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

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

Highlights

FY18

- Disposal of approximately 66.69% of the issued shares of Hopewell Highway Infrastructure Limited completed on 4 April 2018. HHL has received net cash proceeds of approximately HK$9 billion and recognised post-tax net gain of approximately HK$5.1 billion
- Profit attributable to owners of the Company before fair value gain of completed investment properties up 380% yoy to HK$6,405 million, mainly due to gain on disposal of HHI
- Core profit[N1] down 4% yoy to HK$1,285 million or HK$1.48 per share, mainly due to growth in investment properties, hospitality and treasury income being offset by fall in (i) toll road contribution given HHI Disposal; (ii) Hopewell New Town profit given tightening policies; (iii) Heyuan Power Plant profit shared
- Second interim dividend of HK88 cents per share, second interim dividend in lieu of final dividend with effect from FY18
- Investment properties and hospitality EBIT up 6% yoy to HK$917 million
- Panda Hotel's total revenue rose 11% yoy to HK$339 million due to increase in room and F&B revenues
- Hopewell New Town booked RMB269 million of sales, down 62% yoy given (i) higher base in FY17; (ii) tightening policies in PRC property market
- Net cash of approximately HK$9 billion as at 30 June 2018

Upcoming: FY19 and beyond

- Target to distribute 90% - 100% of core profit[N1] on a full year basis as dividends in the years before Hopewell Centre II opens[N2]
- Change of financial year end date from 30 June to 31 March following publication of the audited consolidated financial statements for the year ended 30 June 2018
- E-Max is undergoing evolution, expansion of upmarket fashion outlet on B1/F opened by phase since July 2018. Target E-Max's rental income to grow 50% in FY20 comparing to FY16
- Hopewell Centre II's construction advancing at full steam. Site formation and foundation works target to complete in 2019 while construction is targeted to complete by end of 2021
- 153-167 QRE project is envisioned to commence operation in 2022 and demolition works have started in May 2018. Planning application to build a commercial property was submitted to Town Planning Board in May 2018
- Hill Side Terrace Cluster is pending approval from Town Planning Board on the preservation cum development plan
- For Hopewell New Town project, HHL will continue to monitor the market closely before taking further initiatives, given current tightening policies in the PRC property market

N1: Represents profit attributable to owners of the Company excluding fair value gain of completed investment properties and profit from en bloc sale of entire project

N2: Barring unforeseen circumstances

CHAIRMAN'S STATEMENT

I am pleased to report to shareholders that the Group achieved profit attributable to owners of the Company of HK$8,969 million for the financial year ended 30 June 2018. The Group's total revenue for the year decreased to HK$5,602 million from HK$6,590 million for the previous year mainly because the growth in revenue from investment properties, hospitality and treasury income was offset by fall in toll road's contribution given HHI Disposal and decrease in Hopewell New Town property sales recognition given tightening policies in PRC property market. The Group's core profit (representing profit excluding the fair value gain of completed investment properties and profit from en bloc sale of entire project) attributable to owners of the Company ("core profit") decreased to HK$1,285 million for the year under review from HK$1,334 million for the previous year.

Dividend

The Board has resolved to pay two interim dividends instead of interim dividend and final dividend, with effect from the financial year ended 30 June 2018. Second interim dividend will be in lieu of final dividend.

Following the first interim dividend of HK55 cents per share paid on 12 March 2018 ("First Interim Dividend"), the Board has declared a second interim dividend of HK88 cents per share ("Second Interim Dividend") in lieu of final dividend for the year ended 30 June 2018. The Second Interim Dividend will be paid on Friday, 14 September 2018 to shareholders of the Company registered at the close of business on Thursday, 6 September 2018. Together with the First Interim Dividend and the special interim dividend of HK$2.00 per share (due to the completion of HHI Disposal) paid on 2 May 2018, the total dividends for the year will amount to HK$3.43 per share. Excluding the special interim dividend of HK$2.00 per share, the regular dividend represents a payout ratio of 97% of the Company's core profit (being profit attributable to owners of the Company excluding the fair value gain of completed investment properties and net gain on HHI Disposal).

It is the present intention of the Board that in the years before Hopewell Centre II opens, barring unforeseen circumstances, 90% - 100% of the core profit on a full year basis is targeted to be distributed as dividends to shareholders.

Closure of Register of Members

To ascertain shareholders' eligibility to attend and vote at the 2018 Annual General Meeting, the Register of Members of the Company will be closed from Wednesday, 24 October 2018 to Wednesday, 31 October 2018, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the 2018 Annual General Meeting, 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 not later than 4:30 p.m. on Tuesday, 23 October 2018 for registration.

To ascertain shareholders' entitlement to the Second Interim Dividend, the Register of Members of the Company will be closed on Thursday, 6 September 2018 and no transfer of the shares of the Company will be effected on the aforementioned book-close date. To qualify for the Second 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 Wednesday, 5 September 2018.

Business Review

During the year under review, while acknowledging the global economy is finally strengthening after a long period of stagnation, the rise of trade protectionism, political uncertainties and the imminent US interest rate hike are not to be ignored and may cast doubt on global economic recovery.

On the bright side, PRC economy continued to grow healthily and has achieved GDP growth of 6.9% in 2017, reversing a downward growth trend since 2010. Such growth momentum carried over to the first and second quarters of 2018, with GDP growth rates reaching 6.8% and 6.7% year-on-year respectively. In order to counteract the potential fallout from the trade conflict with the United States, monetary policies such as PBOC's reserve requirement ratio cut and medium-term lending facility injection were implemented, these measures are expected to provide support to the continuous growth of the economy.

Meanwhile, the Hong Kong economy stayed vibrant under the backdrop of low unemployment rate, strengthening tourism industry and active financial market activities. On the other hand, with the implementation of belt-and-road initiative, Guangdong-Hong Kong-Macao Bay Area ("Bay Area") and RMB internationalization, the demand for Hong Kong's financial and business services are likely to increase. More PRC companies continue to set up offices in Hong Kong which create stable demand for offices located in prime area. The aforementioned factors are expected to provide support to the office market in Hong Kong.

Reasons and Benefits of the Disposal of issued shares of HHI

Disposal of approximately 66.69% of the issued shares of Hopewell Highway Infrastructure Limited was completed on 4 April 2018. HHL has received net cash proceeds of approximately HK$9 billion and recognised post-tax net gain of approximately HK$5.1 billion. The Group believed it was a good opportunity for HHL to realise its investment in the two highway projects so that HHL may re-deploy a substantial part of the proceeds (a) to fund the development of Hopewell Centre II and the redevelopment of the Hill Side Terrace Cluster and 153-167 QRE; (b) to further strengthen its general working capital and cash position; and (c) to enable HHL to explore new investment opportunities in both Hong Kong and the PRC, in particular the Bay Area.

Investment Properties and Hospitality

Total revenue from investment properties and hospitality businesses grew 6% yoy to HK$1,710 million during the year under review, recording a 6% five-year compound annual growth rate during FY14 to FY18. The Group's investment properties business maintained a mild growth which was mainly driven by the office assets. The hospitality business uplifted with overall revenue increasing as room revenue and F&B revenue of Panda Hotel grew 7% and 17% yoy respectively.

Wanchai projects

Site formation and foundation works of Hopewell Centre II are in progress and construction of the hotel, which is advancing at full steam, is targeted to complete by the end of 2021. After completion, it will form one of the largest retail clusters in Wan Chai together with the Group's other retail properties.

The ongoing redevelopment in the district is expected to bring significant changes to Wan Chai. The Group has expanded the 155-167 QRE project into 153-167 QRE project by acquiring two lots adjacent to the existing site through a public auction in January 2018. A planning application to build a commercial property was submitted in May 2018. The 153-167 QRE project will increase the interface for the Group's property portfolio on Queen's Road East and it is expected to commence operation in 2022.

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. Approval from Town Planning Board on the preservation cum development plan is pending.

The Group believes the assembly of such amalgamation properties into sites has the potential to generate attractive investment returns and the Group will continue to seek strategic investments in the district in order to create synergy between its existing and future development in the area.

Corporate Sustainability

The Group believes that promoting sustainability is as important as achieving long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainability in its operations in Hong Kong and the PRC. Moreover, it values opportunities to learn more about the needs and expectations of the communities in which it operates, as well as those of other stakeholders. The Group has established a formal stakeholder engagement process and a Sustainability Steering Committee to strengthen its management's efforts to promote sustainability through good corporate governance, environmental protection, community investment and workplace practices.

To demonstrate its commitment to transparency and accountability to its stakeholders, the Company will continue to issue an independently verified Sustainability Report under the Global Reporting Initiative (GRI) Sustainability Reporting Standard and the Environmental, Social and Governance (ESG) Reporting Guide of the Stock Exchange. The report will present its company-wide commitment to sustainable development during the year under review, and it will cover the significant economic, environmental and social achievements and impact arising from the activities of the Group and its JVs.

Prospects

As recovery of global economies picked up momentum, the rebound in world trade could face a setback if increasingly restrictive trade environment emerges which may hinder growth prospects. The Group will closely monitor the evolving market environment and be prepared to face various challenges ahead.

Meanwhile, China's "new normal" economy is gradually taking shape and continues to transform structurally to a consumption-driven, innovative, technology-advanced and environmentally-sustainable growth economy. Amid a multi-year effort to cut financial risk and curb credit growth, PBOC has been striking a balance to carefully adjusting liquidity conditions and guiding market rates higher without raising broader borrowing costs. The government's continuous efforts towards deepening supply-side structural reform, liberalizing financial services and internationalizing RMB will altogether provide a healthy and steady growth driver to the PRC economic development.

The Belt and Road initiative strategically connects PRC, ASEAN, Middle East, as well as Central and Eastern European countries through international co-operation and infrastructure projects. It encourages free flows of information, finance and goods by gradually removing investment and trade barriers. In the long run, it will promote mutual trust and co-development in the areas of economic, finance, transport, tourism, technology and academy which will ultimately result in prosperity of the nations along the regions.

Furthermore, the strategic regional development scheme Bay Area, which was tailor-made by the PRC government as part of the 13th Five-Year Plan, is designed to stimulate economic cooperation among Guangdong-Hong Kong-Macao region. Hong Kong can leverage on its unique position as, not only an international financial hub, but also an important conduit in and out of China. Meanwhile, the Group is well-positioned in the prime area of Hong Kong, including Wan Chai and the future CBD2 – Kai Tak, and is now exploring new investment opportunities in both Hong Kong and the PRC, in particular the Bay Area to benefit from the PRC key development projects.

The Group will continue to pursue proactive enhancement and management of its existing portfolio. The upmarket fashion outlet on G/F of E-Max is expanding to B1/F and has opened by phase since July 2018. Besides, the Group opened a gym room for tenants and baby care room in KITEC during the year under review which were well-received by tenants. In the long run, KITEC is expected to benefit from the transformation of Kai Tak into a prime area in Kowloon East and CBD2 with relocation of government offices to Kai Tak, increasing population brought by the development of public and private housing, construction of tourism facilities and enhancement of pedestrian access networks.

Being one of Hong Kong's largest hotels once completed, Hopewell Centre II is set to take advantage of Hong Kong's limited supply of large-scale premium conference hotels in prime locations. With its comprehensive conference facilities, it is well-positioned to benefit from the lack of one-stop conference venues in Hong Kong. Together with the Group's other major pipeline projects, namely Hill Side Terrace Cluster and 153–167 QRE project, enormous synergies will be created, forming an attractive lifestyle hub drawing in visitation, spending and business by combining with "The East" and Lee Tung Avenue. The Group, with its well-established image as a landlord of premium properties, will continue to enhance the brand value with the unrelenting effort in asset optimization and synergy maximization, and to bring sustainable growth and create the best value for the stakeholders.

Acknowledgement

I would like to take this opportunity to thank the Group's shareholders, customers, suppliers and business partners for their continuous support and efforts. In addition, I would also like to express my gratitude to the Deputy Chairman and Managing Director, my fellow Directors, the management team and all staff members for their loyalty, support, and hard work. Their contributions have been indispensable for the Group's strong performance during the past year, and its prospects for the years to come.

Sir Gordon Ying Sheung WU KCMG, FICE
Chairman

Hong Kong, 22 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS
FINANCIAL REVIEW

GROUP RESULTS

Overview

The profit attributable to owners of the Company before fair value gain of completed investment properties for the year ended 30 June 2018 ("the year under review") significantly increased to HK$6,405 million from HK$1,334 million for the previous year. The increase was mainly resulted from the HHI Disposal during the year under review, which was completed in April 2018 and generated a post-tax net gain on disposal of approximately HK$5.1 billion.

The Group's EBIT (before gain on disposal of HHI) decreased 7% yoy to HK$1,850 million for the year under review from HK$1,994 million for the previous year, and the Group's core profit attributable to owners of the Company ("core profit") decreased 4% yoy to HK$1,285 million for the year under review from HK$1,334 million for the previous year. The profits from investment properties and hospitality continued to grow. Treasury income also increased due to the higher cash balance resulting from the proceeds of HHI Disposal. However, these positive factors were offset by (i) the fall in toll road's contribution due to HHI Disposal, and (ii) the decreases in profit recognition of Hopewell New Town project and profit shared from Heyuan Power Plant.

The Group's revenue for the year under review decreased to HK$5,602 million from HK$6,590 million for the previous year. The revenue from investment properties, hospitality and treasury income continued to grow. However, these positive factors were offset by (i) the fall in toll road's contribution due to HHI Disposal, and (ii) a decrease in property sales recognition of Hopewell New Town project.

The Group's revenue and EBIT by activities for the year ended 30 June 2018 were as follows:

	Revenue		**EBIT***	
HK$ million	*2017*	***2018***	*2017*	***2018***
Continuing operations:				
Property letting and management	1,149	**1,176**	768	**790**
Hotel, restaurant and catering operation	465	**534**	96	**127**
Investment properties and hospitality sub-total	1,614	**1,710**	864	**917**
Property development	1,605	**799**	434	**272**
Power plant	833	**1,009**	32	**4**
Treasury income	75	**110**	75	**110**
Others	-	**-**	(131)	**(131)**
Continuing operations total	4,127	**3,628**	1,274	**1,172**
Discontinued operation:				
Toll road investment	2,463	**1,974**	720	**678**
Revenue/EBIT (Note)	6,590	**5,602**	1,994	**1,850**

* 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 and Core Profit with Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Results	
HK$ million	*2017*	***2018***
EBIT	1,994	**1,850**
Finance costs	(12)	**(17)**
Fair value gain of completed investment properties**	627	**2,564**
Post-tax net gain on disposal of HHI	-	**5,120**
Profit before taxation	2,609	**9,517**
Taxation (from continuing and discontinued operations)	(386)	**(314)**
Profit for the year	2,223	**9,203**
Non-controlling interests	(262)	**(234)**
Profit for the year attributable to owners of the Company	1,961	**8,969**
Less: Fair value gain of completed investment properties**	(627)	**(2,564)**
Profit for the year attributable to owners of the Company before fair value gain of completed investment properties**	1,334	**6,405**
Less: Net gain on disposal of HHI (net of tax)	-	**(5,120)**
Core Profit	1,334	**1,285**

** Includes share of fair value gain of completed investment properties of a JV

	Revenue	
HK$ million	*2017*	***2018***
Revenue per Financial Review	6,590	**5,602**
Less:		
Sales proceeds of Broadwood Twelve properties	(404)	**(363)**
Treasury income	(75)	**(110)**
Share of revenues of JVs engaged in		
- Toll road investment	(2,463)	**(1,974)**
- Power plant	(833)	**(1,009)**
- Property development and property investment	(455)	**(162)**
Turnover per Consolidated Statement of Profit or Loss and Other Comprehensive Income	2,360	**1,984**

Revenue

The Group's revenue for the year under review totalled HK$5,602 million, a 15% decrease from the HK$6,590 million recorded for the previous year. 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 and hospitality businesses continued to grow. Treasury income also increased due to the higher cash balance resulting from the proceeds of HHI Disposal. However, these positive factors were offset mainly by (i) the fall in toll road's contribution due to HHI Disposal which was completed in April 2018, and (ii) a decrease in property sales recognition of Hopewell New Town project.

Earnings before Interest and Tax

The Group's EBIT (before gain on disposal of HHI) for the year under review decreased 7% yoy to HK$1,850 million from HK$1,994 million for the previous year. The profits from investment properties, hospitality and treasury income continued to grow. However, these positive factors were offset by (i) the fall in toll road's contribution due to HHI Disposal, and (ii) the decreases in profit recognition of Hopewell New Town project and profit shared from Heyuan Power Plant.

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.

Profit and Core Profit Attributable to Owners of the Company

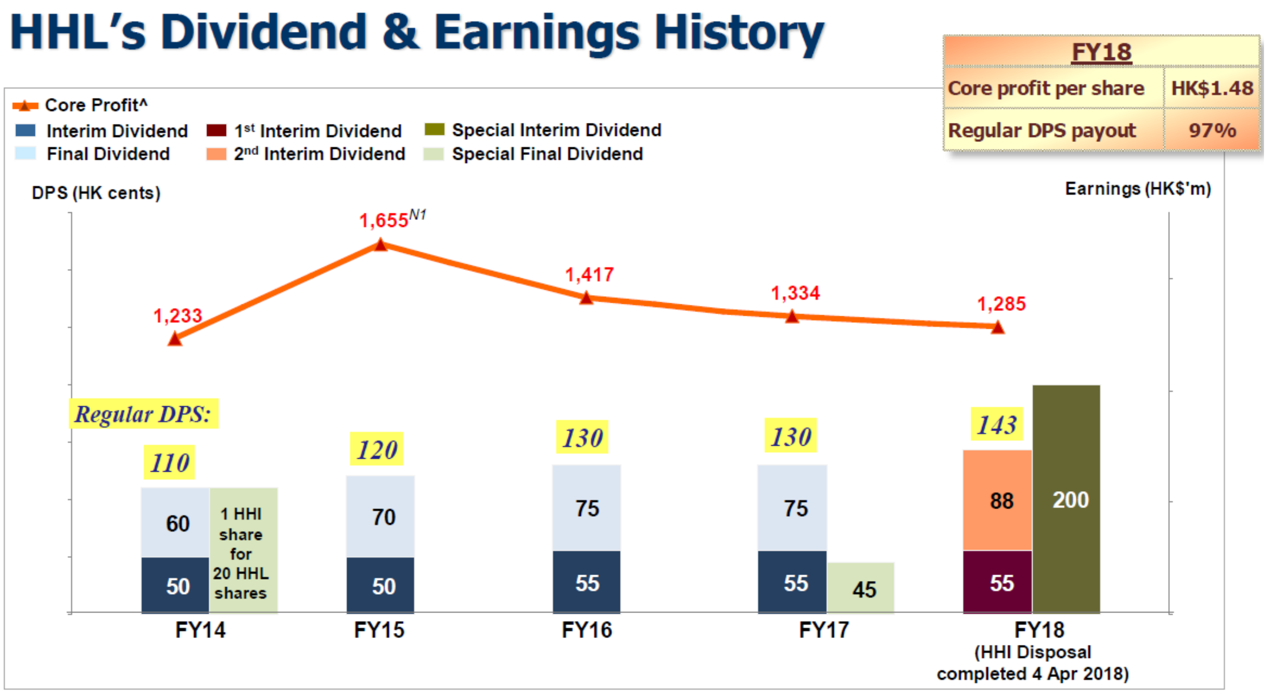
The core profit attributable to owners of the Company for the year under review decreased 4% yoy to HK$1,285 million or HK$1.48 per share from HK$1,334 million for the previous year, mainly because of (i) the fall in toll road's contribution due to HHI Disposal, and (ii) the decreases in profit recognition of Hopewell New Town project and profit shared from Heyuan Power Plant.

The profit attributable to owners of the Company before fair value gain of completed investment properties for the year under review significantly increased to HK$6,405 million from HK$1,334 million for the previous year. The increase was mainly resulted from HHI Disposal, which was completed in April 2018 and generated a post-tax net gain on disposal of approximately HK$5.1 billion.

Including the fair value gain of completed investment properties, the profit attributable to owners of the Company for the year under review significantly increased to HK$8,969 million or HK$10.31 per share from HK$1,961 million for the previous year.

Dividend

It is the present intention of the Board that in the years before Hopewell Centre II opens, barring unforeseen circumstances, 90% - 100% of the core profit on a full year basis is targeted to be distributed as dividends to shareholders.



^ Net profit ex-fair value gain of completed investment properties and profit from en bloc sale of entire project

N1: Including Lee Tung Avenue completion gain HK$120 million & 155-167 QRE redevelopment gain HK$300 million

Major Assets in Balance Sheet (Adjusted Shareholders' Equity)

The following chart regarding the Group shareholders' equity ("Adjusted Shareholders' Equity") as at 30 June 2018 reflects the underlying economic value of the Group's hotel properties (which are stated on a cost basis).

HHL's Balance Sheet Highlights as at 30 Jun 2018	HK$'m
Completed investment properties	32,947
Panda Hotel	302
Properties under development	
Hopewell Centre II	
- Commercial portion	4,754
- Hotel portion	2,654
153-167 Queen's Road East	1,120
Properties for development	838
Interests in JVs (Power Plant and Lee Tung Avenue)	1,843
Other assets/liabilities	8,378
Non-controlling interests	(189)
Shareholders' equity	52,647 *(HK$60.6/share)**
Total hidden value (hotels business)	5,063 *(HK$5.8/share)**
Adjusted shareholders' equity (unaudited)	57,710 *(HK$66.4/share)**

* No. of HHL shares in issue: 869.1 million (as of 30 Jun 2018)

As at 30 Jun 2018 (HK$)	Panda Hotel	HC II hotel portion
Market value	$3,238m $3.6m/room *valuation report*	$4,781m $4.7m/room under development *valuation report*
Book value	$302m $0.3m/room *at cost less depreciation*	$2,654m $2.6m/room under development *at cost*
Hidden value	$2,936m *$3.4/share**	$2,127m *$2.4/share**

Total: $5,063m

*$5.8/share**

Liquidity and Financial Resources

As at 30 June 2018, the cash position and available banking facilities of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	*30.6.2017*	***30.6.2018***
Cash	4,036	**10,364**
Available Banking Facilities *(Note 1)*	4,790	**3,340**
Cash and Available Banking Facilities	8,826	**13,704**

Note 1: As at 30 June 2018, available banking facilities included undrawn bank overdrafts and uncommitted banking facilities amounting to HK$540 million.

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

HK$ million	*30.6.2017*	***30.6.2018***
Total debt	2,350	**1,400**
Net cash *(Note 2)*	1,686	**8,964**
Total assets	47,241	**56,237**
Shareholders' equity (excluding equity shared from HHI Group)	42,835	**52,647**
Total debt / total assets ratio	5.0%	**2.5%**
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$10,364 million included RMB1,029 million (equivalent to HK$1,219 million) and HK$9,145 million. The net cash position of HK$8,964 million comprised bank balances and cash less outstanding bank loans totalling HK$1,400 million.

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

HK$ million	*30.6.2017*		***30.6.2018***	
Repayable:				
Within 1 year	*1,150*	*49%*	***0***	***0%***
Between 1 and 5 years	*1,200*	*51%*	***1,400***	***100%***
	2,350		***1,400***	

The Group expects its abundant financial resources will well cover the capital needs of existing and future projects under development. Under current planning, the estimated outstanding capital expenditure to be spent for Hopewell Centre II and 153-167 Queen's Road East project is approximately HK$5,760 million. The Group's cash on hand remains robust. This, together with the healthy cash flow from its investment properties and hospitality businesses and the committed banking facilities of HK$3.2 billion and HK$1.0 billion maturing in 2020 and 2022 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$'M	Interest %	HHL's Injection Jul-18 to Mar-19, FY20, FY21 & beyond[N1] HK$'M
Hong Kong				
Hopewell Centre II	2021 (construction)	approx. 10,000	100%	5,300 (Jul-18 to Mar-19: 220; FY20: 550; FY21 & beyond: 4,530)
153-167 Queen's Road East	2022 (opening)	approx. 1,200	100%[N2]	460
TOTAL				**5,760**

N1: Present planning, subject to change
N2: The Group has 100% ownership of 153A-167 QRE and has successfully bought the outstanding unit of 153 QRE in the public auction under the Compulsory Sale for Redevelopment in January 2018

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 year 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 order to mitigate the exchange risk, the Group has adopted the strategy of reducing RMB exposure. During the year 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 30 June 2018, none of the Group's assets had been pledged to secure any loans or banking facilities.

Project Commitments

(a) Hopewell Centre II

As at 30 June 2018, 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

	30.6.2017	***30.6.2018***
	HK$'000	***HK$'000***
Contracted for but not provided	121,625	**339,034**

(c) Heyuan Power Plant Project

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

	30.6.2017	***30.6.2018***
	HK$'000	***HK$'000***
Contracted for but not provided	61,391	**38,104**

(d) Property renovation

	30.6.2017	***30.6.2018***
	HK$'000	***HK$'000***
Contracted for but not provided	58,859	**11,174**

(e) Other property for/under development

	30.6.2017	***30.6.2018***
	HK$'000	***HK$'000***
Contracted for but not provided	18,662	**23,480**

Contingent Liabilities

A subsidiary of the Company acted as the guarantor for the repayment of mortgage bank loans amounting to HK$11 million as at 30 June 2018 granted to purchasers of the subsidiary's properties.

In addition, the Company acted as guarantor of certain performance bonds issued by bank in respect of Grand Site, a joint venture, to the extent of HK$119 million as at 30 June 2018, of which a guarantee amount of HK$100 million was expired in July 2018.

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 consolidated statement of financial position.

Material Acquisition or Disposal

On 29 December 2017, Anber Investments Limited, an indirect wholly-owned subsidiary of the Company has entered into a sale and purchase agreement as the vendor with Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd as the purchaser, whereby Anber Investments Limited has conditionally agreed to sell and the purchaser has conditionally agreed to acquire, on terms set out in the agreement, the 2,055,287,337 ordinary shares in Hopewell Highway Infrastructure Limited owned by the Group, representing approximately 66.69% of the total number of ordinary shares issued by HHI as at the date of the agreement, for a total cash consideration of HK$9,865,379,217.60 (being HK$4.80 per HHI share sold). The disposal transaction was completed on 4 April 2018.

Save as disclosed above, the Group made no other material acquisition or disposal during the year.

Change of Financial Year End Date

On 8 May 2018, the Board has resolved to change the financial year end date from 30 June to 31 March (the "Change") following the publication of the audited consolidated financial statements of the Group for the year ended 30 June 2018 in order to (i) enable the Group to rationalize and more efficiently use its resources for the preparations of results announcements and reports; and (ii) promote "Work-life Balance" for the well-being of our employees, which the Group believes will result in positive impacts on employees' engagement, productivity and business performance.

For more details of the Change and subsequent financial reporting periods of the Company, please refer to the Company's announcement published on 8 May 2018.

BUSINESS REVIEW

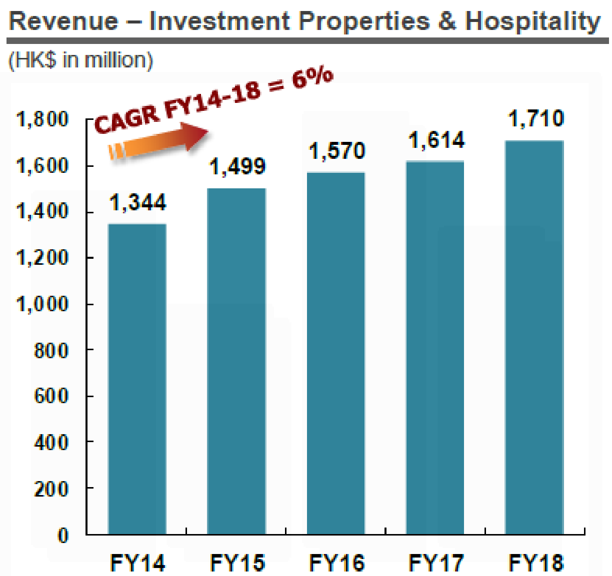
A. Investment Properties and Hospitality

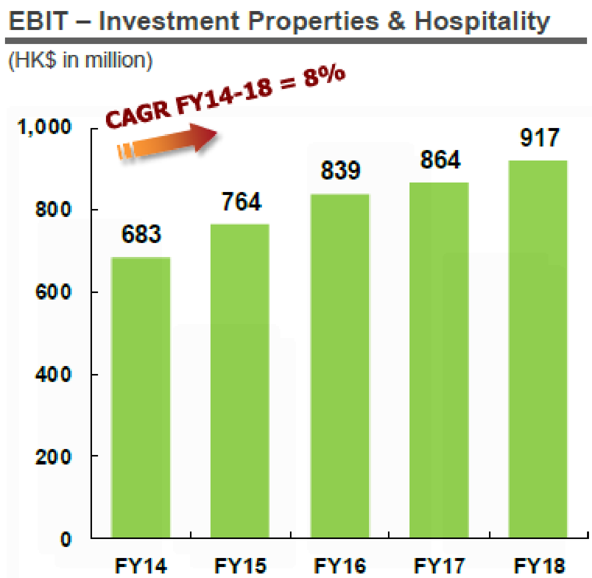
The Group's investment properties and hospitality businesses comprise its wholly-owned investment property portfolio and hotel, restaurant and catering operations. The revenue from these businesses increased 6% yoy to HK$ 1,710 million during the year under review.

(HK$ in million) For the year ended 30-Jun	Revenue* 2017	Revenue* 2018	yoy change
Investment Properties			
Rental income - office	410	427	+4%
Rental income - retail	335	335	+0%
Rental income - residential	80	74	-8%
Convention and exhibition	65	70	+7%
Air conditioning and management fee	159	168	+6%
Carpark and others	100	102	+2%
Investment Properties sub-total	1,149	1,176	+2%
Hospitality			
Room Revenue	200	215	+7%
Restaurants, catering operations and others	265	319	+20%
Hospitality sub-total	465	534	+15%
Total	1,614	1,710	+6%

** Excluding tenancies for HHL's own use*

EBIT for the Group's investment properties and hospitality businesses increased by 6% yoy to HK$917 million. The five-year compound annual growth rates of revenue and EBIT for the Group's investment properties and hospitality businesses during FY14 to FY18 were 6% and 8% respectively.





Investment Properties

Revenues for the Group's property letting and management rose 2% yoy to HK$1,176 million during the year under review, while EBIT for these operations increased by 3% yoy to HK$790 million. The increases were mainly because of the 4% yoy rise in office rental income, which amounted to HK$427 million, as new tenants moved in at Hopewell Centre. The five-year compound annual growth rates of revenue and EBIT for the Group's investment properties during FY14 to FY18 were 7% and 9% respectively. EBIT margin for FY18 maintained at 67%.

Given the evolution now underway at E-Max, together with Hopewell Centre II which is currently under construction, the Group expects retail segment will be the growth driver of its investment properties business in the next few years.

In view of the uncertainties in the economic environment, the Group will adopt a defensive rental strategy for office rental business which will focus on securing existing lease with a flexible lease term so as to increase flexibility. Nevertheless, rental income of investment properties is expected to remain stable in FY19 (year ending 31 March) against FY18, given office rental income is expected to maintain stable growth which will offset the drop in retail rental income mainly due to tenant reshuffling in Hopewell Centre. The Group targets to achieve sustainable growth through strengthening 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 year under review.

Occupancy and Rental Rates of Investment Properties

	Average Occupancy Rate			Average Rental Rate YoY Change
	FY17	FY18	YoY	
Hopewell Centre	**89%**	**92%**[N1]	**+3%**	**+2%**
KITEC Office	**94%**	**90%**	**-4%**	**0%**
KITEC E-Max	**80%**	**77%**[N2]	**-3%**	**+6%**
Panda Place	**98%**	**97%**	**-1%**	**+5%**
QRE Plaza	**96%**	**98%**	**+2%**	**+7%**
Lee Tung Avenue	**96%**	**95%**	**-1%**	**-2%**
GardenEast (apartments)	**93%**	**91%**	**-2%**	**+5%**

N1: Occupancy Rate of office portion reached 100% subsequent to the new lease signed with AIA Group in the second quarter of 2018

N2: Tenants in B1/F vacated by the first quarter of 2017 for renovation of E-Max's fashion outlet expansion

Hopewell Centre

Hopewell Centre's overall revenue (excluding tenancies for the Group's own use) for FY18 was HK$476 million. Overall Average Occupancy Rate was at 92%.

Office

During the year under review, rental income increased 8% yoy to HK$289 million and Average Occupancy Rate rebounded from 87% to 91% mainly because new tenants moved in. In the second quarter of 2018, the Group signed a new lease with a publicly-listed international insurance company, AIA Group, for more than five floors or a total area of approximately 90,000 sq.ft. of office space in Hopewell Centre. Subsequent to the new lease signed, Occupancy Rate of Hopewell Centre office has reached 100%, bringing more footfall which will be beneficial to the Group's retail properties in Wan Chai. Despite the short term impact from the construction site of Hopewell Centre II nearby which resulted in the gap between the passing rent and spot rent narrowed compared with the previous year, the Group's continuous AEI to enhance facilities and services has led to average passing rent increased by 2% yoy to HK$46.0 per sq.ft. and average spot rent maintained at around HK$48.0 per sq.ft. in the year under review. Given the uncertainty in the economic environment, the Group expects the spot rent will rise at a milder pace. As a result, the gap between passing rent and spot rent will continue to narrow. Nevertheless, the Group expects rental uplift for Hopewell Centre by phase when (i) Hopewell Centre II's site formation and foundation works complete and (ii) Hopewell Centre II opens whereby the surroundings in Wan Chai will be further upgraded.

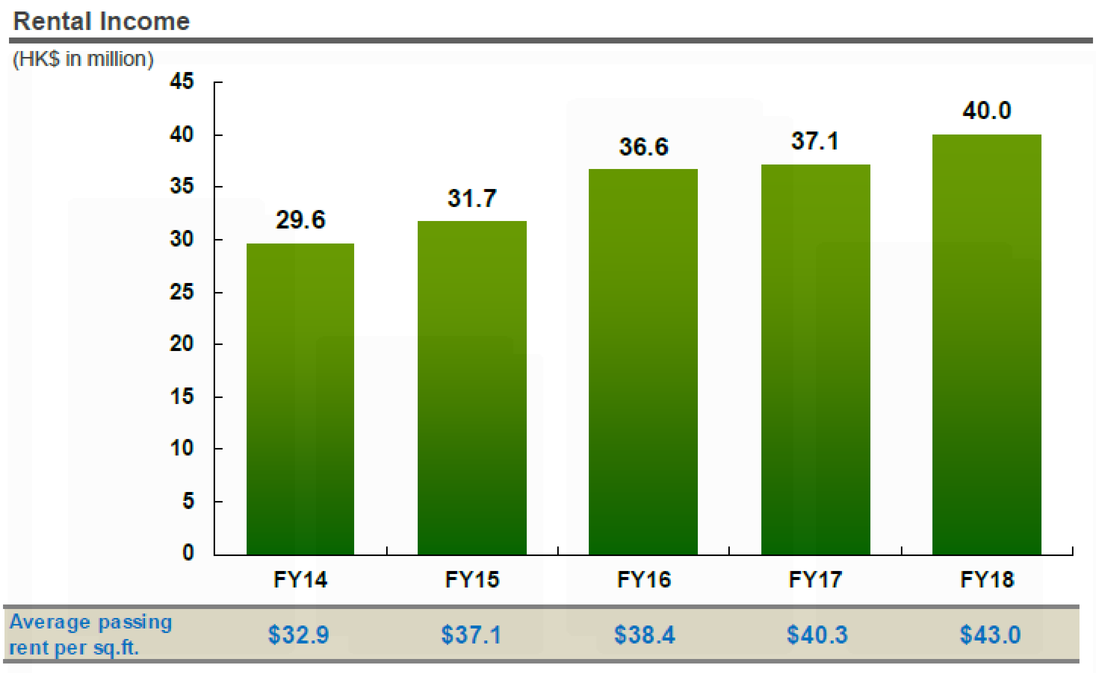
The Group will continue to implement asset enhancement measures on facilities and services to maintain its competitiveness and to help uplift rental rates.

Retail

As at 30 June 2018, the Occupancy Rate was at 99%. The Group will continue to diversify its tenant mix and will replace some retail tenants with high quality F&B and lifestyle stores offering different dining and shopping experience.

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 rental income rose by 8% yoy to HK$40 million in FY18.



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 is split 40:60 between the URA and the 50:50 joint venture between the Group and Sino Land Company Limited. 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 95% and the average rent was around HK$61 per sq.ft. in the year under review.

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

Connecting Wan Chai MTR station and Lee Tung Avenue, the Johnston Tunnel was opened in December 2017 and it has enhanced the connectivity of the Group’s property portfolio in Wan Chai with the MTR station. In addition, the application for the QRE Tunnel connecting Lee Tung Avenue and Hopewell Centre has been submitted and obtained support from Land and Development Advisory Committee for premium waiver which was qualified for consideration by Executive Council.

Wu Chung House (Retail shops)

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 including Rolls-Royce car showroom.

GardenEast

GardenEast has maintained steady performance amid competitive business environment. Overall revenue remained flat at HK$77 million in FY18 with average rental rate rose by 5% yoy for serviced apartments, while Average Occupancy Rate of serviced apartments fell to 91% from 93% in the previous year.

KITEC

Office

In the latest Policy Address announced in October 2017, the Hong Kong Government kept up the efforts to facilitate transformation of Kowloon East into another attractive core business district at the Kai Tak Development Area ("The Area"). With increasing population in the district due to the development of public and private housing, more residential flats, commercial floor areas and sports and tourism facilities will be provided in The Area. Several Government offices are planned to relocate in The Area. In addition, the Government will enhance pedestrian access network and construct the Central Kowloon Route which will link Yau Ma Tei with Kowloon Bay and The 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 as well as an environmentally friendly linkage system for Kowloon East which is currently under study.

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 as a quality business district into CBD2 in the long term.

The GFAs of KITEC’s office and retail portions are approximately 750,000 sq.ft. and 760,000 sq.ft. respectively. On the office front, during the year under review, rental income dropped 3% yoy to HK$137 million mainly due to tenant reshuffling and increased office supply in Kowloon East, whereas Average Occupancy Rate dropped from 94% to 90%. Average passing rent and average spot rent in FY18 maintained at HK$17.9 per sq.ft. and approximately HK$19.0 per sq.ft., respectively. The gap between passing rent and spot rent narrowed compared with the previous year mainly due to softened demand given increase in office supply in Kowloon East. Nevertheless, the Group has initiated further AEI to upgrade services and facilities and improve the image of KITEC by phase, including setting up gymnasium room for tenants and offering baby care room which were completed. Further AEI to upgrade facilities such as revamp of corridors and toilets are under planning.

In the fourth quarter of 2017, the Group signed a new lease with ViuTV for a total area of approximately 70,000 sq.ft. in KITEC which comprised of 33,400 sq.ft. of office space to set up its headquarter and 36,100 sq.ft. of area in E-Max to set up a film and TV production studio on G/F, which will result in approximately 50% increase in rental income compared to that of the previous tenants. Such lease will provide full year rental income contribution in FY19 (year ending 31 March).

In March 2018, the Registration and Electoral Office has committed to lease another 21,000 sq.ft. at a rental rate of around HK$20.0 per sq.ft. As at 30 June 2018, the Government is an anchor tenant with approximately 271,000 sq.ft. of space, which represented 36% of KITEC office’s total GFA.

Despite keen competition of office rental market in Kowloon East, the Group expects mild growth in rental income of FY19 (year ending 31 March) due to new leases signed with tenants including ViuTV and the Registration and Electoral Office. The Group expects KITEC office to experience the next phase of rental uplift when Kowloon East becomes more developed, as the area evolves as a quality business district into CBD2 in the longer term.

E-Max

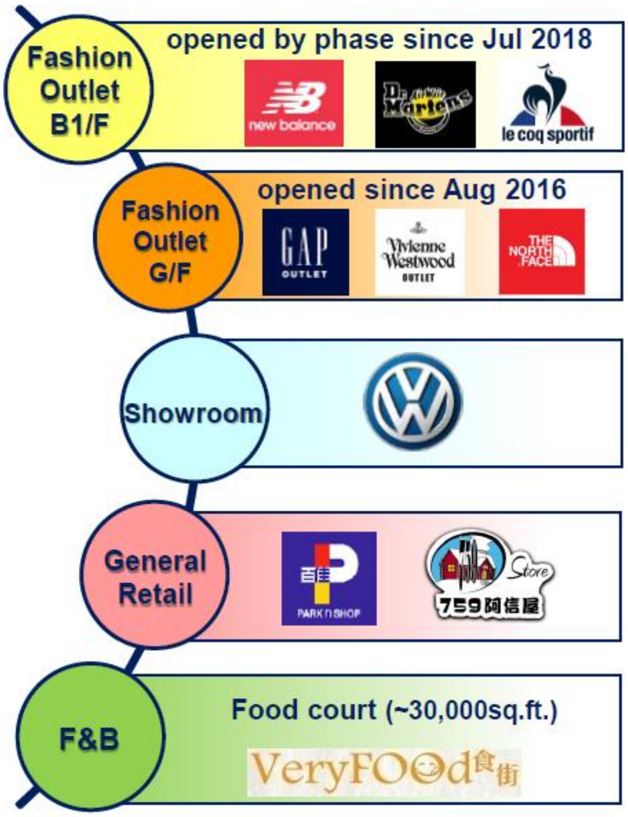
E-Max is an entertainment-driven shopping arcade that includes a live house, The Metroplex, and Star Hall. In light of The Metroplex and the Music Zone@E-Max, the tenant mix on G/F and 2/F has been refined to renowned brands and general retailers which helped to stimulate the footfall and enable E-Max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

Foreseeing a high traffic flow and purchasing power in Kowloon East, the Group has continued 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. 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.

As the evolution of E-Max unfolded since 2014 along with the opening of the Metroplex, success has been shown. The introduction of more elements and popular brands to E-Max since 2016 has been well-received by the market. To further refine the tenant mix on G/F and 2/F, the Group has launched an AEI 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 was opened on 2/F in June 2016. An upmarket fashion outlet of approximately 65,000 sq.ft. was 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 the 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 food court of approximately 30,000 sq.ft. was opened on 2/F in the first quarter of 2017.

In the second quarter of 2017, the Group started to convert B1/F of approximately 100,000 sq.ft. (previously automall and Duty Free Shop) into a retail area as an expansion of G/F's upmarket fashion outlet. New tenants of the fashion outlet on B1/F have moved in and opened by phase since July 2018, including a number of well-known sporting and fashion brands, such as New Balance, Royal Sporting House, Dr. Martens, Descente, Munsingwear, and Le Coq Sportif etc.. In addition, the classical indoor amusement park, "The Wonderful World of Whimsy", made its return for some nostalgic fun. With an area of around 30,000 sq. ft. on B1/F, the park is planned to open in the fourth quarter of 2018. Along with the completion of E-Max's second phase of evolution, a grand opening event for the upmarket fashion outlet, together with extensive promotional campaigns through both offline and online marketing channels, have been scheduled to take place in the fourth quarter of 2018. The short term negative impact on rental revenue from the moving out of tenants on B1/F during the year under review will be compensated by the benefits from the long term potential growth brought by the completion of E-Max's second phase of evolution. In order to capture more local consumptions, E-Max has enlarged the area for F&B to increase footfall and 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 which was opened since August 2016, together with the expansion on B1/F with refinement of tenant mix, E-Max's rental income is targeted to grow 50% in FY20 as compared to FY16.

Introduced more popular brands and elements



Conventions, Exhibitions and Entertainment

KITEC continues to be one of the key venue providers and is devoted to renders its effort on entertainment and convention industry in Hong Kong. With flexible layouts and comprehensive supporting facilities, KITEC can cater to the sophisticated demands of a wide variety of international events, including a range of concerts, musicals, fan meetings, award ceremony, expos, competitions and sports events. During the year under review, 161 shows were held in KITEC.

Since its opening, Star Hall has gained reputation as one of the hotly sought integrated performance venues in town. During the year under review, 52 shows featuring various local and overseas acclaimed performers were held in Star Hall, including Edmond Leung, LMF, Michael Learns To Rock, NU'EST, Kim Jae Joong, Japanese pop band W-inds, Crowd Lu and The Script. Besides, the very first baby care expo organised by the renowned international retail brand Mothercare, the fun-filled musical Peppa Pig Live, and Star Hall's first food expo namely Hong Kong Food Tasting Festival 2018, were held in November 2017, April and May 2018 respectively. These events were well received by the public and attracted high footfall to KITEC.

Music Zone@E-Max remains a popular venue for mini-concerts and fan meetings, and attracted performers from local and overseas, such as Japan and Korea, to stage their live tours. Altogether there were 101 performances held during the year under review.

By featuring pop singer Jason Chan's wedding in 2017, The Glass Pavilion has successfully drawn attention of couples who are planning their weddings. 53 weddings were held during the year under review.

KITEC's convention, exhibition and entertainment business revenue grew steadily during the year. Total gross rental income, including equipment rental, increased by 7% yoy to HK$70 million.

The Metroplex (multi-cinema complex)

During the year under review, The Metroplex has drawn more than 650,000 audiences to E-Max and housed 15 gala premieres.

The Metroplex remains committed to supporting and cultivating the independent film culture. 14 Metro Select programs were held this year, including "Sundance Friday: Midnight", "Sundance Film Festival: Hong Kong", "Sundance Friday: My First Dance", "French Friday: Annecy" and Graduation Screening of The Hong Kong Academy for Performing Arts.

The fourth annual "Sundance Film Festival: Hong Kong" was concluded with success, with record-breaking number of audience as well as number of Short Film Competition entries. For the second year, the Short Film Competition grand prize project was invited to be screened at Sundance Film Festival in Utah. To continue the resonance, an extended program "Sundance Friday: My First Dance" was rolled out, featuring the early projects of the now reputable and award winning film directors. Over 95% of the seats were sold out.

The Metroplex also introduced programs reaching out to a diversified range of culture and communities such as "A Taste of Cuba Mini Film Festival": Inspired by Cuba's rich music culture, a "Cuban Music Night" was co-organised with "1563' Live House" at "The East", the Group's live music restaurant and "French Friday: Annecy", as part of "Le French May", supported by Consulate General of France.

Understanding the importance of nurturing young talents for the film industry, The Metroplex sponsored The Hong Kong Academy for Performing Arts' School of Film and Television Graduation Screening and donated the ticketing sales revenue to the School. "Final Year Student Project Screenings" of the Hong Kong Baptist University's Academy of Film were also sponsored.

The Metroplex endeavors to support the Group's initiatives in corporate social responsibility. The cinema supported 11 CSR activities during the year. The beneficiary organisations include Médecins Sans Frontières Hong Kong, Ebenezer School & Home for the Visually Impaired, SPCA, Heifer Hong Kong and Hong Kong Education Bureau etc. In recognition of its continuing efforts, the cinema has also received 2 CSR awards namely "Caring Company Logo by The Hong Kong Council of Social Service" and "Manpower Developer Award Scheme" by the Employee Retraining Board.

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 grew by 5% to HK$65 million in FY18. The Average Occupancy Rate was 97% during the year under review.

Hospitality

Panda Hotel

During the year under review, Panda Hotel's total revenue rose 11% yoy to HK$339 million, due to the increase in room and F&B revenues. Room revenue increased by 7% yoy to HK$215 million, mainly due to the increase in average room rate by 7% yoy and Average Occupancy Rate remained at high level of 97%. F&B revenue increased by 17% yoy to HK$124 million, mainly due to increase in banquets.

Panda Hotel will continue to maintain its competitiveness by adopting flexible marketing strategy, maintaining diversification on customer mix to avoid over reliance on Mainland China's leisure visitors and refurbishment of guestrooms. It will also expand its partner network in order to enlarge its travel agent base and deploy various marketing programs to sustain the business volume. Panda Hotel has mobilized the sales team to launch extensive sales blitz to capture more business.

Although the hotel industry of Hong Kong is gradually recovering, the Group is cautiously optimistic about the outlook of the industry.

As of 30 June 2018, the market value of hotel amounted to HK$3,238 million (equivalent to approximately HK$3.6 million per room) as estimated by Cushman & Wakefield Limited. 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 30 June 2018, the book value of Panda Hotel amounted to HK$302 million (equivalent to approximately HK$0.3 million per room), which implies a hidden value of approximately HK$2.9 billion compared to its market value.

Restaurant & Catering Services

During the year under review, KITEC F&B total revenue rose 11% yoy to HK$157 million, mainly due to the increase in corporate and social banquet events as well as more wedding banquet businesses thanks to the new venue, The Glass Pavilion.

Boasting an elegant glassy venue, The Glass Pavilion has been actively promoting its wedding banquet services. During the year under review, 53 wedding banquets and premium events including The Cancer Fund Gala 2017, the Hong Kong Beauty Industry Union Limited Inauguration Dinner, The Heart To Heart Foundation Charity Dinner and Animals Asia Foundation Charity Gala 2017 were held.

To further strengthen its competitive edge, the Group will continue to provide quality food, beverages and services, as well as upgrade the facilities and equipment, so as to better meet the unique and differing needs of customers.

B Properties – 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 483,900 sq.m. or 44% of the total GFA of the project (consisting of 185 townhouses and 3,700 apartments) were sold and booked up to 30 June 2018.

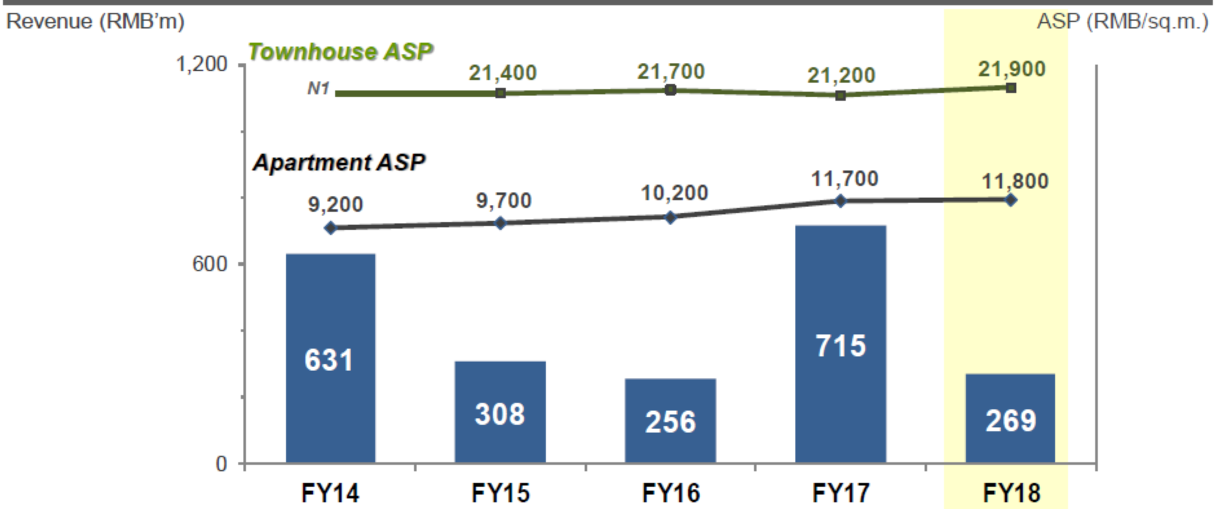
During the year under review, RMB269 million of revenue was generated including sales of 73 units or 9,000 sq.m. of apartments and 10 units or 2,900 sq.m of townhouses which were booked, representing a 62% yoy drop given higher base in FY17 and tightening policies in PRC property market. The average selling price for the apartments booked during the year rose 1% yoy to RMB11,800 per sq.m..

In order to establish the environment for the healthy development of the property market in PRC, the PRC government has implemented various regulatory policies during the year under review. Given the current tightening policies in the PRC property market, the Group will continue to monitor the market closely before taking further initiatives. The Group will also explore cost-effective ways to control the construction costs and increase the profitability.

	FY16	FY17	
Sales Target	**85,000 sq.m.** (achieved)		
	FY16	**FY17**	**FY18**
Sales Booking	**RMB256m**	**RMB715m** (exceeded target)	**RMB269m**

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. The MTR Route No.9 commenced operation in December 2017 and an MTR exit near the site has opened in June 2018, which has further improved the connectivity in this area.

Revenue and Average Selling Price ("ASP") Booked



	FY14	FY15	FY16	FY17	FY18
GFA booked (sq.m.)					
Apartment	67,600	29,600	23,200	55,100	9,000
Townhouse	-	900	900	3,200	2,900
Units booked					
Apartment	695	252	195	486	73
Townhouse	-	3	3	11	10

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 Phase 1: 179 units (saleable area 103,000 sq.ft.) 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 2017, all residential units were sold with average selling price of around HK$22,600 per sq.ft. of saleable area and all units have been handed over. By bringing in more high-net-worth residents to the area, synergies have been created, which has benefited the Group's retail tenants in the surroundings.

The Avenue Residential Sales

Saleable area	Phase 1	Phase 2	Total
Units sold	**179** **(103,000 sq.ft.)**	**1,096** **(554,000 sq.ft.)**	**1,275** **(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$5,230 million, representing 1,275 units or 657,000 sq.ft. have been booked up to 30 June 2018, of which revenue of HK$24 million representing 1 unit or 1,800 sq.ft. was booked during the year under review compared to HK$427 million representing 31 units or 34,000 sq.ft. booked in FY17.

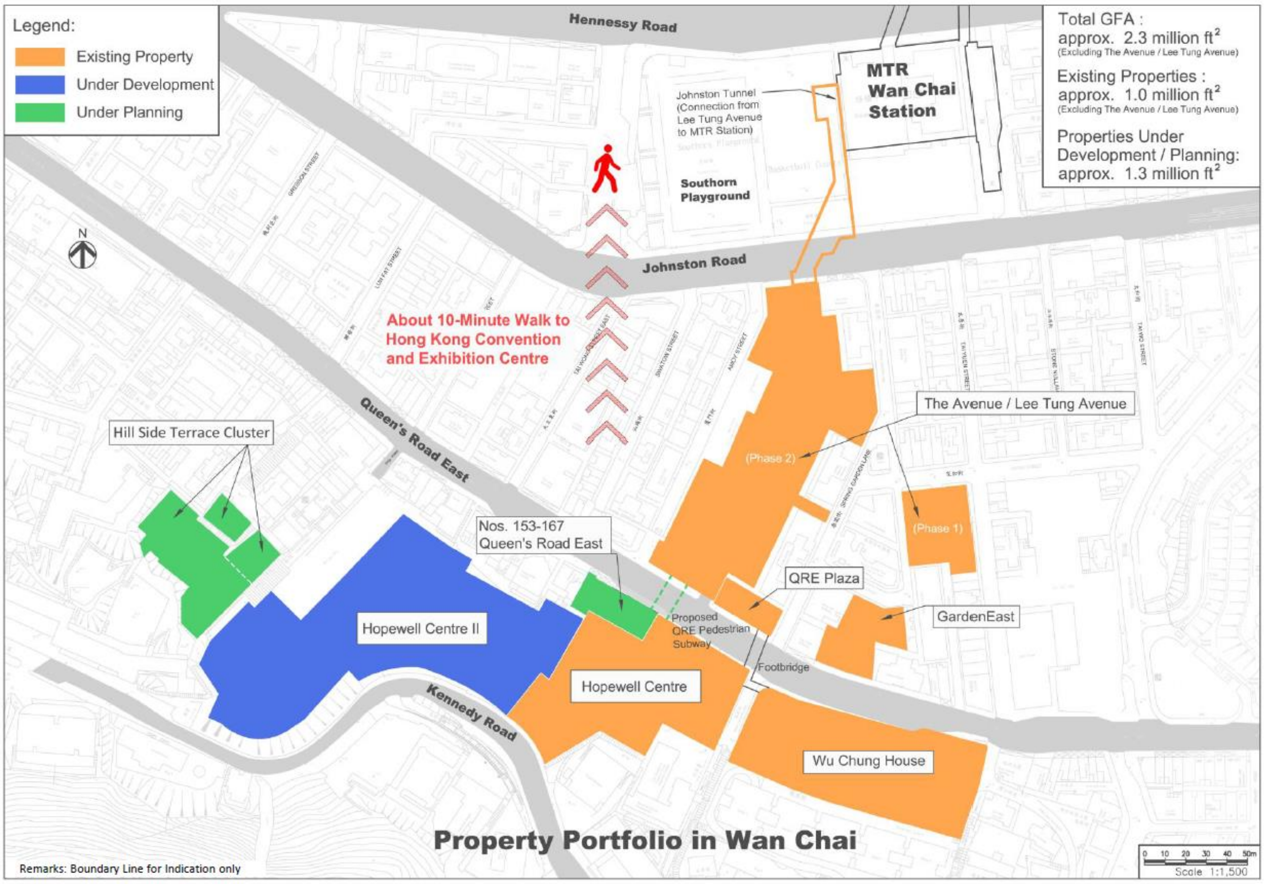
Broadwood Twelve

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 all units sold

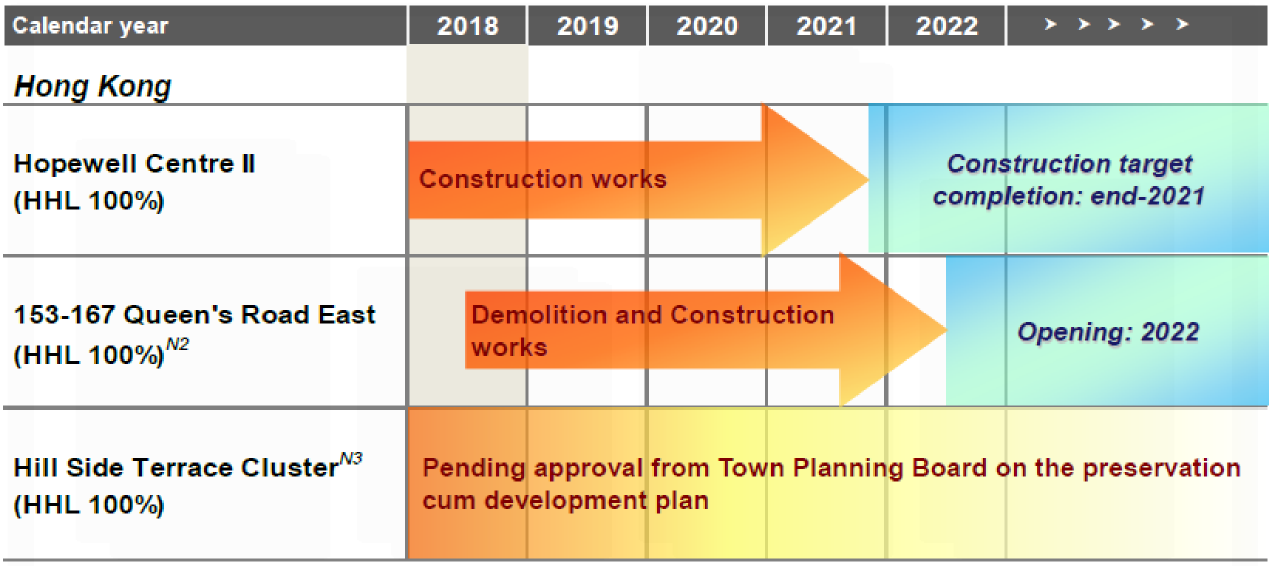
Broadwood Twelve is the Group's residential development on Broadwood Road. The top-quality finishes of its units and the stunning views they enjoy over the racecourse and Victoria Harbour have positioned them as attractive luxury residences.

The sales relaunch of Broadwood Twelve was well received by the market. As of 30 June 2018, all units were sold, generating total gross sales proceeds (including the sale of car-parking spaces) of around HK$3,540 million. The average selling price of all the units sold was around HK$34,400 per sq.ft. of saleable area. During the year under review, 7 units with total saleable area of approximately 9,000 sq.ft. were sold at average selling price of HK$36,400 per sq.ft.. Net sales revenue of HK$363 million or 8 units and 3 car-parking spaces were booked in FY18, including 1 unit which was sold in FY17.

C. Properties Under / For Development



Timeline for Projects N1



N1: Present planning, subject to change

N2: The Group has 100% ownership of 153A-167 QRE and has successfully bought the outstanding unit of 153 QRE in the public auction under the Compulsory Sale for Redevelopment in January 2018

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 76,800 sq.m.), a retail area of around 24,800 sq.m.
Height / No. of storeys	207 mPD/52 storeys
Estimated total investment	Around HK$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 and foundation works in progress)

A Land Grant execution involving a land premium payment of HK$3,726 million was completed on 24 October 2012. Site formation and foundation works are in progress and target to complete in 2019. Construction of the hotel, which is advancing full steam forwards, is targeted to complete by the end of 2021.

In August 2017, the Town Planning Board approved the 2017 Scheme of Hopewell Centre II. The approved scheme will enhance the pedestrian connectivity in Wan Chai South. Under current planning, this will have no impact on the construction progress.

The estimated total investment cost (including land premium) is around HK$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.

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 2018	Jul-18 to Mar-19	FY20	FY21 & beyond
around $4,900[N2]	$220	$550	$4,530

Planned Total Investment: around HK$10b

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

As at 30 June 2018, the market value of the hotel portion of this project amounted to HK$4,781 million (equivalent to around HK$4.7 million per room under development) as estimated by Cushman & Wakefield Limited. In line with accepted market practice, the value of the hotel portion of the project is stated at a cost of around HK$2,654 million (equivalent to around HK$2.6 million per room under development) in the Group's balance sheet. This implies a hidden value of around HK$2.1 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.

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. In helping to seamlessly integrate major areas of Wan Chai district, it will provide access to the Group's properties under "The East" brand. Synergising with the Group's current Wan Chai property portfolio, it will 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 30 June 2018, the total book costs of these properties was 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. Approval from Town Planning Board on the preservation cum development plan 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 through a public auction under the Compulsory Sale for Redevelopment in January 2018. Under current planning, the project will be developed into a commercial property and the estimated remaining capital expenditure to be spent is approximately HK$460 million. A planning application to build a commercial property was submitted to Town Planning Board in May 2018. Demolition works were started in May 2018 and the project is envisioned to commence operation in 2022. 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.

__Developments 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 (including hotel) of approximately 3.5 million sq.ft., plus around 1.3 million sq.ft. of those under development in Wan Chai, the total attributable GFA of the Group's investment properties (including hotel) 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.

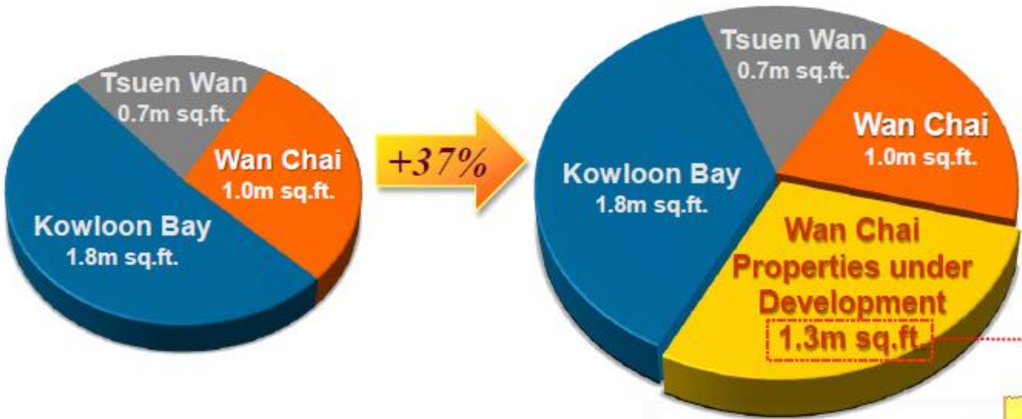
Investment Properties* under Development
- Future Growth Driver

Existing

Total GFA: 3.5 million sq.ft.

Future

Total GFA: 4.8 million sq.ft.



	Use	Target completion	GFA^ (sq.ft.)
Hopewell Centre II	Conference Hotel	2021 (construction)	1,100,000
153-167 QRE	Commercial	2022 (opening)	90,000
Hill Side Terrace Cluster	Residential	under planning	130,000
			1.3m

^ Under current planning

** Including hotel*

D Power

Heyuan Power Plant Phase I

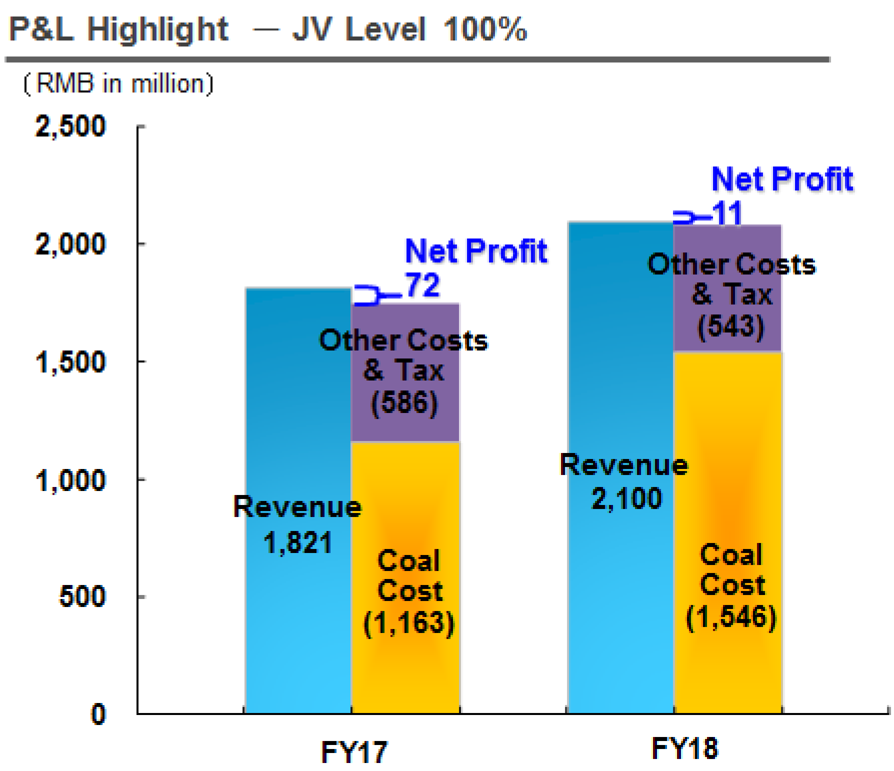
Project Description	
Location	Heyuan City, Guangdong Province, PRC
Installed Capacity	2 x 600MW
HHL's stake	35%
JV partner	Shenzhen Energy Group Company Limited
Total investment	RMB 4.7 billion
Status	In operation

Key operating data	FY17	**FY18**
Gross generation	5,200GWh	**6,100GWh**
Utilisation rate N1 (hours)	49% (4,296 hours)	**58% (5,081 hours)**
Availability factor N2	73%	**84%**
Average on-grid tariff (with desulphurization, denitrification, dust removal and super low emission) (excluding VAT) (RMB/MWh)	374.2 N3	**364.7**
Approximate cost of coal (5,500 kcal/kg) (including transportation cost and excluding VAT) (RMB/ton)	600	**674**

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

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

N3: Unit 1 – without super low emission tariff during 1 July 2016 – 17 January 2017



During the year under review, Heyuan JV's net profit decreased to RMB11 million from RMB72 million due to decrease in tariff rate, increase in cost of coal and increase in power plant depreciation (calculated based on units of production method). Net profit margin decreased from 4% to 1%. The Heyuan JV will continue to endeavor to formulate and implement suitable cost-control measures.

The accounting estimates of the power plant's useful life, and thus the depreciation schedule are now under review. It is expected that the above-mentioned probable changes would bring positive impact to Heyuan JV's net profit in FY19 (year ending 31 March) the earliest.

The economy is subject to cycles. The continuing economic development of Guangdong Province indicates that demand for electricity will be solid 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 cash flow contributions.

OTHER INFORMATION

Review of Annual Results

The Audit Committee of the Company had reviewed with management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the Group's annual results for the year ended 30 June 2018.

Scope of Work of the Company's auditor in respect of the Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("DTT"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by DTT in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by DTT on the preliminary announcement.

Purchase, Sale or Redemption of Securities

During the year ended 30 June 2018, the Company bought back a total of 1,218,500 shares of the Company on the Stock Exchange at an aggregate consideration (excluding transaction costs) of HK$32,913,575. All the bought back shares were subsequently cancelled. Details of the buy-backs are as follows:

Month of the buy-backs	**Total number of shares bought back**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate consideration paid (excluding transaction costs)** *HK$*
June 2018	**1,218,500 (approx. 0.14% of issued shares)**	**27.20**	**26.80**	**32,913,575**

Average price per share: HK$27.01

The buy-backs were made for the benefit of the shareholders with a view to enhancing the earnings per share as well as maximising shareholders' return.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2018.

Corporate Governance Practices

Throughout the year ended 30 June 2018, 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 Deputy Chairman and 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2017 *HK$'000* (Restated)	**2018** ***HK$'000***
Continuing operations			
Turnover	3	2,360,128	**1,984,225**
Cost of sales and services		(943,575)	**(694,593)**
		1,416,553	**1,289,632**
Other income	4	115,187	**154,182**
Other gains and losses	5	(4,794)	**1,553**
Selling and distribution costs		(77,862)	**(79,904)**
Administrative expenses		(293,007)	**(296,217)**
Gain on disposal of assets classified as held for sale (Broadwood Twelve)		39,065	**51,222**
Fair value gain of completed investment properties		627,489	**2,539,236**
Finance costs	6	(12,132)	**(16,941)**
Share of results of joint ventures:	7		
Power plant project		33,587	**5,061**
Property development project			
Sales and leasing of properties		43,448	**44,661**
Fair value gain of completed investment properties		-	**25,225**
Share of profit of an associate		2,084	**1,660**
Profit before taxation	8	1,889,618	**3,719,370**
Income tax expense	9	(343,936)	**(273,672)**
Profit for the year from continuing operations		1,545,682	**3,445,698**
Discontinued operation (Expressway projects)			
Share of results of joint ventures		760,386	**694,506**
Other gains		6,185	**15,070**
Administrative expenses		(46,569)	**(31,529)**
Profit before taxation		720,002	**678,047**
Income tax expense		(42,276)	**(40,539)**
Profit for the year from toll road investment		677,726	**637,508**
Gain on disposal of HHI before taxation		-	**5,782,332**
Income tax expense from gain on disposal of HHI		-	**(662,425)**
Gain on disposal of HHI after taxation		-	**5,119,907**
Profit for the year from discontinued operation		677,726	**5,757,415**
Profit for the year		2,223,408	**9,203,113**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - continued
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017 *HK$'000* (Restated)	**2018** ***HK$'000***
Other comprehensive (expense) income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of subsidiaries and joint ventures		(136,406)	**528,833**
Translation reserve reclassified to profit or loss on disposal of subsidiaries		-	**(620,659)**
Other comprehensive expense for the year		(136,406)	**(91,826)**
Total comprehensive income for the year		2,087,002	**9,111,287**
Profit for the year attributable to owners of the Company:			
- Continuing operations		1,521,361	**3,439,128**
- Discontinued operation		439,912	**5,530,348**
		1,961,273	**8,969,476**
Profit for the year attributable to non-controlling interests:			
- Continuing operations		24,321	**6,570**
- Discontinued operation		237,814	**227,067**
		262,135	**233,637**
		2,223,408	**9,203,113**
Total comprehensive income attributable to:			
Owners of the Company		1,865,209	**8,710,495**
Non-controlling interests		221,793	**400,792**
		2,087,002	**9,111,287**
		HK$	***HK$***
Earnings per share	10		
From continuing and discontinued operation			
Basic		2.25	**10.31**
From continuing operations			
Basic		1.75	**3.95**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	NOTE	2017 *HK$'000*	**2018** ***HK$'000***
ASSETS			
Non-current Assets			
Completed investment properties		30,318,946	**32,947,300**
Property, plant and equipment ("PPE")		700,246	**767,299**
Properties under development			
Commercial portion of HCII (investment properties)		4,645,923	**4,753,887**
Hotel portion of HCII (PPE)		2,537,700	**2,654,217**
QRE project (investment properties)		776,930	**1,119,900**
Properties for development		1,156,903	**838,203**
Interests in joint ventures			
Expressway projects		6,149,912	**-**
Power plant project		1,143,386	**1,110,554**
Property development project		662,353	**732,239**
Interest in an associate		38,548	**38,660**
Other assets		8,513	**3,000**
		48,139,360	**44,965,259**
Current Assets			
Inventories		8,070	**7,998**
Stock of properties			
Under development		304,766	**489,036**
Completed		128,455	**60,309**
Trade and other receivables	12	37,132	**41,429**
Deposits and prepayments		149,303	**133,863**
Amount due from a joint venture		305,306	**175,306**
Bank balances and cash held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		4,035,537	**10,364,439**
HHI Group		540,365	**-**
		5,508,934	**11,272,380**
Assets classified as held for sale (Broadwood Twelve)		292,100	**-**
		5,801,034	**11,272,380**
Total Assets		53,940,394	**56,237,639**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 30 JUNE 2018

	NOTE	2017 *HK$'000*	**2018** ***HK$'000***
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		11,197,829	**11,197,829**
Reserves		36,048,235	**41,449,398**
Equity attributable to owners of the Company		47,246,064	**52,647,227**
Non-controlling interests		2,360,763	**189,362**
Total Equity		49,606,827	**52,836,589**
Non-current Liabilities			
Deferred tax liabilities		549,897	**516,784**
Other liabilities		53,966	**53,966**
Bank borrowings		1,200,000	**1,400,000**
		1,803,863	**1,970,750**
Current Liabilities			
Trade and other payables	13	511,957	**639,423**
Rental and other deposits		546,299	**386,278**
Tax liabilities		317,148	**404,599**
Bank borrowings		1,150,000	**-**
		2,525,404	**1,430,300**
Liabilities associated with assets classified as held for sale		4,300	**-**
		2,529,704	**1,430,300**
Total Liabilities		4,333,567	**3,401,050**
Total Equity and Liabilities		53,940,394	**56,237,639**

Notes:

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as appropriate.

The financial information relating to the years ended 30 June 2018 and 2017 included in this preliminary announcement of annual results 2018 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the HKCO is as follows:

The Company has delivered the consolidated financial statements for the year ended 30 June 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the HKCO and will deliver the consolidated financial statements for the year ended 30 June 2018 in due course.

The Company's auditor has reported on those consolidated financial statements of the Company and its subsidiaries (the "Group") for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the HKCO.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

<u>Amendments to HKFRSs that are mandatorily effective for the current year</u>

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - continued

Amendments to HKFRSs that are mandatorily effective for the current year - continued

Amendments to HKAS 7 *Disclosure Initiative* - continued

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Except as described above, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs and interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venutre[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - continued

New and revised HKFRSs and Interpretations in issue but not yet effective - continued

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Classification and measurement

Except for financial assets that are subject to expected credit losses, all financial assets and financial liabilities of the Group will continue to be measured on the same bases as are currently measured under HKAS 39 *Financial instruments: Recognition and Measurement*.

Impairment

In general, the application of the expected credit loss model of HKFRS 9 may result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors of the Company do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact on the opening retained profits balance at 1 July 2018.

Based on the Group's financial instruments as at 30 June 2018, the application of HKFRS 9 in the future is not expected to have material impact in the Group's future financial position and performance.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - continued

New and revised HKFRSs and Interpretations in issue but not yet effective - continued

HKFRS 15 *Revenue from Contracts with Customers* - continued

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the application of HKFRS 15 is not expected to have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments and related deposits as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group. Furthermore, extensive disclosures are required by HKFRS 16.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

In respect of lessee accounting, the application of HKFRS 16 is not expected to have significant impact on amounts reported in the consolidated financial statements.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. TURNOVER AND SEGMENT INFORMATION

Turnover comprises mainly income from property letting 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).

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 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
Power plant	- power plant investments and operation
Treasury income	- interest income from bank balances
Toll road investment	- investments in expressway projects

Certain operating segments that do not meet the quantitative thresholds are aggregated in "Other operations". Information regarding the above segments is reported below. During the year, the Group disposed of its interest in HHI which carried out all of the Group’s toll road investment business through its joint ventures. Segment information for the discontinued operation was shown in separate lines as below.

Segment revenue

	2017			**2018**		
	External	Inter-segment	Combined	**External**	**Inter-segment**	**Combined**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	***HK$'000***	***HK$'000***
Property investment	1,148,809	71,885	1,220,694	**1,176,598**	**76,106**	**1,252,704**
Hotel, restaurant and catering operation	465,358	209	465,567	**533,744**	**173**	**533,917**
Property development	1,605,315	-	1,605,315	**799,406**	**-**	**799,406**
Power plant	832,619	-	832,619	**1,009,042**	**-**	**1,009,042**
Treasury income	75,355	-	75,355	**109,490**	**-**	**109,490**
Other operations	-	123,000	123,000	**-**	**124,000**	**124,000**
Segment revenue from continuing operations	4,127,456	195,094	4,322,550	**3,628,280**	**200,279**	**3,828,559**
Segment revenue from discontinued operation (Toll road investment)	2,462,407	-	2,462,407	**1,973,963**	**-**	**1,973,963**
Total segment revenue	6,589,863	195,094	6,784,957	**5,602,243**	**200,279**	**5,802,522**

3. TURNOVER AND SEGMENT INFORMATION - continued

Segment revenue - continued

Segment revenue includes the turnover as presented in 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.

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

	2017 *HK$'000*	**2018** ***HK$'000***
Total segment revenue from external customers	6,589,863	**5,602,243**
Less:		
Sale of assets classified as held for sale included in the segment revenue of property development	(404,266)	**(362,983)**
Treasury income	(75,355)	**(109,490)**
Share of revenue of joint ventures engaged in:		
Toll road investment	(2,462,407)	**(1,973,963)**
Power plant	(832,619)	**(1,009,042)**
Property development and property investment	(455,088)	**(162,540)**
Turnover as presented in consolidated statement of profit or loss and other comprehensive income	2,360,128	**1,984,225**

Segment results

	2017				**2018**			
	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	752,869	13,377	2,084	768,330	**774,208**	**13,846**	**1,660**	**789,714**
Hotel, restaurant and catering operation	95,839	-	-	95,839	**127,591**	**-**	**-**	**127,591**
Property development	403,874	30,071	-	433,945	**241,407**	**30,815**	**-**	**272,222**
Power plant	(1,519)	33,587	-	32,068	**(996)**	**5,061**	**-**	**4,065**
Treasury income	75,355	-	-	75,355	**109,490**	**-**	**-**	**109,490**
Other operations	(131,276)	-	-	(131,276)	**(131,232)**	**-**	**-**	**(131,232)**
Segment results from continuing operations	1,195,142	77,035	2,084	1,274,261	**1,120,468**	**49,722**	**1,660**	**1,171,850**
Segment results from discontinued operation (Toll road investment)	(40,384)	760,386	-	720,002	**(16,459)**	**694,506**	**-**	**678,047**
Total segment results	1,154,758	837,421	2,084	1,994,263	**1,104,009**	**744,228**	**1,660**	**1,849,897**

3. TURNOVER AND SEGMENT INFORMATION - continued

Segment results - continued

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

	2017 *HK$'000*	**2018** ***HK$'000***
Segment results	1,994,263	**1,849,897**
Fair value gain of completed investment properties	627,489	**2,539,236**
Share of fair value gain of completed investment properties of a joint venture	-	**25,225**
Finance costs	(12,132)	**(16,941)**
Less: Segment results from discontinued operation	(720,002)	**(678,047)**
Profit before taxation from continuing operations	1,889,618	**3,719,370**

Segment assets and liabilities

Segment assets and liabilities are not presented in the consolidated financial statements as they are not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Geographical information

The Group's hotel operations, restaurant and catering activities are mainly carried out in Hong Kong. The Group's property investment and development activities are carried out in Hong Kong and the PRC. The Group's toll roads and power plant investments are located in the PRC. The Group's segment revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers (Note)	
	2017 *HK$'000*	**2018** ***HK$'000***
Continuing operations		
Hong Kong	2,461,559	**2,283,850**
The PRC	1,665,897	**1,344,430**
	4,127,456	**3,628,280**
Discontinued operation		
The PRC	2,462,407	**1,973,963**
	6,589,863	**5,602,243**

3. TURNOVER AND SEGMENT INFORMATION - continued

Geographical information - continued

	Non-current assets	
	2017	**2018**
	HK$'000	***HK$'000***
Hong Kong	40,795,655	**43,842,055**
The PRC	7,343,705	**1,123,204**
	48,139,360	**44,965,259**

Note:

Revenue from external customers include sales of assets classified as held for sale, treasury income, and the Group's share of revenue of joint ventures amounting to HK$601,906,000 (2017: HK$875,950,000) and HK$3,016,112,000 (2017: HK$3,353,785,000) from Hong Kong and the PRC respectively, which are excluded from the turnover as presented in consolidated statement of profit or loss and other comprehensive income.

4. OTHER INCOME

Included in other income from continuing operations are mainly interest income from bank deposits of approximately HK$109,490,000 (2017: HK$75,355,000).

5. OTHER GAINS AND LOSSES

	2017	**2018**
	HK$'000	***HK$'000***
	(Restated)	
Continuing operations		
Exchange (loss) gain, net	(4,794)	**1,553**

Share of exchange difference of joint ventures is included in share of results of joint ventures.

6. FINANCE COSTS

	2017	**2018**
	HK$'000	***HK$'000***
Continuing operations		
Interests on bank borrowings	32,818	**38,825**
Loan commitment fees and others	19,860	**21,471**
	52,678	**60,296**
Less: Finance costs capitalised in properties under development	(40,546)	**(43,355)**
	12,132	**16,941**

7. SHARE OF RESULTS OF JOINT VENTURES

	2017 *HK$'000* (Restated)	**2018** ***HK$'000***
Continuing operations		
Power plant project in the PRC		
Share of profit of a joint venture	33,587	**5,061**
Property development project (The Avenue and Lee Tung Avenue)		
Share of results of joint ventures from sales and leasing of properties	43,448	**44,661**
Share of fair value gain of completed investment properties	-	**25,225**
	43,448	**69,886**
	77,035	**74,947**

8. PROFIT BEFORE TAXATION

	2017 *HK$'000* (Restated)	**2018** ***HK$'000***
Profit before taxation has been arrived at after charging:		
Continuing operations		
Auditor's remuneration	3,900	**3,900**
Depreciation of property, plant and equipment	69,897	**74,772**
Charitable donations	723	**430**
Share of tax of an associate (included in share of profit of an associate)	446	**317**
Share of tax of joint ventures (included in share of results of joint ventures)	22,995	**12,771**

9. INCOME TAX EXPENSE

	2017 *HK$'000* (Restated)	**2018** ***HK$'000***
Continuing operations		
Hong Kong Profits Tax		
Current year	77,940	**86,721**
Overprovision in respect of prior years	(145)	**(464)**
	77,795	**86,257**
Taxation elsewhere - current year		
PRC EIT	78,800	**43,356**
PRC Land Appreciation Tax ("LAT")	122,832	**84,764**
	201,632	**128,120**
Deferred tax	64,509	**59,295**
	343,936	**273,672**

9. INCOME TAX EXPENSE - continued

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

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 years.

PRC EIT for the year from continuing operations includes PRC withholding tax on dividends declared during the year by the Group's joint ventures amounting to approximately HK$3,531,000 (2017: nil).

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.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2017 *HK$'000*	**2018** ***HK$'000***
Continuing and discontinued operations		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	1,961,273	**8,969,476**

	2017 Number of shares	**2018** **Number of shares**
Weighted average number of ordinary shares for the purpose of basic earnings per share	869,839,121	**869,816,694**

No diluted earnings per share have been presented for the years ended 30 June 2018 and 30 June 2017 as there was no potential ordinary shares in issue during both years.

	2017 HK$'000	**2018** **HK$'000**
Continuing operations		
Earnings for the purpose of basic earnings per share		
Profit for the year from continuing operations attributable to owners of the Company	1,521,361	**3,439,128**

The denominators used are the same as those detailed above for basic earnings per share.

Discontinued operation

Basic earnings per share for the discontinued operation is HK$6.36 per share (2017: HK$0.50 per share), based on the profit for the year from the discontinued operation of HK$5,530,348,000 (2017: HK$439,912,000) and the denominators detailed above for basic earnings per share.

11. DIVIDENDS

	2017 HK$'000	**2018 HK$'000**
Cash dividends recognised as distribution during the year:		
Final dividend for the year ended 30 June 2017 of HK75 cents per share (2017: for the year ended 30 June 2016 of HK75 cents per share)	652,379	**652,379**
Special final dividend for the year ended 30 June 2017 of HK45 cents per share (2017: nil)	-	**391,428**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(54)	**(86)**
	652,325	**1,043,721**
First interim dividend for the year ended 30 June 2018 of HK55 cents per share (2017: for the year ended 30 June 2017 of HK55 cents per share)	478,412	**478,412**
Special interim dividend for the year ended 30 June 2018 of HK$2 per share (2017: nil)	-	**1,739,678**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(40)	**(184)**
	478,372	**2,217,906**
	1,130,697	**3,261,627**
Cash dividends declared after the end of the reporting period:		
Second interim dividend for the year ended 30 June 2018 of HK88 cents per share (2017: nil)	-	**764,386**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	-	**(63)**
	-	**764,323**
Cash dividends proposed:		
Final dividend for the year ended 30 June 2017 of HK75 cents per share	652,379	**-**
Special final dividend for the year ended 30 June 2017 of HK45 cents per share	391,428	**-**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(86)	**-**
	1,043,721	**-**

Subsequent to 30 June 2018, the Directors declared a second interim dividend of HK88 cents per share for the financial year ended 30 June 2018, which shall be paid to the shareholders of the Company registered as at the close of business on 6 September 2018.

The amount of second interim dividend declared for the year ended 30 June 2018 is calculated based on the 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 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:

	2017 *HK$'000*	**2018** ***HK$'000***
Receivables aged		
0 to 30 days	19,122	**19,881**
31 to 60 days	3,455	**1,615**
Over 60 days	4,909	**5,469**
	27,486	**26,965**
Interest receivable on bank deposits	9,646	**14,464**
	37,132	**41,429**

13. TRADE AND OTHER PAYABLES

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

	2017 *HK$'000*	**2018** ***HK$'000***
Payables aged		
0 to 30 days	76,532	**69,575**
31 to 60 days	1,489	**1,707**
Over 60 days	22,603	**27,909**
	100,624	**99,191**
Retentions payable	26,329	**44,806**
Amount due to a minority shareholder of a subsidiary	28,091	**19,772**
Amount due to an associate	1,088	**833**
Accrued construction and other costs	300,001	**412,802**
Accrued staff costs	55,450	**60,987**
Accrued interest on bank borrowings	374	**1,032**
	511,957	**639,423**

GLOSSARY

"2018 Annual General Meeting"	the annual general meeting of the Company to be held at The Glass Pavilion, 3/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 31 October 2018 at 10:00 a.m.
"AEI"	Asset Enhancement Initiative
"ASEAN"	the Association of Southeast Asian Nations
"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
"CAGR"	compound annual growth rate
"CBD2"	Central business district in Kowloon East, Hong Kong
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company" or "HHL" or "Hopewell Holdings"	Hopewell Holdings Limited
"CSR"	corporate social responsibility
"Director(s)"	director(s) of the Company
"DPS"	dividend per share
"EBIT"	earnings before interest and tax
"F&B"	food and beverage
"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 ended 30 June 2017
"FY18"	the financial year ended 30 June 2018
"FY19"	the financial year ending 31 March 2019
"FY20"	the financial year ending 31 March 2020
"FY21"	the financial year ending 31 March 2021
"GDP"	gross domestic product
"GFA"	gross floor area
"Government" or "Hong Kong Government"	the Government of Hong Kong
"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
"GWh"	gigawatt hour

"Heyuan JV(s)"	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 Disposal"	disposal of approximately 66.69% of total number of issued shares of Hopewell Highway Infrastructure Limited by Anber Investment Limited (the wholly-owned subsidiariary of the Company) to Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd
"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
"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
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macao"	the Macao Special Administrative Region of the PRC
"Mainland China"	the PRC, excluding Hong Kong and Macao
"MWh"	megawatt hour
"Occupancy Rate(s)"	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
" P&L"	Profit and Loss
"PBOC"	The People's Bank of China
"PRC" or "China"	the People's Republic of China
"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
"YoY" or "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 (Deputy Chairman and 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; three Non-executive Directors namely, Lady WU Ivy Sau Ping KWOK, Mr. Carmelo Ka Sze LEE and Mr. Guy Man Guy WU; and five Independent Non-executive Directors namely, Ms. Linda Lai Chuen LOKE, Mr. Sunny TAN, Dr. Gordon YEN, Mr. Ahito NAKAMURA and Mr. Yuk Keung IP.