation in the Group's balance sheet. As of 31 December 2016, the book value of Panda Hotel amounted to HK$334 million (equivalent to HK$0.4 million per room), which implies a hidden value of approximately HK$2.6 billion compared to its market value.

**<u>Restaurant & Catering Services</u>**

**KITEC F&B**

Total revenue from KITEC F&B business fell 8% yoy to HK$46 million during the period under review mainly due to the drop in number of banquets.

The Group will further expand its F&B business in the coming year and will continue to provide customers with tailor-made banquet packages, offering flexible arrangement of menus, services and pricing.

The new venue in KITEC, The Glass Pavilion, opened in August 2016. It can be used as a venue for wedding banquets, corporate and social events and it is expected to further enhance the F&B business. Over 50 wedding banquets had been solicited and confirmed since its opening. Key event held in the Glass Pavilion included The Hong Kong Society for the Protection of Children 90th Anniversary Charity Ball.

In addition, the Group will continue to upgrade facilities and equipment, provide quality service training and adopt active marketing strategies.

## B. Sales

***Hopewell New Town***

| **Project Description** | |
|---|---|
| Location | Huadu, Guangzhou, the PRC |
| Total site area | Approximately 610,200 sq.m. |
| Total plot ratio GFA | Approximately 1.11 million sq.m. |
| Basement car park GFA | Approximately 0.45 million sq.m. |
| Nature of development | A multi-phase composite development consisting of apartments, townhouses, commercial areas and recreational facilities. |
| Status | Partly developed and partly under construction |

Hopewell New Town is a multi-phase composite development consisting of apartments, townhouses, commercial areas and recreational facilities. It is strategically located approximately three kilometres from Baiyun International Airport in Guangzhou and close to the highway connecting the airport with Guangzhou city centre. Approximately 453,200 sq.m. of the development (consisting of 171 townhouses and 3,466 apartments) were sold and booked up to 31 December 2016.

304 units or 35,800 sq.m. of apartments and 15 units or 4,300 sq.m. of townhouses were sold in 1H FY17 and subsequently up to 11 January 2017, generated RMB532 million sales. Together with the units sold but not yet booked in FY16 and based on the estimated handover progress, it is estimated that the Group will book around RMB700 million sales in FY17, which will exceed FY17 sales booking target of RMB600 million. The average selling price for the apartments sold during 1 July 2016 to 11 January 2017 increased 14% compared to that of 1H FY16 to RMB12,100 per sq.m. mainly due to improvement in facility and property management, more greening works for the project and rising market demand.

During the period under review, sales of 325 units or 37,500 sq.m. of apartments and 7 units or 2,000 sq.m. of townhouse were booked and generated revenue of RMB474 million, representing a 369% yoy rise.

The Group expects demand for housing in the area will continue to support sales of the residential units at Hopewell New Town, and it will further strengthen marketing for the sales in 2H FY17. Subject to construction progress, the sales target for FY18 of not less than 43,000 sq.m. will translate into a sales booking target of approximately RMB500 million for FY18, and the pre-sale of these units is planned to start in the second quarter of 2017. The Group will continue to explore cost-effective ways to control the construction costs and improve the profitability.

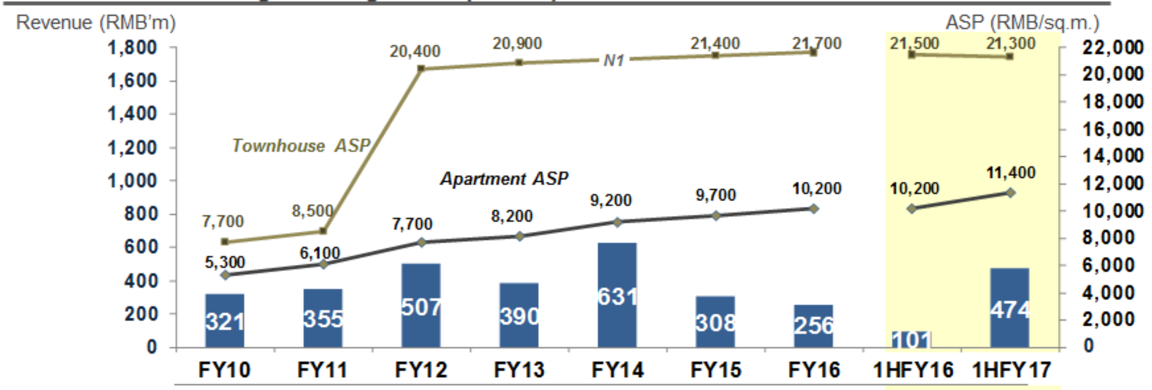
| | FY16 | FY17 | FY18 |
|---|---|---|---|
| **Sales target** | 85,000sq.m. (98% achieved) N1 | | not less than 43,000 sq.m. |
| **Sales booking target** | RMB256m (booked) | RMB600m (expected to achieve) N2 | ~RMB500m N3 |

N1: Units sold in FY16, 1H FY17 and subsequently up to 11 January 2017
N2: Based on estimated handover progress
N3: Subject to construction progress

The transition from business tax to value added tax was effective from 1 May 2016 and there will be no impact on FY17 net profit. Based on latest estimation, it is expected that there will be less than 10% negative impact on FY18 net profit.

The Group is currently studying various options for the development of a commercial strip with a permissible GFA of 150,000 sq.m. at Hopewell New Town. According to Huadu government's website, the MTR Route No.9 is currently planned to commence operation in 2017 and an MTR exit is planned to be built near the site, which will further improve the connectivity in this area.

**Revenue and Average Selling Price ("ASP") Booked**




| | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | 1HFY16 | 1HFY17 |
|---|---|---|---|---|---|---|---|---|---|
| ***GFA booked (sq.m.)*** | | | | | | | | | |
| Apartment | 41,000 | 56,000 | 24,500 | 41,000 | 67,600 | 29,600 | 23,200 | 9,300 | 37,500 |
| Townhouse | 13,000 | 1,000 | 13,800 | 1,700 | - | 900 | 900 | 300 | 2,000 |
| ***Units booked*** | | | | | | | | | |
| Apartment | 366 | 574 | 306 | 333 | 695 | 252 | 195 | 74 | 325 |
| Townhouse | 43 | 4 | 48 | 6 | - | 3 | 3 | 1 | 7 |

*N1: No sales of townhouse booked in FY14*

***The Avenue***

| **Project Description** | |
|---|---|
| Location | Wan Chai, Hong Kong |
| Project Nature | URA Project |
| JV partner | Sino Land Company Limited |
| GFA and no. of units | Around 731,000 sq.ft., 1,275 units in total<br>Phase 1: 179 units (saleable area 103,000 sq.ft.)<br>Phase 2: 1,096 units (saleable area 554,000 sq.ft.) |
| Status | Completed |

The Avenue consists of four towers with 1,275 residential units of a wide range of sizes and layouts. As at 31 December 2016, all units were sold and the average selling price was around HK$22,600 per sq.ft. of saleable area, of which 1,265 units (99% of units sold) have been handed over. By bringing in more residents to the area, synergies have been created, which has benefited the Group's retail tenants in the surroundings.

**The Avenue Residential Sales (sales figure as at 31 December 2016)**

| Based on saleable area | Phase 1 | Phase 2 | Total |
|---|---|---|---|
| Units sold | 179<br>(103,000 sq.ft.) | 1,096<br>(554,000 sq.ft.) | 1,275<br>(657,000 sq.ft.) |
| • As % of total units | 100% | 100% | 100% |
| • Average selling price | HK$20,200/sq.ft. | HK$23,000/sq.ft. | HK$22,600/sq.ft. |

Revenue shared (after URA's sharing) from sales of The Avenue amounted to HK$5,059 million, representing 1,268 units or 645,000 sq.ft. have been booked up to 31 December 2016, of which revenue of HK$280 million representing 25 units or 24,000 sq.ft. were booked in 1H FY17.

***Broadwood Twelve***

| **Project Description** | |
|---|---|
| Location | 12 Broadwood Road, Hong Kong |
| Total GFA | 113,900 sq.ft. |
| Nature of project | Residential |
| Number of units | 76 (including two penthouses) |
| Facilities | Fully equipped clubhouse, spacious landscaped gardens and car parks |
| Investment cost | Around HK$700 million |
| Status | Completed and partly sold since June 2010 |

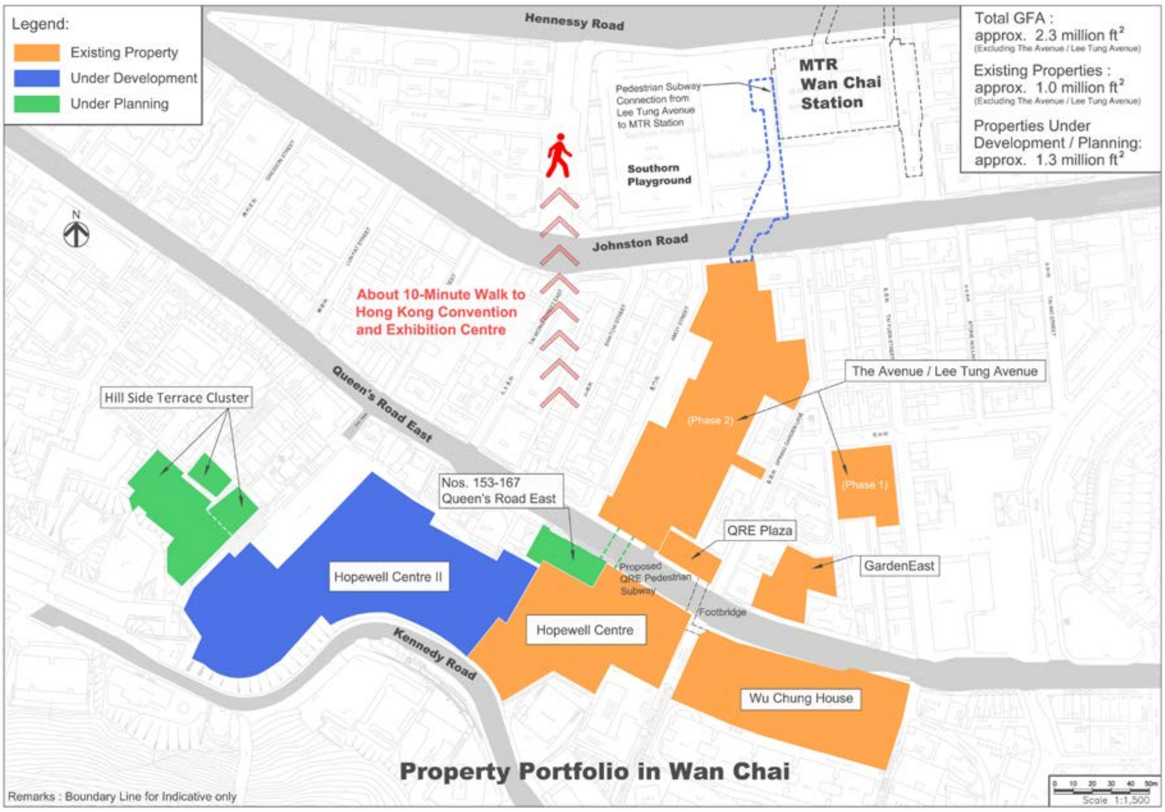
Broadwood Twelve is the Group's residential development on Broadwood Road. The top-quality finishes of its units and the stunning views they enjoy over the racecourse and Victoria Harbour have positioned them as attractive luxury residences.

As of 11 January 2017, 63 units or 83% of its 76 units had been sold, generating total gross sales proceeds (including sale of car-parking spaces) of around HK$2,917 million. The average selling price of the units sold was around HK$34,100 per sq.ft. of saleable area. 4 units with total saleable area of approximately 5,100 sq.ft. were sold at HK$33,600 per sq.ft. during the period under review, of which 2 units with net sales revenue of approximately HK$82 million have been booked in 1H FY17. The book value of the 13 unsold units, the 2 units sold but not yet booked and remaining car parking spaces, as at 31 December 2016, was around HK$564 million.

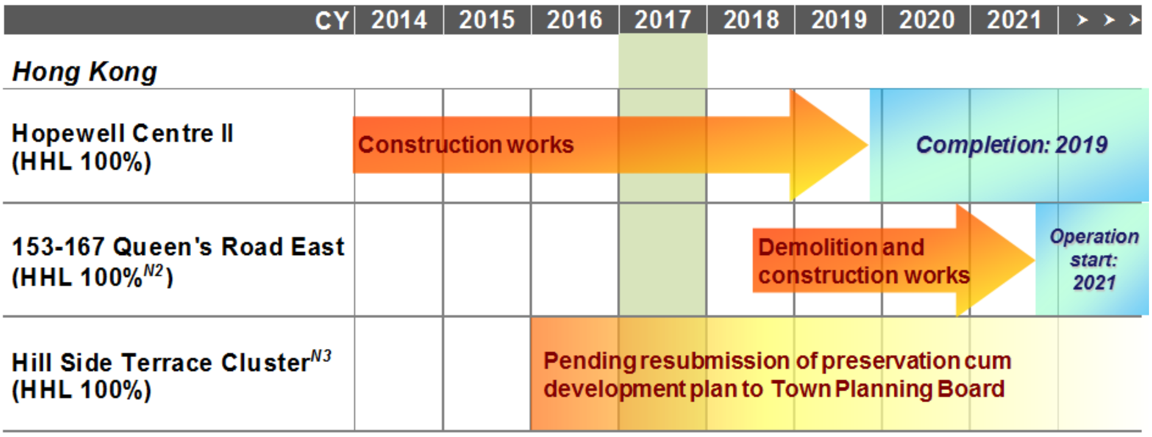
Since the introduction of new ad valorem stamp duty in November 2016, there has been a slowdown of sales activity in the overall residential market. However, the luxury residential market is relatively unaffected due to the limited new supply, especially in prime locations and traditional luxury districts. The Group is confident about the long term prospects for the luxury residential property market.

Broadwood Twelve has also attracted leasing offers from large and well-known corporations, as well as individual professionals. To maximise the Group's income, 7 unsold units were being leased at an average monthly rental rate of about HK$65 per sq.ft. of saleable area as of 11 January 2017. These units are still available for sale.

## C. Properties Under / For Development




### Construction timeline for Projects[N1]




*N1: Present planning, subject to change*
*N2: The Group has 100% ownership of 155-167 QRE and has secured over 80% ownership of 153 & 153A QRE. Compulsory sale for redevelopment (by auction) of the latter was applied in January 2017 to achieve the 100% ownership.*
*N3: Including 1-3 Hill Side Terrace, 1A Hill Side Terrace, Nam Koo Terrace, Miu Kang Terrace and Schooner Street Site*

***Hopewell Centre II***

| **Project Description** | |
|---|---|
| Location | Wan Chai, Hong Kong |
| Total GFA | Around 101,600 sq.m. |
| Nature of development | Primarily a conference hotel with approximately 1,024 guest rooms (hotel area of around 70,500 sq.m.), a retail area of around 27,700 sq.m. and an office area of 3,400 sq.m. |
| Height / No. of storeys | 210 mPD/55 storeys |
| Estimated total investment | Around HK$9 - 10 billion (including land premium of HK$3,726 million and an estimated investment cost for a road improvement scheme and parks) |
| Status | Under construction (Site formation work in progress) |

| Construction progress details | |
|---|---|
| Excavated soil / rock volume | Around 80,000 cubic meter |
| Average daily workers on site | Around 100 workers |

A Land Grant execution involving a land premium payment of HK$3,726 million was completed on 24 October 2012. Construction of the hotel is advancing full steam forwards. Site formation work is in progress, with its target completion by mid-2017. Podium structural framework will start afterwards. According to the current plans, the project is targeted to complete in 2019. The estimated total investment cost (including land premiums) will be roughly HK$9 to 10 billion. This will be financed by the Group's internal resources and/or external bank borrowings. Upon completion, Hopewell Centre II is expected to be one of the largest hotels in Hong Kong with comprehensive conference facilities.

The Group plans to submit an application to refine the 2009 approved development scheme to Town Planning Board. It will enhance the pedestrian connectivity in Wan Chai South and preserve more mature trees. Under current planning, this will have no impact on the construction progress.

Details of Hopewell Centre II's development can be found at its website:
http://www.hopewellcentre2.com/eng/

**Capex Plan**[N1] (HK$'m)

| Up to 30 Jun 2016 | FY17 | FY18 | FY19 & Beyond |
|---|---|---|---|
| around $4,570[N2] | $550 | $2,530 | $1,350 |

***Planned Total Investment: around HK$9b - HK$10b***

*N1: Present planning, subject to change*
*N2: Include land premium HK$3,726m*

As at 31 December 2016, the market value of the hotel portion of this project amounted to HK$4,043 million (equivalent to around HK$3.9 million per room under development) as estimated by DTZ. In line with accepted market practice, the value of the hotel portion of the project is stated at a cost of around HK$2,462 million (equivalent to around HK$2.4 million per room under development) in the Group's balance sheet. This implies a hidden value of around HK$1.6 billion compared to stated market value.

A road improvement scheme will be carried out within this project which will improve the area's traffic flow and enhance pedestrian safety. The road improvement work at the junction of Queen's Road East and Kennedy Road started in December 2015.

A green park which will be open to the public will also be built within this project to provide a venue for public recreation and enjoyment. A Hopewell Centre II Green Park Committee has been formed to strive for a better design of the green park.

As a key element of Wan Chai Pedestrian Walkway proposal, this project will also provide a convenient pedestrian connection between the Kennedy Road residential area in Mid-Levels, Wan Chai MTR Station and Wan Chai North via Hopewell Centre and The Avenue/Lee Tung Avenue. In helping to seamlessly integrate major areas of Wan Chai district, it will also provide access to the Group's properties under "The East" brand. Synergising with the Group's current Wan Chai property portfolio, it will also further enhance its recurrent income base.

***Hill Side Terrace Cluster Development***

| Land Lots Owned by the Group | Acquisition Date | Site Area (sq.m.) |
|---|---|---|
| 1-3 Hill Side Terrace | 1981 | 516 |
| 1A Hill Side Terrace | 1988 | 585 |
| Nam Koo Terrace | 1988 | 685 |
| Miu Kang Terrace | 2014* | 342 |
| Schooner Street Site | 2014 | 270 |
| | *Total* | *2,398* |

**Acquisition date of the last unit*

Hill Side Terrace Cluster includes 1-3 Hill Side Terrace, 1A Hill Side Terrace, Nam Koo Terrace, Miu Kang Terrace and Schooner Street Site. As at 31 December 2016, the total book costs of these properties is around HK$600 million.

In order to realise the redevelopment potential of Hill Side Terrace Cluster and to preserve Nam Koo Terrace, the Group proposed that the Grade l historical building at Nam Koo Terrace will be restored and preserved, and a residential building with open space provision will be developed. Resubmission of the preservation cum development plan to Town Planning Board is pending.

***153-167 Queen's Road East***

| **Project Description** | |
|---|---|
| Proposed use | Commercial |
| Estimated total investment cost | Around HK$1,200 million |

The Group has expanded the 155-167 QRE project into 153-167 QRE project by acquiring two lots adjacent to the existing site through an application for compulsory sale for redevelopment (by auction) made in January 2017. Under current planning, the project will be developed into a commercial property. The project is envisioned to commence operation in 2021. As a result of the enlarged development, the interface for Hopewell Holdings' property portfolio on Queen's Road East will be increased.

| Project | 155-167 QRE Before Expansion | 153-167 QRE After Expansion | QRE Plaza |
|---|---|---|---|
| Site Area | 5,000 sq.ft. | 6,700 sq.ft. | 5,000 sq.ft. |
| Development GFA | 75,000 sq.ft. | 90,000 sq.ft. (Estimate) | 77,000 sq.ft. |

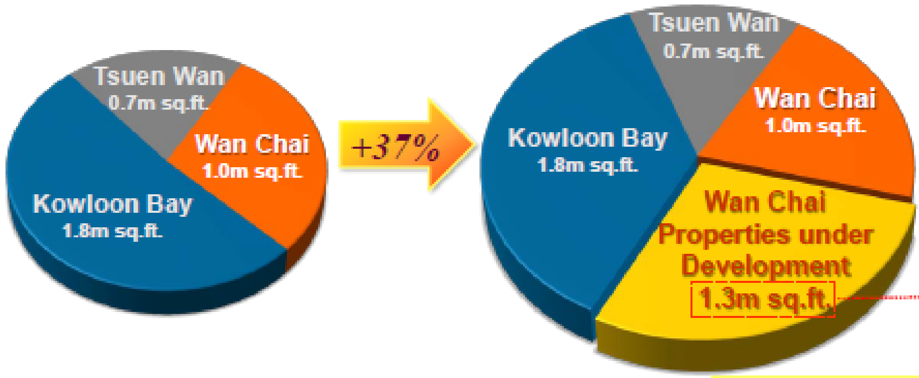
*Development in Wan Chai*

In increasing its exposure in Wan Chai, the Group aims to capture additional growth opportunities. Given that both 153-167 QRE and Hill Side Terrace Cluster are in close proximity to key properties in the Group's Wan Chai property portfolio, it will create tremendous synergy. Hopewell Centre II's retail space will also add to the Group's existing retail space to create one of Wan Chai's largest retail clusters in future. The ongoing redevelopment in the district is expected to bring significant changes to Wan Chai. The Group will continue to look for opportunities to increase land reserves in locations synergizing with its existing properties and development in Wan Chai.

Based on the Group's existing investment properties of approximately 3.5 million sq.ft., plus around 1.3 million sq.ft. of investment properties under development in Wan Chai, the total attributable GFA of the Group's investment properties will increase 37% to approximately 4.8 million sq.ft. in future. Upon completion of these properties under development which are situated in prime locations and will provide synergy to the existing property portfolio, the Group's rental income will be increased substantially.

## Investment Properties under Development
## - Future Growth Driver

| Existing | Future |
|---|---|
| Total GFA: 3.5 million sq.ft. | Total GFA: 4.8 million sq.ft. |




| | Use | Completion^ | GFA (sq.ft.)^ |
|---|---|---|---|
| Hopewell Centre II | Conference Hotel | 2019 | 1,100,000 |
| 153 - 167 QRE | Commercial | 2021* | 90,000 |
| Hill Side Terrace Cluster | Residential | under planning | 130,000 |
| | | | 1.3m |

^ *Under current planning*
* *Operation start*

# 2. INFRASTRUCTURE

## A. HHI

### Business Performance

During the period under review, the aggregate average daily toll revenue of the GS Superhighway and the Western Delta Route grew by 7% year-on-year to RMB12.6 million and the combined total toll revenue amounted to RMB2,318 million.

The growth momentum of the GS Superhighway has persisted ever since the second half of FY15. During the period under review, its average daily toll revenue increased by 4% year-on-year to RMB9.2 million and returned to the peak level recorded in the first half of FY14 after the tariff cut in June 2012. Meanwhile, the average daily full-length equivalent traffic grew by 6% year-on-year to 99,000 vehicles and reached a historical high. In particular, the year-on-year growth of average daily toll revenue and average daily full-length equivalent traffic in the fourth quarter of 2016 were stronger than that of 2016's corresponding averages. The growth was supported by the stable economic environments in Guangzhou, Dongguan and Shenzhen.

The average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route posted healthy growth at 13% and 16% year-on-year to RMB3.4 million and 46,000 vehicles respectively, both of which had reached historical high levels. In particular, the year-on-year growth of average daily toll revenue and average daily full-length equivalent traffic in the fourth quarter of 2016 were stronger than that of 2016's corresponding averages. The robust performance was supported by the healthy economic environments in Guangzhou, Foshan, Zhongshan and Zhuhai and the positive impacts generated from the maintenance works on certain local roads nearby since mid-August 2016. The average daily toll revenue and average daily full-length equivalent traffic of Phase I West grew by 8% and 10% year-on-year, amounting to RMB628,000 and 54,000 vehicles respectively, while that of Phase II West were RMB2,013,000 and 60,000 vehicles, representing a growth of 14% and 16% respectively. Phase III West's average daily toll revenue and average daily full-length equivalent traffic grew by 17% and 20% year-on-year to RMB732,000 and 26,000 vehicles respectively.

The HHI Group's shared aggregate net toll revenue increased by 7% year-on-year to RMB1,092 million during the period under review, with the GS Superhighway and the Western Delta Route contributing 73% and 27% respectively, compared to 74% and 26% respectively during the same period in FY16.

| **Financial Year** | *1H FY16* | ***1H FY17*** | *% Change* |
|---|---|---|---|
| ***At JV company level*** | | | |
| ***GS Superhighway*** | | | |
| Average Daily Toll Revenue^ (RMB ’000) | 8,839 | **9,225** | +4% |
| Average Daily Full-Length Equivalent Traffic* (No. of vehicles ’000) | 93 | **99** | +6% |
| ***Western Delta Route*** | | | |
| Average Daily Toll Revenue^ (RMB ’000) | 2,973 | **3,373** | +13% |
| Average Daily Full-Length Equivalent Traffic* (No. of vehicles ’000) | 40 | **46** | +16% |
| ***Phase I West*** | | | |
| Average Daily Toll Revenue^ (RMB ’000) | 581 | **628** | +8% |
| Average Daily Full-Length Equivalent Traffic* (No. of vehicles ’000) | 49 | **54** | +10% |
| ***Phase II West*** | | | |
| Average Daily Toll Revenue^ (RMB ’000) | 1,768 | **2,013** | +14% |
| Average Daily Full-Length Equivalent Traffic* (No. of vehicles ’000) | 52 | **60** | +16% |
| ***Phase III West*** | | | |
| Average Daily Toll Revenue^ (RMB ’000) | 624 | **732** | +17% |
| Average Daily Full-Length Equivalent Traffic* (No. of vehicles ’000) | 22 | **26** | +20% |

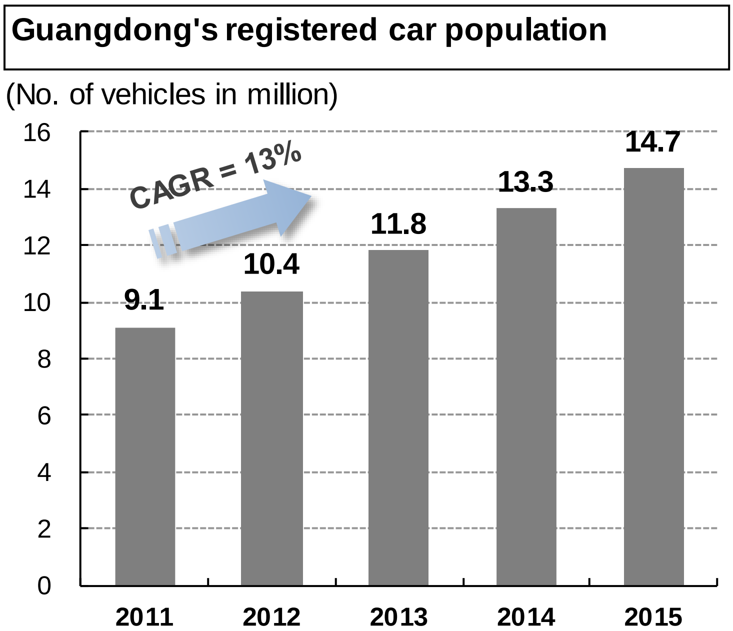
^ Including tax

* Average daily full-length equivalent traffic is defined as the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the period under review. It can better reflect road usage as it takes into account total travelling distance by all vehicles on the expressway and is a standard operational statistic used throughout the industry

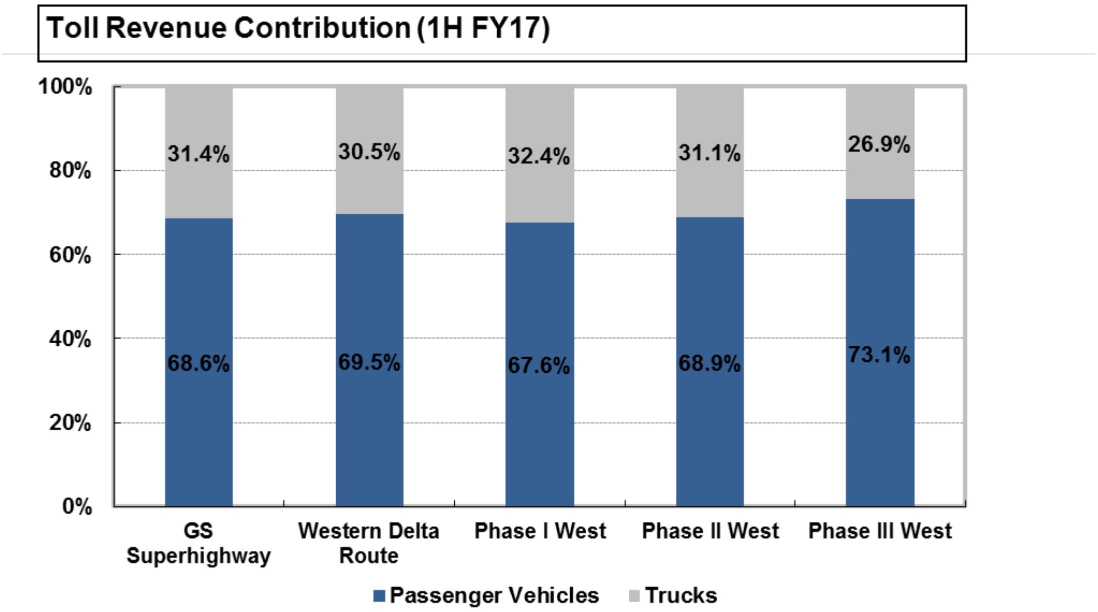
**Economic Environment**

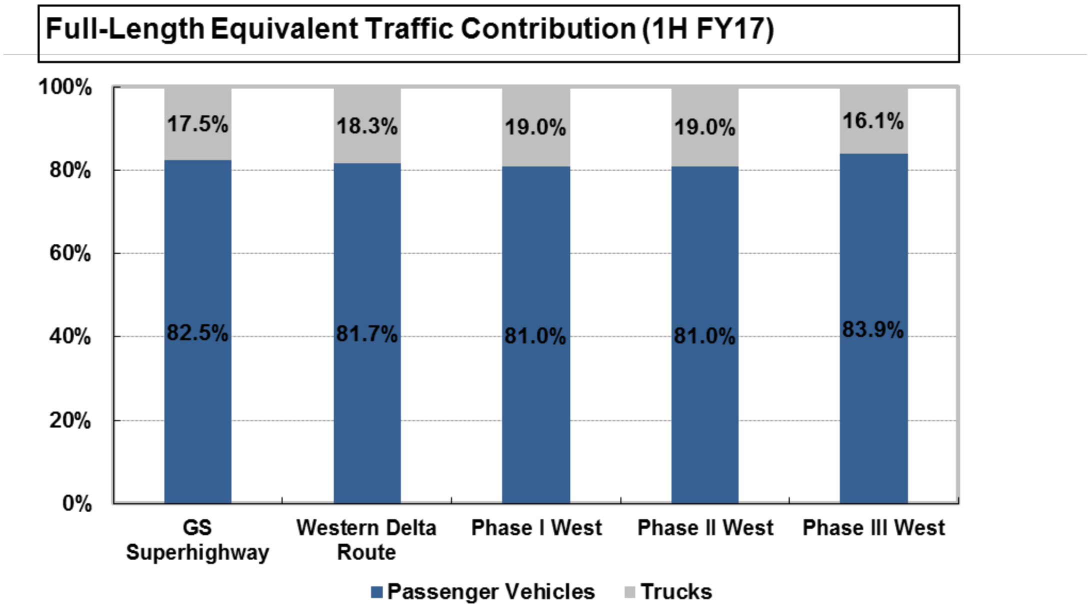
Despite weak external demand and political instability in overseas market, the Chinese economy remained resilient and experienced a stable growth in 2016. During the first three quarters of 2016, Mainland China and Guangdong achieved GDP growth of 6.7% and 7.3% respectively and the market expected the growth would maintain at a similar level in the fourth quarter of 2016. The growth rates were within the target range set early at the beginning of the year and it showed that the economy was growing on a firm footing.

From 2011 to the end of 2015, total length of expressways in Guangdong reached 7,021 km with a compound annual growth rate of 9%. On the other hand, continuous demand for road usage was reflected by the growing registered car population, which achieved a compound annual growth of 13% during the same period and reached a record high of 14.7 million vehicles at the end of 2015. The growth rate of toll road supply is far lagging behind the demand in Guangdong. The prosperous economic development and the rising registered car population that generate sustainable demand for road usage will continue to support the growth of the HHI Group's expressways.



At the end of 2015, registered car population in Mainland China had already exceeded 160 million and the number of vehicles keeps on rising. Annual vehicle sales in Mainland China in 2016 increased by 14% to approximately 28 million units which was the highest in history, according to the China Association of Automobile Manufacturers. The market benefited from the implementation of purchase tax cut from 10% to 5% for passenger cars with engines no larger than 1.6 litres from 1 October 2015 to the end of 2016. The tax rate increased to 7.5% in 2017, and it will return to the statutory rate, i.e. 10%, starting from 2018. In 2016, Mainland China remained the largest vehicle sales market in the world for the eighth consecutive year. HHI believes that the GS Superhighway and the Western Delta Route will continue to benefit from the growth of car population in Mainland China and Guangdong, which is driven mainly by the growth of passenger car sales.



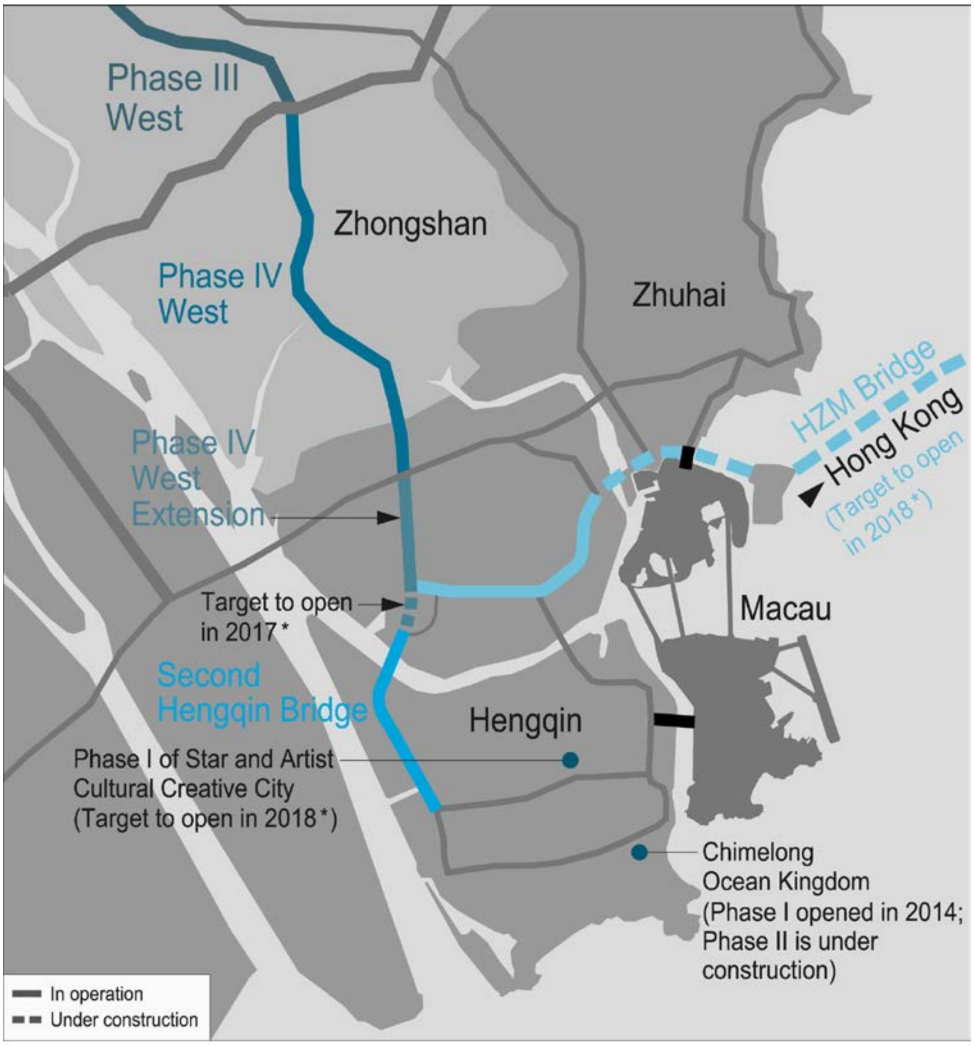



## Growth Potential of the Western Delta Route

The Western Delta Route is a 97.9-km closed expressway with a total of 6 lanes in dual directions which comprises Phase I West, Phase II West and Phase III West. It is the most direct and convenient expressway artery in the regional expressway network on the western bank of the PRD region, running from north to south through the most prosperous and populous cities namely Guangzhou, Foshan, Zhongshan and Zhuhai. It offers direct and convenient access to the Hengqin State-level Strategic New Zone, and via its connection with the forthcoming HZM Bridge, to Hong Kong. The healthy economic development of the four main cities on the western bank of the PRD region, namely Guangzhou, Foshan, Zhongshan and Zhuhai with GDP growth of 7.8%-8.5% in the first three quarters of 2016, created solid demand for transportation along the Western Delta Route.

The Western Delta Route is located at the heart and runs along the central axis of the western bank of the PRD region. It is well connected with the Guangzhou Ring Road, Guangzhou-Gaoming Expressway, Guangzhou Southern Second Ring Road, Zhongshan-Jiangmen Expressway, Western Coastal Expressway, and will link up with the forthcoming HZM Bridge, Guangzhou-Zhongshan-Jiangmen Expressway, Humen Second Bridge and Shenzhen-Zhongshan Corridor (these infrastructures will open to traffic by 2018, 2019, 2019 and 2023 respectively, according to the media reports) to form a comprehensive regional expressway network. Moreover, the construction of a direct expressway link between the southern end of the Western Delta Route and Second Hengqin Bridge will be completed shortly and opened to traffic in the coming months. This new connection will further strengthen the position of the Western Delta Route as a north-south corridor on the western bank of the PRD region, making it the only expressway artery facilitating traffic to and fro Guangzhou and Hengqin. In addition, the Zhuhai Link Road, which is connected to the southern end of Phase IV West Extension and the HZM Bridge, was partially opened to traffic on 9 September 2016. Now it provides a direct linkage to the city centre of Zhuhai and will further connect to the HZM Bridge after full completion. HHI believes that good connectivity will provide continuous and stable traffic flow to the Western Delta Route.

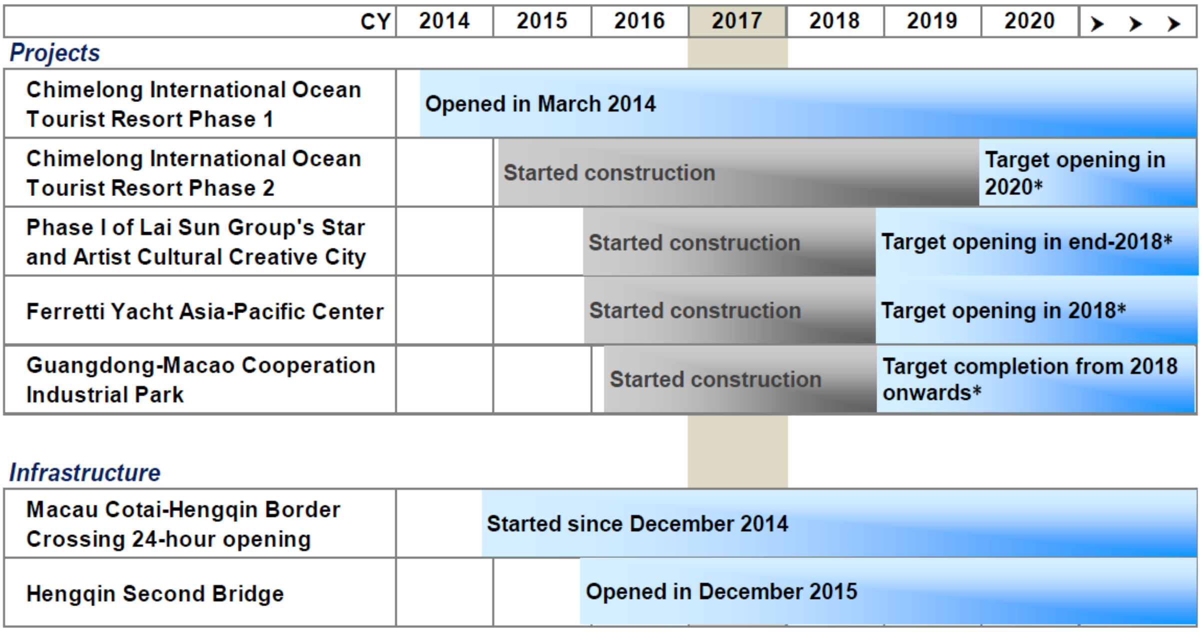
The HZM Bridge will commence operation in 2018, according to the media. Upon its completion, cities on the western bank of the PRD region will fall into a 3-hour commuting radius from Hong Kong. The cross border passenger and freight traffic between the western bank of the PRD region and Hong Kong will be stimulated due to a more convenient land transport and shorter travelling time. The travelling time between Hong Kong and Zhuhai will be substantially shortened to approximately 30 minutes via the HZM Bridge in the future instead of spending as long as 4 hours by land or over 1 hour by sea. With reference to the opening of the Hong Kong-Shenzhen Western Corridor in 2007, the number of cross-border licenses for private cars has significantly been increasing to utilise the enlarged capacity of the border crossings. It is expected that more private car cross-border licenses will be issued for the new HZM Bridge border crossing shortly after its opening. The HZM Bridge's opening will further foster the region's economic development and integration.




* According to media

Hengqin in Zhuhai is the third State-level Strategic New Zone following Shanghai's Pudong District and Tianjin's Binhai District in China. It is also being incorporated as part of the China (Guangdong) Pilot Free Trade Zone which was established in April 2015. Hengqin is being positioned as a new growth hub focusing on the development of business services, tourism, entertainment and technological research. Numerous key development projects, including commercial landmarks, hotels and tourist attractions, will be completed in the coming few years. According to the media reports, the committed total project investments in Hengqin have reached over RMB320 billion at the end of 2016. Among which, Chimelong International Ocean Tourist Resort is one of the signature projects and the major contributor to tourism in Hengqin. Approximately 34 million tourists visited the resort since its official opening in March 2014. It will be further expanded in the future by its phase two project which is under construction since January 2015. Moreover, Phase one of Lai Sun Group's Star and Artist Cultural Creative City, another signature project focused on culture and recreation industries with theme hotels, targets to open in 2018 according to the media. The Macao government also drives the development in Hengqin by recommending projects to the Guangdong-Macao Cooperation Industrial Park. Among 33 qualified Macao-funded projects proposed in April 2014, 12 projects had started construction and will be completed from 2018 onwards as reported by the media. In addition to the initial recommendation, 50 new local projects were presented to the Hengqin authority for consideration in November 2016 to further expand the industrial park. Apart from project development, Zhuhai is becoming a premier venue for holding international events. The China International Circus Festival will be held annually instead of biennially since 2016 while Airshow China will remain a biennial event to be held in Zhuhai. The progressive development in Hengqin will strengthen the demand for transportation in the region.

**Hengqin's Developments**




* According to media

On the other hand, newly established gaming resorts and hotels in Macau have helped to promote tourism. In 2015 and 2016, new projects completed in Cotai, namely Galaxy Macau Phase Two, Studio City, Wynn Palace and the Parisian Macao, helped to attract more tourists and they altogether provided a total of over 7,500 guest rooms. Besides, there are other notable projects still under construction. MGM Cotai is expected to open in the second half of 2017 and Grand Lisboa Palace will be completed by the end of 2017 according to the media reports. These new landmarks will provide fresh experience of entertainment and hospitality in the region, propelling a second wave of growth in Macau's tourism. Furthermore, after the implementation of 24-hour opening of border crossing for passengers and passenger cars between Macau and Hengqin since 18 December 2014, the cross border traffic flow was boosted. The average daily cross border passenger flow and vehicular traffic between Cotai and Hengqin grew robustly by 70% and 23% to 24,000 journeys and 3,000 vehicles respectively in the first eleven months of 2016 when compared to the same period before this 24-hour opening policy in effect in 2014. The Western Delta Route, being the most direct and the shortest expressway from Guangzhou to Hengqin and Macau, will benefit from the increased demand for passenger and freight transportation brought along by the developments of the region.

## Toll Road Policies

### *Traffic restriction during peak hours in Shenzhen*

On 29 December 2014, the Traffic Police Bureau of Shenzhen announced a new traffic restriction on non-Shenzhen registered passenger vehicles. These vehicles are prohibited from travelling within the four downtown districts of Shenzhen, namely Futian, Luohu, Nanshan and Yantian, during peak hours from 07:00 to 09:00 and from 17:30 to 19:30 since 30 December 2014. According to the latest announcement by the Traffic Police Bureau of Shenzhen, this restriction has been extended to certain areas of six additional downtowns, namely Baoan, Longgang, Longhua, Guangming, Pingshan and Dapeng, effective since 15 April 2016. Routes linking the border crossings are exempted from this measure, therefore vehicles travelling along the GS Superhighway to the Huanggang and Futian border crossings are not affected.

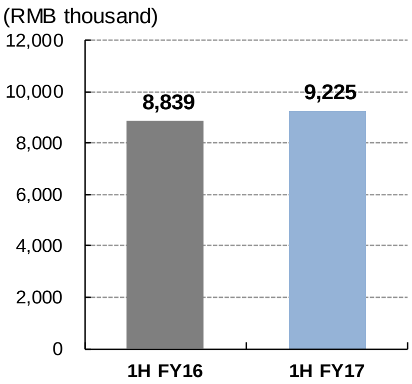
### *Regulation on the Administration of Toll Roads (Amendment Proposal)*

On 8 May 2013, the Ministry of Transport proposed amendments to the existing Regulation on the Administration of Toll Roads and invited opinions from the public and relevant industries. Later on 21 July 2015, the Ministry of Transport announced a new version of amendment and invited opinions from the public again. The major new clauses affecting the toll road companies under operation include (1) the toll collection period can be up to 30 years instead of the prevailing 25 years; (2) the operation period can be extended due to increased investment in traffic capacity expansion and (3) the local government, which launches a toll-free policy violating the legal rights of the toll road companies and resulting in any revenue loss, needs to compensate the toll road companies. HHI will closely monitor the development on this issue.

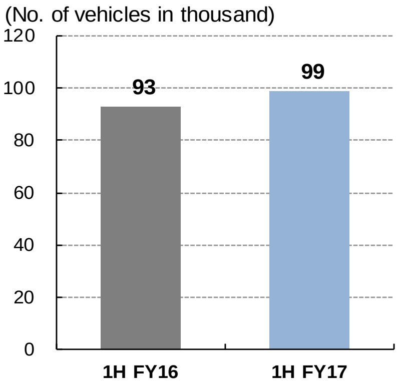
## Guangzhou-Shenzhen Superhighway

The GS Superhighway is the main expressway connecting the PRD region’s three major cities – Guangzhou, Dongguan, Shenzhen and Hong Kong. After the full opening of the Coastal Expressway at the end of 2013, the GS Superhighway returned to positive growth ever since the second half of FY15. During the period under review, steady growth has been maintained. The average daily toll revenue increased by 4% year-on-year to RMB9.2 million which returned to the peak level recorded in the first half of FY14 after the tariff cut in June 2012. Its total toll revenue amounted to RMB1,697 million. The average daily full-length equivalent traffic on the GS Superhighway rose by 6% year-on-year to 99,000 vehicles and reached a historical high. When comparing with the new historical peak at 121,000 vehicles recorded on 14 September 2016, there is still 22% room for traffic growth on the GS Superhighway. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 68.6% and 82.5% of the GS Superhighway’s toll revenue and full-length equivalent traffic volume respectively.

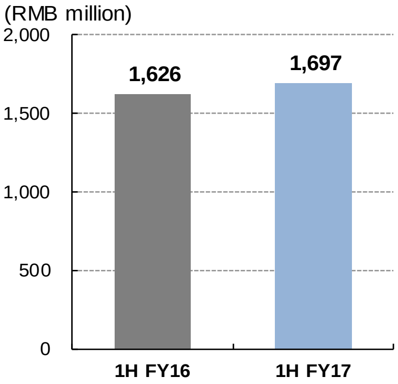
**Average Daily Toll Revenue^**



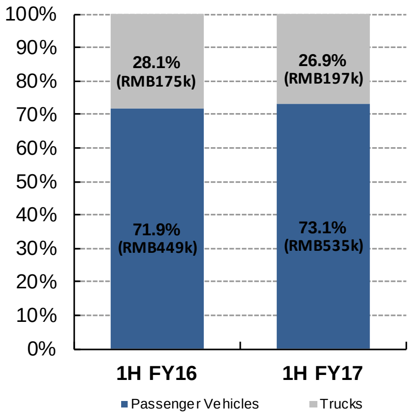

**Average Daily Full-Length Equivalent Traffic**



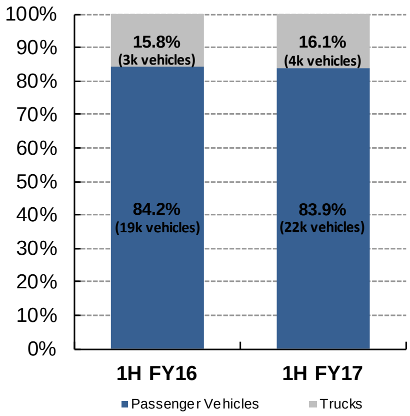

**Total Toll Revenue in 6 months^**




**Average Daily Toll Revenue Breakdown by Vehicle Type**

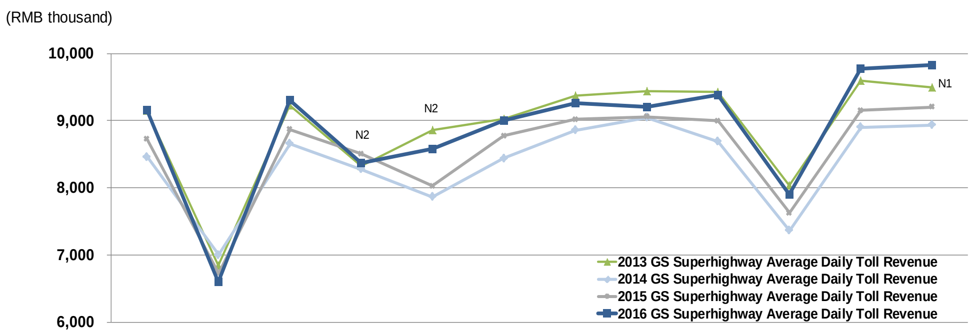



**Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type**




^ Including tax

## GS Superhighway Average Daily Toll Revenue (Monthly)



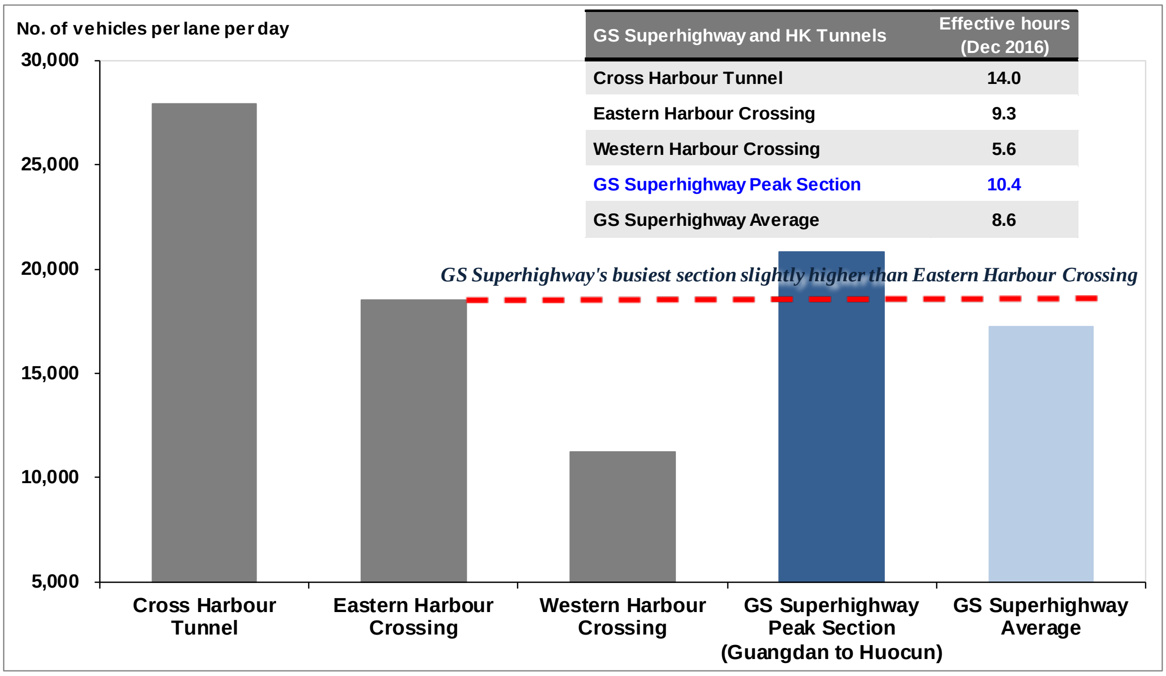

| | Jan + Feb (Lunar New Year) | Mar | Apr (Ching Ming Festival) | May (Labour Holiday) | Jun | Jul | Aug | Sep + Oct (National Holiday) | Nov | Dec | CY Yearly Average | yoy change 1HCY | yoy change 2HCY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | 8,055 | 9,228 | 8,321 | 8,860 | 9,023 | 9,371 | 9,440 | 8,717 | 9,592 | 9,492 | 8,913 | | |
| 2014 | 7,770 | 8,657 | 8,276 | 7,868 | 8,438 | 8,857 | 9,046 | 8,017 (Guangzhou Northern Ring Road closure) | 8,903 | 8,933 | 8,384 | -5% | -6% |
| 2015 | 7,774 | 8,867 | 8,505 | 8,025 | 8,775 | 9,017 | 9,057 | 8,300 | 9,153 | 9,202 | 8,567 | +2% | +2% |
| 2016 | 7,921 | 9,303 | 8,374 | 8,584 | 9,002 | 9,266 | 9,204 | 8,634 | 9,779 | 9,831 | 8,875 | +3% | +4% |
| 2015 vs 2014 yoy | +0% | +2% | +3% | +2% | +4% | +2% | +0% | +4% | +3% | +3% | +2% | | |
| 2016 vs 2015 yoy | +2% | +5% | -2% | +7% | +3% | +3% | +2% | +4% | +7% | +7% | +4% | | |

N1: Coastal Expressway fully opened on 28 December 2013

N2: April: One more day of toll-free Labour Holiday in 2016 compared to 2015; May: One less day of toll-free Labour Holiday in 2016 compared to 2015

With reference to the chart below, the cross sectional traffic volume (per lane) of the GS Superhighway's busiest section was slightly higher than that of the Eastern Harbour Crossing in Hong Kong while its average of all sections was lower than that of the Eastern Harbour Crossing.

**<u>GS Superhighway – Average Daily Cross Sectional Traffic Per Lane and Effective Hour</u>**




| GS Superhighway and HK Tunnels | Effective hours (Dec 2016) |
|---|---|
| Cross Harbour Tunnel | 14.0 |
| Eastern Harbour Crossing | 9.3 |
| Western Harbour Crossing | 5.6 |
| GS Superhighway Peak Section | 10.4 |
| GS Superhighway Average | 8.6 |

Remarks:
1) Effective hour = no. of vehicles per lane / 2,000 cars per hour per lane
2) 10 lanes in dual directions in Wudianmei to Taiping and Hezhou to Fuyong sections after expansion for the GS Superhighway
3) Average daily traffic of HK tunnels (October 2016): Cross Harbour Tunnel 112,000, Eastern Harbour Crossing 74,000, Western Harbour Crossing 67,000
4) Average daily traffic of GS Superhighway (December 2016)

The implementation of traffic restriction measures in the peripheral area of Shenzhen Bay border crossing due to road network upgrade works since mid-October 2016 has diverted some passenger cars to travel on the GS Superhighway and the impact is minimal currently. The aforesaid works will be completed by May 2017 and the HHI Group will continue to monitor its impact.

Guangzhou East-South-West Ring Road, which is connected to Guangdan interchange of the GS Superhighway, started maintenance works in some sections from mid-June 2015. It is planned to be completed by the end of April 2017. Traffic between it and the GS Superhighway was slightly interrupted and the impact is insignificant.

According to the media reports, Shenzhen has planned to start upgrading works on Baoan section of National Highway 107 in 2018 and the starting date of construction works is yet to be announced. The HHI Group will continue to monitor the situation.

The GS Superhighway JV has been making incessant progress in enhancing its operational efficiency and its capability to cope with the increasing traffic by installing automated equipment at the toll lanes and entry lanes. Currently, approximately 76% of all the toll lanes at entrances to the GS Superhighway are equipped with ETC or automatic card-issuing machines. The GS Superhighway JV also completed an organizational structure review, which targeted at streamlining the workforce and improving the operational efficiency in the long term. The implementation plan is currently under execution.

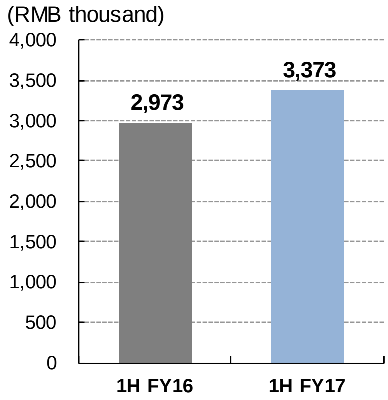
**Western Delta Route**

The Western Delta Route is a 97.9-km closed expressway with a total of 6 lanes in dual directions which is comprised of Phase I West, Phase II West and Phase III West. It is the central expressway artery on the western bank of the PRD region connecting four major cities – Guangzhou, Foshan, Zhongshan and Zhuhai. It is well connected with Guangzhou's expressway network in the north and extends southwards to link with Zhuhai's expressway network, offering a convenient access to Hengqin and the forthcoming HZM Bridge to Hong Kong.

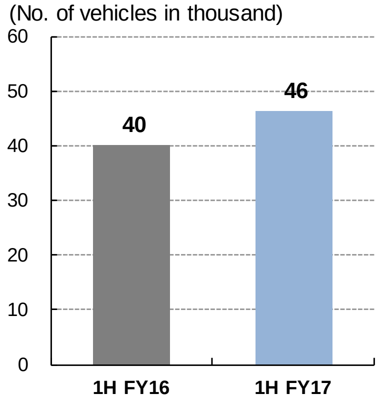
During the period under review, benefiting from the development of tourism in Hengqin and Macau and healthy economic environment, the average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route grew healthily and achieved 13% and 16% year-on-year growth to RMB3.4 million and 46,000 vehicles respectively. Meanwhile, its total toll revenue amounted to RMB621 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 69.5% and 81.7% of the Western Delta Route's toll revenue and full-length equivalent traffic volume respectively. On 14 September 2016, its toll revenue recorded a new high which amounted to RMB4.3 million.

From mid-August 2016 to July 2017, three bridges located on local roads close to the Western Delta Route carried out maintenance works in different periods and traffic restriction measures were implemented accordingly. These maintenance works nearby diverted some vehicles to use the Western Delta Route, thereby bringing positive impact to its growth.

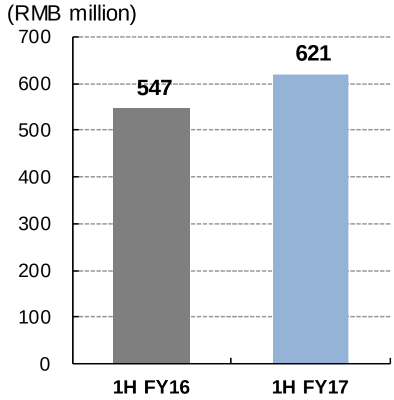
**Average Daily Toll Revenue^**



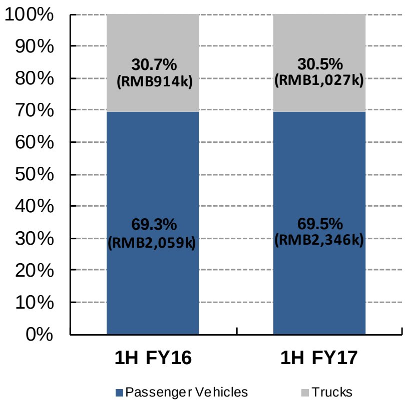

**Average Daily Full-Length Equivalent Traffic**



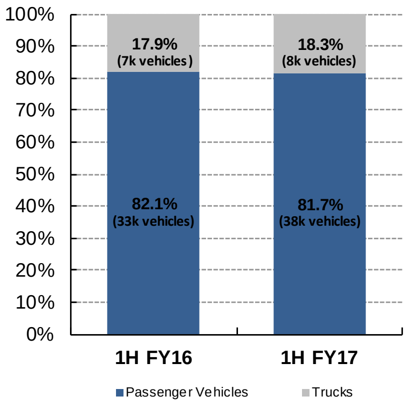

**Total Toll Revenue in 6 months^**




**Average Daily Toll Revenue Breakdown by Vehicle Type**



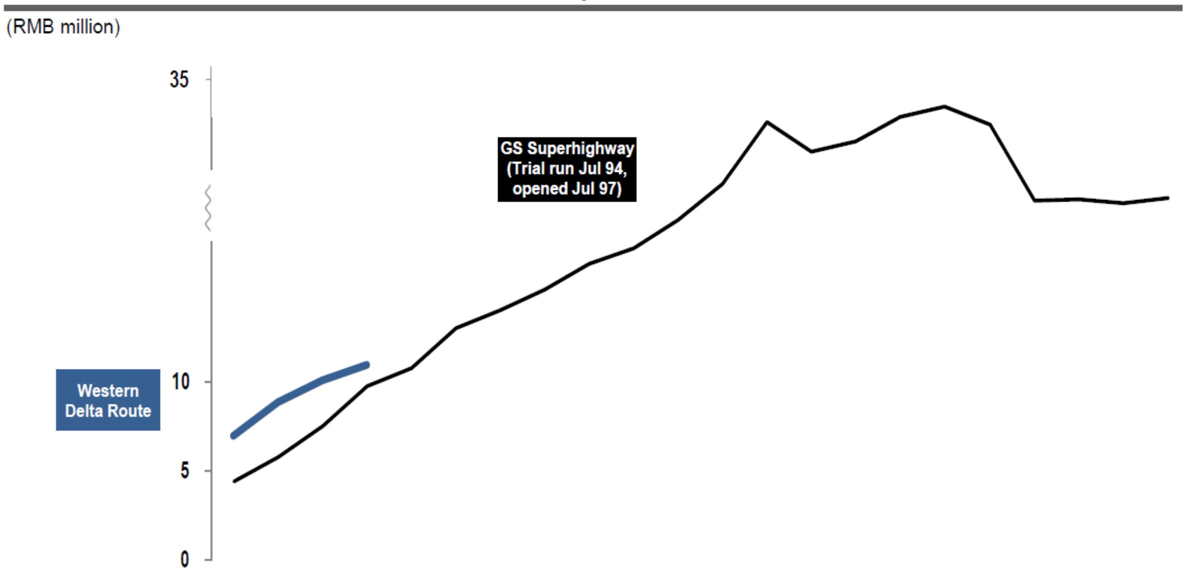

**Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type**




^ Including tax

The Western Delta Route has shown encouraging revenue generation since opening when comparing with other projects of HHI. Given its locational advantages on the western bank of the Pearl River Delta, it is well positioned to benefit from the prosperous economic development of the region.

## Western Delta Route — Annual Toll Revenue^ per km




| Opening Year / RMB 'm | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 | Year 21 | Year 22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GS Superhighway (FY95) | 4.4 | 5.8 | 7.5 | 9.8 | 10.8 | 13.1 | 14.4 | 15.4 | 17.2 | 20.6 | 24.2 | 26.2 | 29.8 | 26.0 | 26.6 | 28.5 | 30.1 | 29.5 | 25.7 | 25.8 | 25.2 | 25.9 |
| Western Delta Route (FY13) | 7.0 | 9.3 | 10.1 | 11.0 | | | | | | | | | | | | | | | | | | |

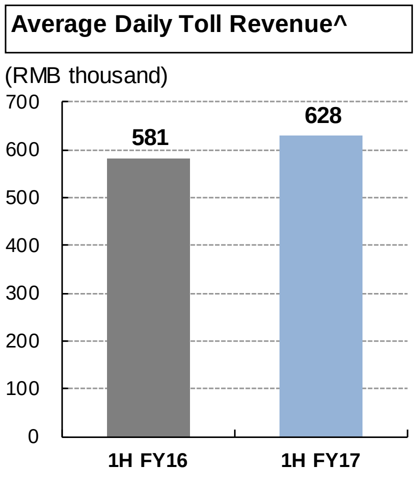
^

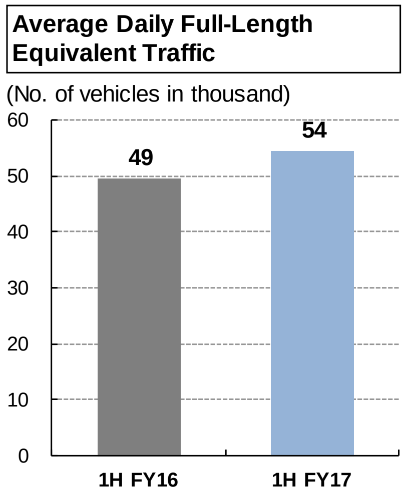
^ Including tax

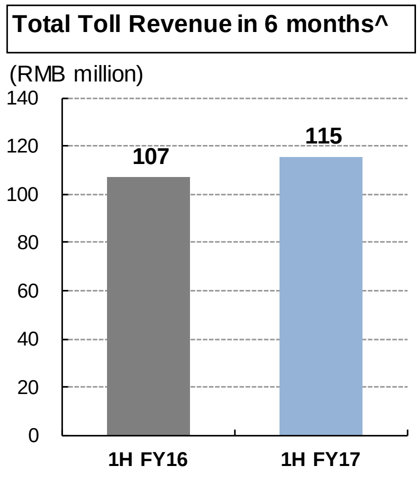
### Phase I of the Western Delta Route

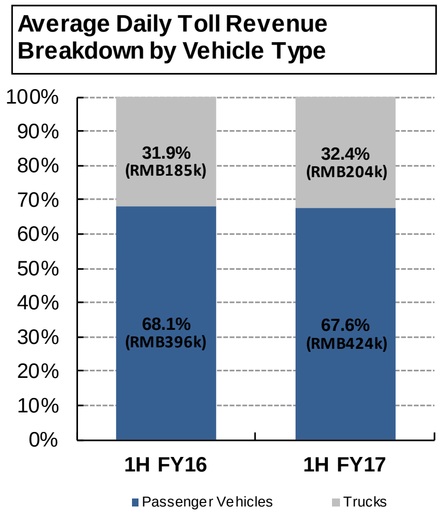
Phase I West connects with Guangzhou East-South-West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. It is also easily accessible from Foshan through its connection with Guangzhou-Gaoming Expressway. As the northern part of the Western Delta Route, Phase I West's synergy with Phase II West and Phase III West as well as the on-going economic growth of Guangzhou and Foshan will continue to drive the growth of its traffic volume and toll revenue.

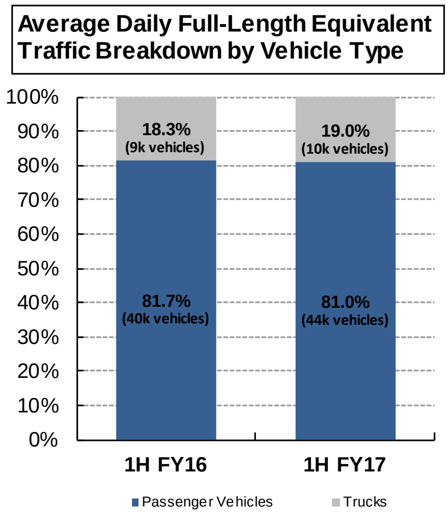
The traffic volume and toll revenue of Phase I West grew steadily. During the period under review, its average daily toll revenue increased by 8% year-on-year to RMB628,000, whereas its average daily full-length equivalent traffic increased by 10% to 54,000 vehicles. Its total toll revenue amounted to RMB115 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 67.6% and 81.0% of Phase I West's toll revenue and full-length equivalent traffic volume respectively.




^ Including tax

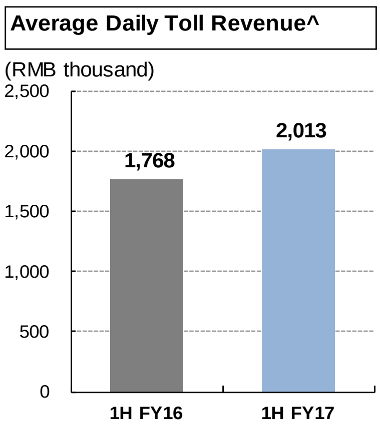
Wujiawei interchange, which is constructed by Guangzhou-Gaoming Expressway and is located between Shizhou and Bijiang interchanges, was partially opened and connected with the southbound of Phase I West at the end of December 2014. It was further connected with the northbound of Phase I West and fully opened to traffic since 5 February 2016. This new connection continues to bring in additional traffic from western Foshan to the Western Delta Route.

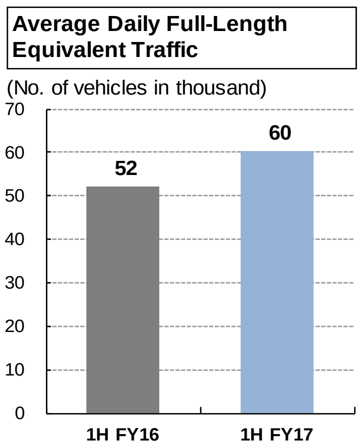
**Phase II of the Western Delta Route**

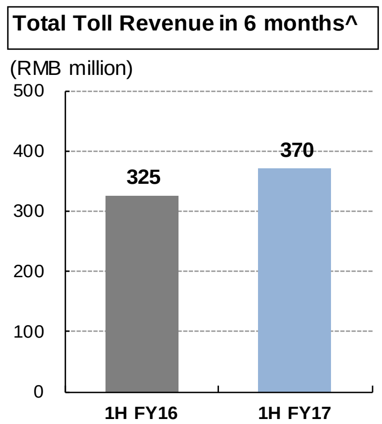
Phase II West is connected to Phase I West at Shunde to the north and Phase III West at Zhongshan to the south. It is also interconnected with National Highway 105, Guangzhou Southern Second Ring Road and Jiangmen-Zhongshan Expressway, and it has a direct connection to downtown Zhongshan at its southern end. The healthy economic development of cities alongside continues to boost the growth of Phase II West's traffic volume and toll revenue.

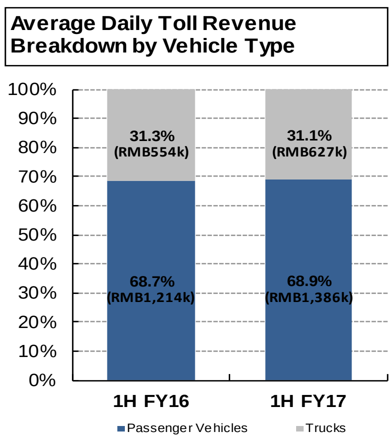
The toll revenue and traffic volume of Phase II West posted a healthy growth during the period under review. Its average daily toll revenue rose by 14% year-on-year to RMB2,013,000, and average daily full-length equivalent traffic grew by 16% to 60,000 vehicles. Total toll revenue amounted to RMB370 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 68.9% and 81.0% of Phase II West's toll revenue and full-length equivalent traffic volume respectively.

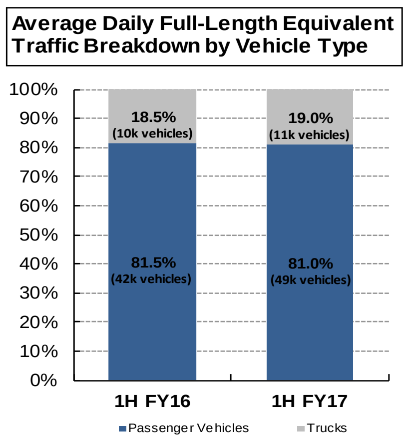
Growth accelerated since August 2016. It was mainly due to the positive impacts caused by the maintenance works of certain bridges on local roads near the Western Delta Route. Moreover, supported by the on-going economic development in Shunde and Zhongshan, it is expected that the traffic volume will continue to grow steadily.



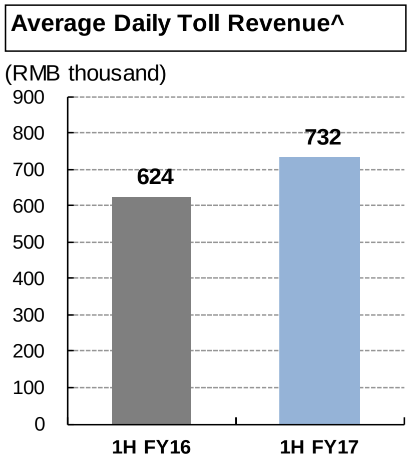



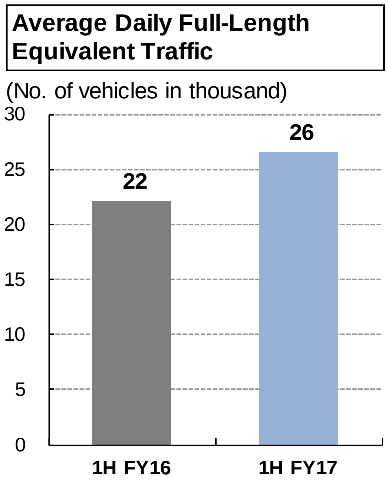

^ Including tax

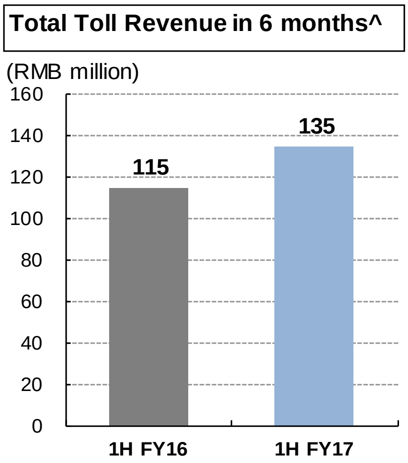
## Phase III of the Western Delta Route

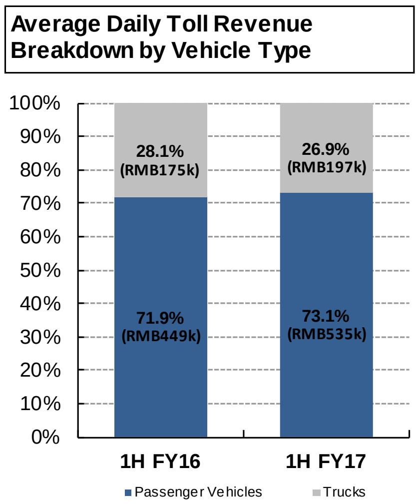
Phase III West is connected to Phase II West at Zhongshan to the north. It extends southwards to link with the Zhuhai expressway network, thus providing a direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai, Macau and the HZM Bridge which is currently under construction. It provides the most direct and convenient expressway link between the city centres of Zhongshan and Zhuhai.

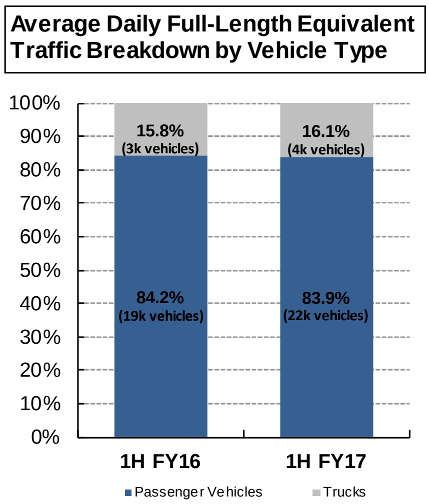
The traffic volume and toll revenue of Phase III West continues to record healthy growth. During the period under review, its average daily toll revenue and average daily full-length equivalent traffic amounted to RMB732,000 and 26,000 vehicles, up by 17% and 20% respectively. Its total toll revenue amounted to RMB135 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 73.1% and 83.9% of Phase III West's toll revenue and full-length equivalent traffic volume respectively.




^ Including tax

The Second Hengqin Bridge was opened to traffic on 30 December 2015 and is linked with the southern end of the Western Delta Route via local road into Hengqin since then. By connecting the bridge with the Zhuhai expressway network via a direct expressway link which will be opened in the coming months, a main and exclusive traffic artery to and fro Guangzhou and Zhuhai's Hengqin, which includes the Western Delta Route as a north-south corridor on the western bank of the PRD region, will be formed subsequently. In addition, the Zhuhai Link Road, which is connected with the southern end of Phase IV West Extension and the HZM Bridge, was partially open to traffic on 9 September 2016. Now it provides a direct linkage to the city centre of Zhuhai and will further connect to the HZM Bridge after full completion. The completion of expressway network can further facilitate traffic to and fro Zhuhai's Hengqin and Macau through Phase III West. It is believed that good connectivity will provide continuous and stable traffic flow to the Western Delta Route.

## B. Power

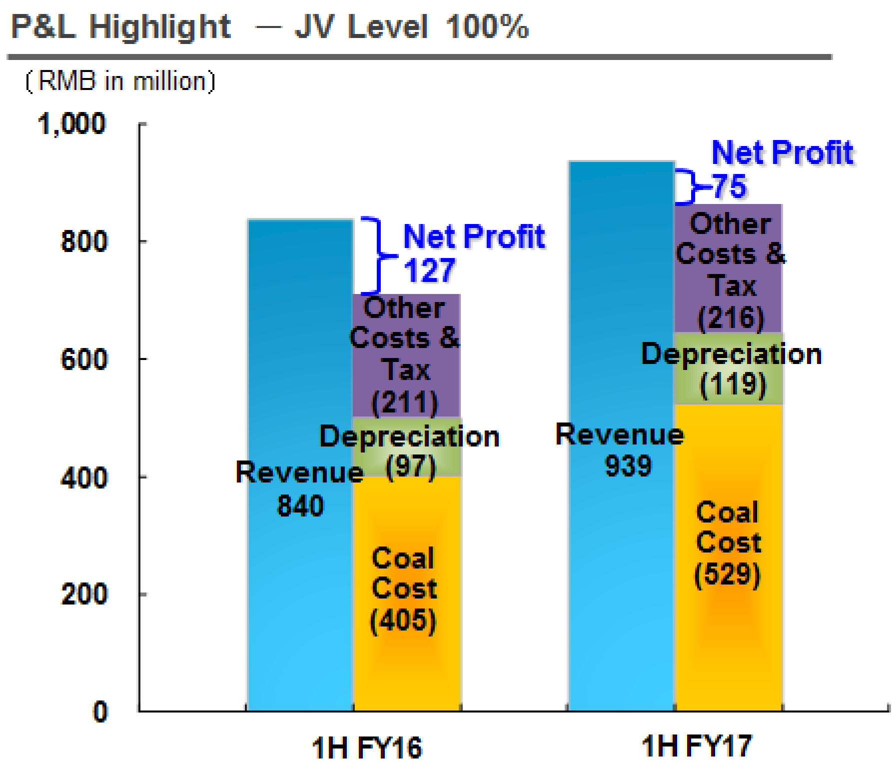
***Heyuan Power Plant Phase I***

| **Project Description** | |
|---|---|
| Location | Heyuan City, Guangdong Province, PRC |
| Installed Capacity | 2 x 600MW |
| HHL's stake | 35% |
| JV partner | Shenzhen Energy Group Company Limited |
| Total investment | RMB 4.7 billion |
| Status | In operation |

| **Key operating data** | 1H FY16 | **1H FY17** |
|---|---|---|
| Gross generation | 2,200GWh | **2,600GWh** |
| Utilisation rate [N1] (hours) | 42% (1,852 hours) | **50% (2,185 hours)** |
| Availability factor [N2] | 68% | **72%** |
| Average on-grid tariff (with desulphurization, denitrification and dust removal) (excluding VAT) (RMB/MWh) | 403.3 | **379.9** |
| Approximate cost of coal (5,500 kcal/kg) (including transportation cost and excluding VAT) (RMB/ton) | 486 | **542** |

*N1: Utilisation rate* $= \dfrac{\textit{Gross generation during the period under review}}{\textit{Total number of hours during the period under review x Installed capacity}}$

*N2: Availability factor* $= \dfrac{\textit{The number of hours for electricity generation during the period under review}}{\textit{Total number of hours during the period under review}}$




During the period under review, Heyuan JV's net profit decreased to RMB75 million from RMB127 million in the last corresponding period due to decrease in tariff rate and increase in cost of coal. Net profit margin decreased from 15% to 8%. The Heyuan JV will continue to endeavor to formulate and implement suitable cost-control measures.

The economy is subject to cycles. The continuing economic development of Guangdong Province indicates that demand for electricity there will still be strong in the long run on the upturn of its economic cycle. The Group expects that the power plant will continue to provide it with stable profit contributions.

***Heyuan Power Plant Phase II***

The management will continue to review the feasibility of participation in the 2 x 1,000 MW second phase of the project.

## PROSPECTS

The global economy and political landscape continue to be shrouded in clouds of uncertainties and rapid changes, as a result of the Brexit, the new United States presidency, recovery pace of the Eurozone economies, the fluctuation in oil price, the strengthening of US dollar and the looming US interest rate hike. All these will have unpredictable impacts on the global economy. The Group will closely monitor evolving market trends and equip itself to face the various challenges ahead by adopting prudent and effective policy in managing risks.

By implementing a proactive fiscal policy and prudent monetary policy, China was able to achieve 6.7% GDP growth rate in 2016, which was within the Central Government's targeted range. Moreover, "The Belt and Road initiative" has continued to promote development and business co-operation among the participating regions and nations, which should benefit Hong Kong.

Hong Kong's economy maintained a modest growth and unemployment stayed at a low level in 2016. The local consumer market remains stable and it is underpinned by the relatively stable income and employment conditions. Meanwhile, the Hong Kong Government spares no effort in bolstering up its economy by investing in large infrastructure projects such as the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge and the airport's three-runway system, which will further strengthen Hong Kong's competitive edge.

Despite the slightly softening demand of office space in short term, with more PRC companies setting up offices in Hong Kong, the outlook demand for office space in Hong Kong is expected to be stable. Besides, the Group will continue to pursue proactive enhancement and management of its existing investment property portfolio in order to capture the growth opportunities ahead. For instance, an upmarket fashion outlet housing a fine selection of premium fashion brands on G/F of KITEC opened in August 2016 and it was well-received by the market. Areas with GFA of approximately 100,000 sq.ft. currently being leased to the automall and DFS on B1/F of KITEC are planned to be converted into spaces for the expansion of G/F's fashion outlet and it is expected that new tenants will move in and start operation by summer 2018.

The Group's major pipeline projects, namely Hopewell Centre II, Hill Side Terrace Cluster and 153-167 QRE, will generate tremendous synergies with its existing properties in Wan Chai. These, together with the Group's existing projects, namely Hopewell Centre, Wu Chung House retail shops, GardenEast, QRE Plaza and Lee Tung Avenue, will form an attractive lifestyle hub drawing in visitation, spending and businesses.

Given its unrelenting effort in various asset enhancement initiatives, the Group has strived to leverage on its well-established image as a landlord of premium properties in Hong Kong to bring sustainable growth to its business and enhance shareholders' value.

# CORPORATE SUSTAINABILITY

## Awards and Recognition

- HHL was awarded the 7th Hong Kong Outstanding Corporate Citizenship Logo (Enterprise Category) while HH Social Club received the 7th Hong Kong Outstanding Corporate Citizenship Merit Award (Volunteer Category)
- HHL received the Certificate of Appreciation in the 6th Friends of EcoPark Award organised by the Environmental Protection Department

## Environmental

### Government's Environmental Campaigns

The Group actively participated in Government's campaigns to reduce environmental impact and promote environmental awareness. Major campaigns include:

- Carbon Reduction Charter
- Charter on External Lighting
- Energy Saving Charter
- Energy Saving Championship Scheme
- Waste Check Charter

### Green Office Awards Labelling Scheme (GOALS)

HHL received World Green Organisation's "Green Office" label and United Nations Millennium Development Goals' "Better World Company" label in recognition of our efforts towards a low carbon office.

### Highway

6 electric vehicle (EV) charging facilities at Houjie service area of the GS Superhighway have started operation since 23 November 2016 to accommodate the need of road users. The GS Superhighway JV is the first expressway in Guangdong to provide EV charging service in its service area.

### Heyuan Power Plant

Heyuan Power Plant continuously seeks opportunities to generate energy in a greener way. A super low emission system in its Unit 2 and Unit 1 was installed at the plant during FY15/16 and FY16/17 respectively for further reduction of flue ash, $SO_2$ and $NO_x$ emissions.

## Our People

### Employee relations and engagement

We treasure our employees and are committed to creating a harmonious and efficient working environment. Our management makes tremendous efforts to engage and communicate with all staff members, and encourages everyone to optimise their work-life balance by taking part in the Group's Employee Assistance Programme as well as various employee social functions and outings.

**Employee Development**

The Group believes in life-long learning and personal development by offering a wide range of sponsored work-related training programmes, seminars and workshops for employees. Staff orientation programmes for new employees to facilitate a productive and long lasting employer-employee relationship are also organised at regular intervals.

**Talent Acquisition and Development**

We have developed three tailor-made programmes including Management Trainee Program, Summer Internship Program and Master Serve - Hospitality Trainee Program. A broad range of interactive initiatives such as campus recruitment talks, career fairs, knowledge sharing, networking platform and job shadowing have been launched throughout the year in order to recruit and nurture high-calibre staff.

**<u>Customers and Communities</u>**

**HHL actively supported and participated in community programmes and initiatives:**

- Sponsored Wan Chai Sports Federation Soccer Team
- Sponsored Wan Chai Happy Family Poon Choi Feast 2016/2017
- Supported the Hong Kong Athletes Career and Education Programme run by the Sports Federation and Olympic Committee of Hong Kong, China
- Sponsored a social experiencing project, "Explorez 2016", organised by Hong Kong Outstanding Students' Association
- Sponsored the Community Chest Wine for Millions 2016/2017 and the Community Chest Wheelock Swim for Millions 2016
- Participated in Wan Chai District Warmth Action 2016/2017
- Participated in Heifer Hong Kong's Race to Feed 2016
- Participated in TWGHs "iRun" – Hong Kong Jockey Club Special Marathon 2017
- Participated in Dress Casual Day 2016, Mooncakes for Charity 2016, Love Teeth Day 2016/2017, and 2016/2017 Hong Kong and Kowloon Walk for Millions organised by the Community Chest of Hong Kong
- "The East" organised QRE Music Box, Zombie Walk 2016 and FUNtastic QRE Festival 2016
- "The East" sponsored the Green WALK Hong Kong 2016 organised by the World Green Organisation

## OTHER INFORMATION

***Review of Interim Results***

The Audit Committee of the Company had reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the Group's unaudited interim results for the six months ended 31 December 2016.

***Employees and Remuneration Policies***

The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers share option and share award schemes to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, discretionary bonuses are granted to employees based on their individual performance as well as the Group's business performance. It also provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 31 December 2016, the Group, excluding its JV companies, had 1,128 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family friendly employment policies and practices. The Group arranged birthday parties, adventure program, Christmas party, Annual Dinners and Employee Assistance Programme for employees, which were delivered by professionals who shared their experiences and methods to handle stress. The Group also invests in human capital development by providing relevant training programs to enhance employee productivity. In collaboration with Independent Commission Against Corruption, Equal Opportunities Commission and Office of Privacy Commissioner for Personal Data, the Group held different kind of seminars and workshops for the employees to enhance their awareness of corporate governance. We also invited professional lawyer to introduce the provisions and regulations under the Competition Ordinance in order to raise our staff and management's awareness of its enactment in the workplace.

In 2016, the Group continues to hire 4 graduates with potential under a 24-month Management Trainee Program. The graduates acquired essential business knowledge and management skills through well planned job rotations within the Group's core business units and corporate offices. Besides, 7 trainees have been recruited under our Group's brand new "Master Serve — Hospitality Trainee Program" (Formerly known as Hotel Service Elites Selection Scheme). The 24-month program is tailored to develop talents with interests and passion to serve in the hospitality industry. In addition, the Group continues to hire summer interns that provides university students with the opportunities to gain working experience in the Group.

The Group's training programs are designed to support its employees' continuous learning and development and fill skill gaps identified during performance appraisals. Its overall training objectives are to enhance the personal productivity of its employees and to identify their career development plan in order to prepare their future roles and enable them to make greater contributions to the success of the Group's businesses. Besides formal training programs, the Group also provides comprehensive and relevant training and self-learning opportunities to employees such as on-the-job training, educational sponsorships and examination leave.

***Purchase, Sale or Redemption of Securities***

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2016.

***Corporate Governance Practices***

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the CG Code.

During the period under review, the Company complied with all the code provisions as set out in the CG Code, except for the deviation from code provisions A.5.1 and A.5.6 of the CG Code which are explained below.

***Code Provision A.5.1***

The Company does not consider it necessary to have a nomination committee as the Company already has the policies and procedures for selection and nomination of Directors in place. The Board as a whole regularly reviews the plans for orderly succession for appointments to the Board and its structure, size, composition and diversity. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of Independent Non-executive Director, the independence requirements set out in the Listing Rules from time to time. Nomination of new Director(s) will normally be made by the Chairman and/or the Managing Director and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

***Code Provision A.5.6***

The Company does not consider it necessary to have a policy concerning diversity of board members. Board appointments are based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. While the Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives, the Company does not consider a formal board diversity policy will provide measurable benefits to enhance the effectiveness of the Board.

### *Model Code for Securities Transactions*

The Company has adopted the Model Code as its model code for securities transactions by the Directors and an employees' share dealing rules (the "Share Dealing Rules") on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of inside information. Having made specific enquiry with Directors and the relevant employees, all of them have confirmed that they have fully complied with the Model Code and the Share Dealing Rules respectively throughout the period under review

On behalf of the Board
**Sir Gordon Ying Sheung WU** KCMG, FICE
*Chairman*

Hong Kong, 24 January 2017

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

| | NOTES | 31.12.2015<br>*HK$'000*<br>(unaudited) | **31.12.2016**<br>***HK$'000***<br>**(unaudited)** |
|---|---|---|---|
| Turnover | 3 | 883,030 | **1,281,681** |
| Cost of sales and services | | (334,412) | **(516,638)** |
| | | 548,618 | **765,043** |
| Other income | 4 | 102,054 | **57,666** |
| Other losses | 5 | (44,569) | **(7,352)** |
| Selling and distribution costs | | (31,687) | **(38,557)** |
| Administrative expenses | | (169,481) | **(166,496)** |
| Gain on disposal of assets classified as held for sale (Broadwood Twelve) | | - | **6,196** |
| Fair value gain of completed investment properties | | 620,382 | **192,265** |
| Finance costs | 6 | (33,730) | **(5,507)** |
| Share of profits of joint ventures: | 7 | | |
| Expressway projects | | 309,956 | **326,500** |
| Power plant project | | 62,561 | **34,906** |
| Property development project (The Avenue and Lee Tung Avenue) | | 427,000 | **31,113** |
| Share of profit of an associate | | 1,045 | **766** |
| Profit before taxation | 8 | 1,792,149 | **1,196,543** |
| Income tax expense | 9 | (116,919) | **(216,591)** |
| **Profit for the period** | | 1,675,230 | **979,952** |
| Other comprehensive expense: | | | |
| *Item that may be subsequently reclassified to profit or loss:* | | | |
| Exchange differences arising on translation of financial statements of subsidiaries and joint ventures | | (598,943) | **(408,399)** |
| Total comprehensive income for the period | | 1,076,287 | **571,553** |
| **Profit for the period attributable to:** | | | |
| Owners of the Company | | 1,558,737 | **860,832** |
| Non-controlling interests | | 116,493 | **119,120** |
| | | 1,675,230 | **979,952** |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | 1,111,080 | **563,429** |
| Non-controlling interests | | (34,793) | **8,124** |
| | | 1,076,287 | **571,553** |
| | | *HK$* | ***HK$*** |
| Earnings per share | 10 | | |
| Basic | | 1.79 | **0.99** |
| Diluted | | 1.79 | **N/A** |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
AT 31 DECEMBER 2016

| | NOTE | 30.6.2016<br>*HK$'000*<br>(audited) | **31.12.2016**<br>***HK$'000***<br>**(unaudited)** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current Assets** | | | |
| Completed investment properties | | 29,639,276 | **29,814,133** |
| Property, plant and equipment ("PPE") | | 660,394 | **721,781** |
| Properties under development | | | |
| Commercial portion of HCII (investment properties) | | 4,548,835 | **4,592,624** |
| Hotel portion of HCII (PPE) | | 2,409,525 | **2,462,628** |
| QRE project (investment properties) | | 769,571 | **773,001** |
| Properties for development | | 799,443 | **1,021,732** |
| Interests in joint ventures | | | |
| Expressway projects | | 7,415,200 | **5,800,380** |
| Power plant project | | 1,124,815 | **1,108,938** |
| Property development project | | 618,905 | **650,018** |
| Interest in an associate | | 38,895 | **39,661** |
| Available-for-sale investments | | 8,585 | **8,341** |
| | | 48,033,444 | **46,993,237** |
| **Current Assets** | | | |
| Inventories | | 7,879 | **8,598** |
| Stock of properties | | | |
| Under development | | 418,320 | **276,965** |
| Completed | | 368,822 | **238,764** |
| Trade and other receivables | 12 | 58,987 | **42,684** |
| Deposits and prepayments | | 143,550 | **199,803** |
| Amount due from a joint venture | | 528,806 | **418,806** |
| Bank balances and cash held by: | | | |
| Hopewell Holdings Limited and its subsidiaries (excluding HHI Group) | | 2,885,757 | **3,560,530** |
| HHI Group | | 761,392 | **583,338** |
| | | 5,173,513 | **5,329,488** |
| Assets classified as held for sale (Broadwood Twelve) | | 638,000 | **563,500** |
| | | 5,811,513 | **5,892,988** |
| **Total Assets** | | 53,844,957 | **52,886,225** |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

AT 31 DECEMBER 2016

| | NOTE | 30.6.2016<br>*HK$'000*<br>(audited) | **31.12.2016**<br>***HK$'000***<br>**(unaudited)** |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Capital and Reserves** | | | |
| Share capital | | 11,197,829 | **11,197,829** |
| Reserves | | 35,313,723 | **35,224,827** |
| Equity attributable to owners of the Company | | 46,511,552 | **46,422,656** |
| Non-controlling interests | | 2,840,949 | **2,249,019** |
| **Total Equity** | | 49,352,501 | **48,671,675** |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | | 541,670 | **502,684** |
| Other liabilities | | 53,966 | **53,966** |
| Bank borrowings | | 2,350,000 | **2,350,000** |
| | | 2,945,636 | **2,906,650** |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | 543,471 | **512,916** |
| Rental and other deposits | | 542,774 | **464,626** |
| Tax liabilities | | 260,575 | **323,886** |
| Bank borrowings | | 200,000 | **-** |
| | | 1,546,820 | **1,301,428** |
| Liabilities associated with assets classified as held for sale | | - | **6,472** |
| | | 1,546,820 | **1,307,900** |
| **Total Liabilities** | | 4,492,456 | **4,214,550** |
| **Total Equity and Liabilities** | | 53,844,957 | **52,886,225** |

*Notes:*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The financial information relating to the year ended 30 June 2016 that is included in the condensed consolidated financial statements for the six months ended 31 December 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 30 June 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost or deemed cost basis except for certain properties, which are measured at fair values.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 31 December 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 3. TURNOVER AND SEGMENT INFORMATION

Turnover comprises mainly income from property letting, agency and management, property development and service fee income from hotel ownership and management, restaurant operations and food catering.

The Group is organised into certain business units according to the nature of goods sold or services provided. The Group determines its operating segments based on these units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker (i.e. the executive directors of the Company). Certain operating segments that do not meet the quantitative thresholds are aggregated in "other operations".

The Group's reportable segments, based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment, are as follows:

| | |
|---|---|
| Property investment | - property letting, agency and management |
| Hotel, restaurant and catering operation | - hotel ownership and management, restaurant operations and food catering |
| Property development | - development and/or sale of properties, property under development and project management |
| Toll road investment | - investments in expressway projects |
| Power plant | - power plant investments and operation |
| Treasury income | - interest income from bank balances and amounts due from joint ventures |

Information regarding the above segments is reported below.

***Segment revenue***

| | Six months ended 31.12.2015 | | | **Six months ended 31.12.2016** | | |
|---|---|---|---|---|---|---|
| | External | Inter-segment | Combined | **External** | **Inter-segment** | **Combined** |
| | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Property investment | 550,441 | 22,329 | 572,770 | **567,644** | **23,159** | **590,803** |
| Hotel, restaurant and catering operation | 216,155 | 87 | 216,242 | **214,567** | **120** | **214,687** |
| Property development | 4,130,434 | - | 4,130,434 | **879,807** | **-** | **879,807** |
| Toll road investment | 1,246,138 | - | 1,246,138 | **1,252,568** | **-** | **1,252,568** |
| Power plant | 413,708 | - | 413,708 | **434,305** | **-** | **434,305** |
| Treasury income | 83,347 | - | 83,347 | **38,345** | **-** | **38,345** |
| Other operations | - | 61,250 | 61,250 | **-** | **63,400** | **63,400** |
| Total segment revenue | 6,640,223 | 83,666 | 6,723,889 | **3,387,236** | **86,679** | **3,473,915** |

Segment revenue includes the turnover as presented in condensed consolidated statement of profit or loss and other comprehensive income, sale of assets classified as held for sale and treasury income of the Group, and the Group's attributable share of revenue of joint ventures.

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

## 3. TURNOVER AND SEGMENT INFORMATION - continued

The total segment revenue can be reconciled to the turnover as presented in condensed consolidated statement of profit or loss and other comprehensive income as follows:

| | Six months ended 31.12.2015 HK$'000 | **Six months ended 31.12.2016 HK$'000** |
|---|---|---|
| Total segment revenue from external customers | 6,640,223 | **3,387,236** |
| Less: | | |
| Sale of assets classified as held for sale included in the segment revenue of property development | - | **(85,154)** |
| Treasury income | (83,347) | **(38,345)** |
| Share of revenue of joint ventures engaged in: | | |
| Property development and property investment | (4,014,000) | **(295,183)** |
| Toll road investment | (1,246,138) | **(1,252,568)** |
| Power plant | (413,708) | **(434,305)** |
| Turnover as presented in condensed consolidated statement of profit or loss and other comprehensive income | 883,030 | **1,281,681** |

### *Segment results*

| | Six months ended 31.12.2015 | | | | **Six months ended 31.12.2016** | | | |
|---|---|---|---|---|---|---|---|---|
| | The Company and subsidiaries *HK$'000* | Joint ventures *HK$'000* | Associate *HK$'000* | Total *HK$'000* | **The Company and subsidiaries** ***HK$'000*** | **Joint ventures** ***HK$'000*** | **Associate** ***HK$'000*** | **Total** ***HK$'000*** |
| Property investment | 370,424 | - | 1,045 | 371,469 | **373,117** | **8,841** | **766** | **382,724** |
| Hotel, restaurant and catering operation | 50,833 | - | - | 50,833 | **44,176** | - | - | **44,176** |
| Property development | 25,548 | 427,000 | - | 452,548 | **251,128** | **22,272** | - | **273,400** |
| Toll road investment | (16,990) | 309,956 | - | 292,966 | **(21,640)** | **326,500** | - | **304,860** |
| Power plant | (718) | 62,561 | - | 61,843 | **(886)** | **34,906** | - | **34,020** |
| Treasury income | 83,347 | - | - | 83,347 | **38,345** | - | - | **38,345** |
| Other operations | (107,509) | - | - | (107,509) | **(67,740)** | - | - | **(67,740)** |
| Total segment results | 404,935 | 799,517 | 1,045 | 1,205,497 | **616,500** | **392,519** | **766** | **1,009,785** |

Segment results represent the profit earned by each segment without allocation of fair value gain of completed investment properties and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

| | Six months ended 31.12.2015 HK$'000 | **Six months ended 31.12.2016 HK$'000** |
|---|---|---|
| Segment results | 1,205,497 | **1,009,785** |
| Fair value gain of completed investment properties | 620,382 | **192,265** |
| Finance costs | (33,730) | **(5,507)** |
| Profit before taxation | 1,792,149 | **1,196,543** |

## 4. OTHER INCOME

| | Six months ended | |
|---|---|---|
| | 31.12.2015 | **31.12.2016** |
| | *HK$'000* | ***HK$'000*** |
| Included in other income are: | | |
| Interest income from bank deposits | 66,097 | **38,345** |
| Interest income from amounts due from joint ventures | 17,250 | **-** |

## 5. OTHER LOSSES

| | Six months ended | |
|---|---|---|
| | 31.12.2015 | **31.12.2016** |
| | *HK$'000* | ***HK$'000*** |
| Exchange loss, net | 44,569 | **7,352** |

Exchange difference of joint ventures is included in share of results of joint ventures.

## 6. FINANCE COSTS

| | Six months ended | |
|---|---|---|
| | 31.12.2015 | **31.12.2016** |
| | *HK$'000* | ***HK$'000*** |
| Interests on bank borrowings | 36,024 | **16,537** |
| Loan commitment fees and others | 7,423 | **9,334** |
| | 43,447 | **25,871** |
| Less: Finance costs capitalised in properties under development | (9,717) | **(20,364)** |
| | 33,730 | **5,507** |

## 7. SHARE OF PROFITS OF JOINT VENTURES

| | Six months ended | |
|---|---|---|
| | 31.12.2015 | **31.12.2016** |
| | *HK$'000* | ***HK$'000*** |
| Expressway projects in the PRC | | |
| Share of results of joint ventures before amortisation of additional cost of investments in joint ventures | 367,713 | **384,670** |
| Amortisation of additional cost of investments in joint ventures | (57,757) | **(58,170)** |
| | 309,956 | **326,500** |
| Power plant project in the PRC | | |
| Share of profits of joint venture | 62,561 | **34,906** |
| Property development project (The Avenue and Lee Tung Avenue) | | |
| Share of profits of joint ventures from sales and leasing of properties | 427,000 | **31,113** |
| | 799,517 | **392,519** |

## 8. PROFIT BEFORE TAXATION

| | Six months ended | |
|---|---|---|
| | 31.12.2015 | **31.12.2016** |
| | *HK$'000* | ***HK$'000*** |
| Profit before taxation has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 34,597 | **33,511** |
| Share of tax of joint ventures (included in share of profits of joint ventures) | 219,876 | **137,425** |
| Share of tax of an associate (included in share of profit of an associate) | 207 | **185** |

## 9. INCOME TAX EXPENSE

| | Six months ended | |
|---|---|---|
| | 31.12.2015 | **31.12.2016** |
| | *HK$'000* | ***HK$'000*** |
| Hong Kong Profits Tax | | |
| Current period | 38,790 | **39,572** |
| (Over) under provision in respect of prior periods | (2,982) | **281** |
| | 35,808 | **39,853** |
| Taxation elsewhere - current period | | |
| PRC Enterprise Income Tax ("EIT") | 36,926 | **132,455** |
| PRC Land Appreciation Tax ("LAT") | 14,765 | **79,867** |
| | 51,691 | **212,322** |
| Deferred tax | 29,420 | **(35,584)** |
| | 116,919 | **216,591** |

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods.

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

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

PRC EIT for the period includes PRC withholding tax on dividends declared during the period by the Group's joint ventures amounting to approximately HK$84,379,000 (six months ended 31.12.2015: HK$24,420,000).

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Deferred tax is mainly attributable to the temporary difference on accelerated tax depreciation and the withholding tax on undistributed earnings of certain joint ventures established in the PRC.

## 10. EARNINGS PER SHARE

| | Six months ended | |
|---|---|---|
| | 31.12.2015 | **31.12.2016** |
| | *HK$'000* | ***HK$'000*** |
| The calculation of the basic and diluted earnings per share is based on the following data: | | |
| Earnings for the purposes of basic and diluted earnings per share | 1,558,737 | **860,832** |
| | Number of shares | **Number of shares** |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 871,575,414 | **869,839,121** |
| Effect of dilutive potential ordinary shares in respect of share options | 106,956 | |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 871,682,370 | |

No diluted earnings per share have been presented for the six months ended 31 December 2016 as there was no potential ordinary shares in issue during the period.

## 11. DIVIDENDS

| | Six months ended | |
|---|---|---|
| | 31.12.2015 | **31.12.2016** |
| | *HK$'000* | ***HK$'000*** |
| Dividends recognised as distribution during the period: | | |
| Final cash dividend for the year ended 30 June 2016 of HK75 cents per share (six months ended 31.12.2015: for the year ended 30 June 2015 of HK70 cents per share) | 610,155 | **652,379** |
| Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust | (50) | **(54)** |
| | 610,105 | **652,325** |
| Dividends declared after the period end: | | |
| Interim cash dividend for the year ending 30 June 2017 of HK55 cents per share (six months ended 31.12.2015: for the year ended 30 June 2016 of HK55 cents per share) | 478,675 | **478,412** |
| Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust | (40) | **(40)** |
| | 478,635 | **478,372** |

Subsequent to 31 December 2016, the Directors declared that an interim dividend in respect of the financial year ending 30 June 2017 of HK55 cents per share shall be paid to the shareholders of the Company registered as at the close of business on 10 February 2017.

The amount of interim dividend declared for the year ending 30 June 2017 is calculated based on total number of issued shares, less the dividends for shares held by HHL Employees' Share Award Scheme Trust, at the date of approval of these condensed consolidated financial statements.

## 12. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade receivables net of allowances for doubtful debts by age, presented based on the invoice date:

| | 30.6.2016 | **31.12.2016** |
|---|---|---|
| | *HK$'000* | ***HK$'000*** |
| Receivables aged | | |
| 0 to 30 days | 16,150 | **25,803** |
| 31 to 60 days | 3,484 | **4,970** |
| Over 60 days | 11,080 | **9,201** |
| | 30,714 | **39,974** |
| Less: Allowance for doubtful debts | (2,253) | **(1,699)** |
| | 28,461 | **38,275** |
| Interest receivable on bank deposits | 8,120 | **4,409** |
| Dividend receivables from joint ventures | 22,406 | - |
| | 58,987 | **42,684** |

## 13. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables outstanding by age, presented based on the invoice date:

| | 30.6.2016 | **31.12.2016** |
|---|---|---|
| | *HK$'000* | ***HK$'000*** |
| Payables aged | | |
| 0 to 30 days | 69,720 | **66,976** |
| 31 to 60 days | 2,012 | **6,431** |
| Over 60 days | 23,568 | **28,386** |
| | 95,300 | **101,793** |
| Retentions payable | 37,112 | **25,610** |
| Amount due to a minority shareholder of a subsidiary | 28,091 | **28,091** |
| Amount due to an associate | 612 | **2,431** |
| Accrued construction and other costs | 331,011 | **285,461** |
| Accrued staff costs | 49,853 | **68,944** |
| Accrued interest on bank borrowings | 1,492 | **586** |
| | 543,471 | **512,916** |

# GLOSSARY

| | |
|---|---|
| "1H FY13" | the first half of FY13 |
| "1H FY14" | the first half of FY14 |
| "1H FY15" | the first half of FY15 |
| "1H FY16" | the first half of FY16 |
| "1H FY17" | the first half of FY17 |
| "2H FY17" | the second half of FY17 |
| "AEI" | asset enhancement initiatives |
| "Average daily full-length equivalent traffic" | the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the period under review |
| "Average daily toll revenue" | average daily toll revenue including tax |
| "Average Occupancy Rate" | the average of the Occupancy Rate as at the end of each month in the relevant period |
| "Board" | the Board of Directors of the Company |
| "CAGR" | compound annual growth rate |
| "CG Code" | Corporate Governance Code contained in Appendix 14 to the Listing Rules |
| "Coastal Expressway" | Guangzhou-Shenzhen Coastal Expressway |
| "Company" or "HHL" or "Hopewell Holdings" | Hopewell Holdings Limited |
| "CY" | calendar year |
| "Director(s)" | director(s) of the Company |
| "DPS" | dividend per share |
| "EBIT" | earnings before interest and tax |
| "F&B" | food and beverage |
| "FMCG" | fast moving consumer goods |
| "FY07" | the financial year ended 30 June 2007 |
| "FY08" | the financial year ended 30 June 2008 |
| "FY09" | the financial year ended 30 June 2009 |
| "FY10" | the financial year ended 30 June 2010 |
| "FY11" | the financial year ended 30 June 2011 |
| "FY12" | the financial year ended 30 June 2012 |
| "FY13" | the financial year ended 30 June 2013 |
| "FY14" | the financial year ended 30 June 2014 |
| "FY15" | the financial year ended 30 June 2015 |
| "FY16" | the financial year ended 30 June 2016 |
| "FY17" | the financial year ending 30 June 2017 |
| "FY18" | the financial year ending 30 June 2018 |
| "FY19" | the financial year ending 30 June 2019 |

| | |
|---|---|
| "GDP" | gross domestic product |
| "GFA" | gross floor area |
| "Grand Site" | Grand Site Development Limited, the joint venture company established for the property development project of The Avenue/ Lee Tung Avenue |
| "Group" | the Company and its subsidiaries |
| "GS Superhighway" | Guangzhou-Shenzhen Superhighway |
| "GS Superhighway JV" | Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture company established for the GS Superhighway |
| "GWh" | gigawatt hour |
| "Heyuan JV" | Shenzhen Energy Hopewell Power (Heyuan) Co., Ltd., the joint venture company holding Heyuan Power Plant |
| "Heyuan Power Plant" | the ultra super-critical coal-fired power plant project located in Heyuan City, Guangdong Province |
| "HHI" | Hopewell Highway Infrastructure Limited |
| "HHI Group" | HHI and its subsidiaries |
| "Hill Side Terrace Cluster" | 1-3 Hill Side Terrace, 1A Hill Side Terrace, 55 Ship Street (Nam Koo Terrace), 53 Ship Street and 1-5 Schooner Street (Miu Kang Terrace), Inland Lot No.9048 Schooner Street, Wan Chai |
| "HK$" or "HKD" or "HK Dollar(s)" | Hong Kong Dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of PRC |
| "Hong Kong Government" or "Government" | the Government of Hong Kong |
| "HZM Bridge" | the Hong Kong-Zhuhai-Macau Bridge |
| "JV/JVs" | joint venture/ ventures |
| "KITEC" | Kowloonbay International Trade & Exhibition Centre |
| "KITEC F&B" | IT Catering & Services Limited, the food and beverage operations of KITEC |
| "km" | kilometre |
| "Listing Rules" | The Rules Governing the Listing of Securities on the Stock Exchange |
| "Macau" | the Macau Special Administrative Region of PRC |
| "Mainland China" | the PRC, excluding Hong Kong and Macau |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| "MWh" | megawatt hour |

| | |
|---|---|
| "Occupancy rate" | the percentage of total area comprising those already leased and occupied by tenants, reserved for specific uses and those in respect of which leases have been committed but not yet commenced over total lettable floor area |
| "Phase I West" | Phase I of Western Delta Route |
| "Phase II West" | Phase II of Western Delta Route |
| "Phase III West" | Phase III of Western Delta Route |
| "P&L" | Profit and Loss Account |
| "PRC" or "China" | the People's Republic of China |
| "PRD" | Pearl River Delta |
| "QRE" | Queen's Road East |
| "RMB" | Renminbi, the lawful currency of PRC |
| "sq.ft." | square foot |
| "sq.m." | square metre |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "The Belt and Road initiative" | The Silk Road Economic Belt and the 21st-Century Maritime Silk Road |
| "URA" | Urban Renewal Authority |
| "US" or "United States" | the United States of America |
| "USD", "US$" or "US Dollar(s)" | US Dollars, the lawful currency of the United States |
| "VAT" | value-added tax |
| "West Route JV" | Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the Western Delta Route |
| "Western Delta Route" | the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West |
| "yoy" | year-on-year |

*As at the date of this announcement, the Board of the Company comprises seven Executive Directors namely, Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Managing Director), Mr. Josiah Chin Lai KWOK (Deputy Managing Director), Mr. Albert Kam Yin YEUNG, Mr. William Wing Lam WONG and Ir. Dr. Leo Kwok Kee LEUNG; two Non-executive Directors namely, Lady WU Ivy Sau Ping KWOK and Mr. Carmelo Ka Sze LEE; and six Independent Non-executive Directors namely, Mr. Guy Man Guy WU, Ms. Linda Lai Chuen LOKE, Mr. Sunny TAN, Dr. Gordon YEN, Mr. Ahito NAKAMURA and Mr. Yuk Keung IP.*