HOPEWELL HOLDINGS LIMITED
合和實業有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 54)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Highlights

1H FY18

- EBIT up 12% yoy to HK$1,136 million mainly due to continued growth from investment properties and hospitality as well as toll road businesses which was mainly due to an exchange gain recorded
- Core profit up 13% yoy to HK$759 million, or HK$0.87 per share
- An interim dividend of HK55 cents per share
- EBIT of investment properties up 3% yoy to HK$394 million
- Panda Hotel's total revenue rose 11% yoy due to increase in room and F&B revenues
- Hopewell New Town booked RMB251 million of sales, down 47% yoy given the higher base in 1H FY17 due to handover progress
- The Johnston Tunnel, which connects Lee Tung Avenue with the MTR station, opened in December 2017. It enhances connectivity of HHL's property portfolio in Wan Chai

Upcoming: 2H FY18 and beyond

- E-Max is undergoing evolution, where B1/F is under renovation for the expansion of upmarket fashion outlet. New tenants are planned to start operation by summer 2018. Target E-Max's retail rental income to grow 50% in FY20 as compared to FY16
- Hopewell Centre II's construction is advancing at full steam and it targets to open in 2021
- The 153-167 QRE project is envisioned to commence operation in 2022. It will increase the interface for Hopewell Holdings' property portfolio on Queen's Road East
- Expect Hopewell New Town will be difficult to achieve the original FY18 sales booking target of RMB500 million, given the current tightening policies in the PRC property market
- Target to distribute 90%-100% of core profit[N1] on a full year basis as dividends in the years before Hopewell Centre II opens[N4]

Proposed Disposal of approximately 66.69% of the issued shares of HHI[N2]

- On 29 December 2017, HHL announced the Proposed Disposal of approximately 66.69% of the issued shares of Hopewell Highway Infrastructure Limited to Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. This is expected to generate net cash proceeds of approximately HK$9 billion and recognise net gain of approximately HK$4.9 billion[N3] upon Completion
- HHL may re-deploy a substantial part of the proceeds to (a) fund the development of Wan Chai Projects; (b) further strengthen its general working capital and cash flow position; and (c) enable HHL to explore new investment opportunities in both Hong Kong and the PRC, in particular the Guangdong-Hong Kong-Macao Bay Area
- Ordinary resolution was duly passed in the Extraordinary General Meeting on 8 February 2018
- Conditional upon Completion of Proposed Disposal of HHI having taken place, a special cash interim dividend of HK$2.00 per share will be paid (payout date will be announced)

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:For details, please refer to the Joint Announcement and Circular dated 29 December 2017 and 22 January 2018 respectively

N3:The net gain is calculated based on the consideration of HK$9,865 million less (i) the carrying value of the Group's approximately 66.69% equity interest in the HHI Group as at 30 June 2017; and (ii) the estimated related costs and expenses (including any tax payable) in relation to the Proposed Disposal. Shareholders should note that the financial impact set out above is for illustrative purpose only. The actual amount of the gain on the Proposed Disposal to be recognised by HHL will depend on the carrying value of HHL's approximately 66.69% equity interest in HHI as at Completion and the actual amount of related costs and expenses (including any tax payable) in relation to the Proposed Disposal, and therefore may be different from the amount mentioned above

N4:Conditional upon Completion of Proposed Disposal of HHI having taken place and barring unforeseen circumstances

GROUP RESULTS

Overview

The Group's revenue for the six months period ended 31 December 2017 ("the period under review") decreased to HK$3,322 million from HK$3,387 million for the corresponding period in 2016. The revenue from investment properties, hospitality and toll road businesses continued to grow. However, these positive factors were offset mainly by a decrease in property sales recognition of Hopewell New Town project.

The Group's EBIT for the period under review increased 12% yoy to HK$1,136 million from HK$1,010 million for the corresponding period in 2016, while the Group's core profit attributable to owners of the Company ("core profit") increased 13% yoy to HK$759 million for the period under review from HK$669 million for the corresponding period in 2016. These increases in profits were mainly resulted from the continued growth of the profits of investment properties and hospitality businesses, as well as the rise in profit of toll road business, which was mainly due to an exchange gain of HK$56 million shared from the GS Superhighway JV's US Dollar loan, compared to the share of exchange loss of HK$55 million for the corresponding period in 2016, and this contributed to an increase in EBIT by HK$111 million. These positive factors offset the decreases in profit recognition of Hopewell New Town project and profit shared from Heyuan Power Plant.

The Group's revenue and EBIT by activities for the six months ended 31 December 2017 were as follows:

	Revenue		**EBIT***	
HK$ million	*2016*	***2017***	*2016*	***2017***
Property letting and management	567	**582**	383	**394**
Hotel, restaurant and catering operation	215	**250**	44	**68**
Investment properties and hospitality sub-total	782	**832**	427	**462**
Property development	880	**643**	274	**250**
Toll road investment	1,253	**1,323**	305	**434**
Power plant	434	**482**	34	**6**
Treasury income	38	**42**	38	**42**
Others	-	**-**	(68)	**(58)**
Revenue/EBIT (Note)	3,387	**3,322**	1,010	**1,136**

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

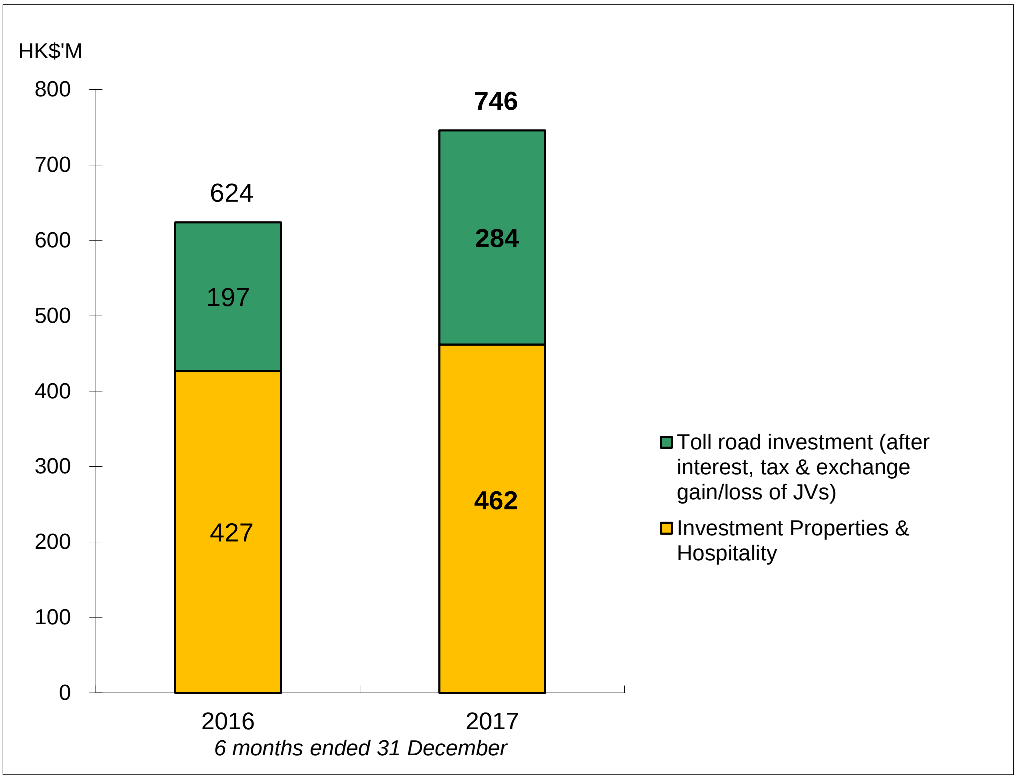
Note:

Reconciliation of Revenue, EBIT and Core Profit with Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Results	
HK$ million	*2016*	***2017***
EBIT	1,010	**1,136**
Finance costs	(5)	**(9)**
Fair value gain of completed investment properties	192	**1,351**
Profit before taxation	1,197	**2,478**
Taxation	(217)	**(216)**
Profit for the period	980	**2,262**
Non-controlling interests	(119)	**(152)**
Profit for the period attributable to owners of the Company	861	**2,110**
Exclude:		
Fair value gain of completed investment properties	(192)	**(1,351)**
Core Profit for the period attributable to owners of the Company	669	**759**

	Revenue	
HK$ million	*2016*	***2017***
Revenue per Group Results	3,387	**3,322**
Less:		
Sales proceeds of Broadwood Twelve properties	(85)	**(227)**
Treasury income	(38)	**(42)**
Share of revenues of JVs engaged in		
- Toll road investment	(1,253)	**(1,323)**
- Power plant	(434)	**(482)**
- Property development and property investment	(295)	**(149)**
Turnover per Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	1,282	**1,099**

Operating Profit* from Investment Properties, Hospitality and Toll Road Businesses



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

Revenue

The Group's revenue for the period under review totalled HK$3,322 million, a 2% decrease from the HK$3,387 million recorded for the corresponding period in 2016. 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, hospitality and toll road businesses continued to grow. However, these positive factors were offset mainly by a decrease in property sales recognition of Hopewell New Town project.

Earnings before Interest and Tax

The Group's EBIT for the period under review increased 12% yoy to HK$1,136 million from HK$1,010 million for the corresponding period in 2016. The increase was mainly resulted from the continued growth of the profits of investment properties and hospitality businesses, as well as the rise in profit of toll road business, which was mainly due to an exchange gain of HK$56 million shared from the GS Superhighway JV's US Dollar loan, compared to the share of exchange loss of HK$55 million for the corresponding period in 2016, and this contributed to an increase in EBIT by HK$111 million. These positive factors offset 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.

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

The EIT rate applicable to the GS Superhighway JV is 25% since 2012 and until the expiry of its contractual operation period on 30 June 2027. With reference to the financial statements prepared under International Financial Reporting Standards, the West Route JV first turned profitable in FY16 and had generated sufficient profit thereafter to offset against its accumulated losses, which turned to positive retained profits by end of FY17. Hence, EIT provision of RMB26 million was provided for at the applicable rate of 25% during the period under review.

Profit and Core Profit Attributable to Owners of the Company

The profit attributable to owners of the Company during the period under review increased 145% yoy to HK$2,110 million or HK$2.43 per share from HK$861 million for the corresponding period in 2016 mainly due to increases in profits from investment properties, hospitality and toll road businesses and the higher fair value gain of completed investment properties recorded during the period under review.

The core profit attributable to owners of the Company during the period under review increased 13% yoy to HK$759 million or HK$0.87 per share from HK$669 million for the corresponding period in 2016, mainly because of increases in profits from investment properties, hospitality and toll road businesses.

Major Assets in Balance Sheet (Adjusted Shareholders' Equity)

The following chart regarding the Group shareholders' equity ("Adjusted Shareholders' Equity") as at 31 December 2017 reflects the underlying economic value of the Group's hotel properties (which are stated on a cost basis) and the estimated net gain from the Proposed Disposal of HHI upon Completion.

Hidden Value from Hotels Business

HHL's Balance Sheet Highlights as at 31 Dec 2017	HK$'m
Completed investment properties	31,762
Panda Hotel	314
Properties under development	
Hopewell Centre II	
- Commercial portion	4,692
- Hotel portion	2,595
155-167 Queen's Road East **	783
Properties for development	1,157
Interests in JVs (Toll Roads, Power Plant and The Avenue/Lee Tung Avenue)	7,898
Other assets/liabilities	1,727
Non-controlling interests	(2,345)
Shareholders' equity (as at 31 Dec 2017)	**48,583** *(HK$55.9/share)**
Total hidden value (hotels business)	**4,566** *(HK$5.2/share)**
Estimated net gain from Proposed Disposal of HHI upon completion	**4,921#** *(HK$5.7/share)**
Adjusted shareholders' equity (unaudited)	**58,070** *(HK$66.8/share)**

* *No. of HHL shares in issue: 869.8 million (as of 31 Dec 2017)*

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

As at 31 Dec 2017 (HK$)	Panda Hotel	HC II hotel portion
Market value	**$3,040m** $3.3m/room *valuation report*	**$4,435m** $4.3m/room under development *valuation report*
Book value	**$314m** $0.3m/room *at cost less depreciation*	**$2,595m** $2.5m/room under development *at cost*
Hidden value	**$2,726m** *$3.1/share**	**$1,840m** *$2.1/share**
	Total: $4,566m	*$5.2/share**

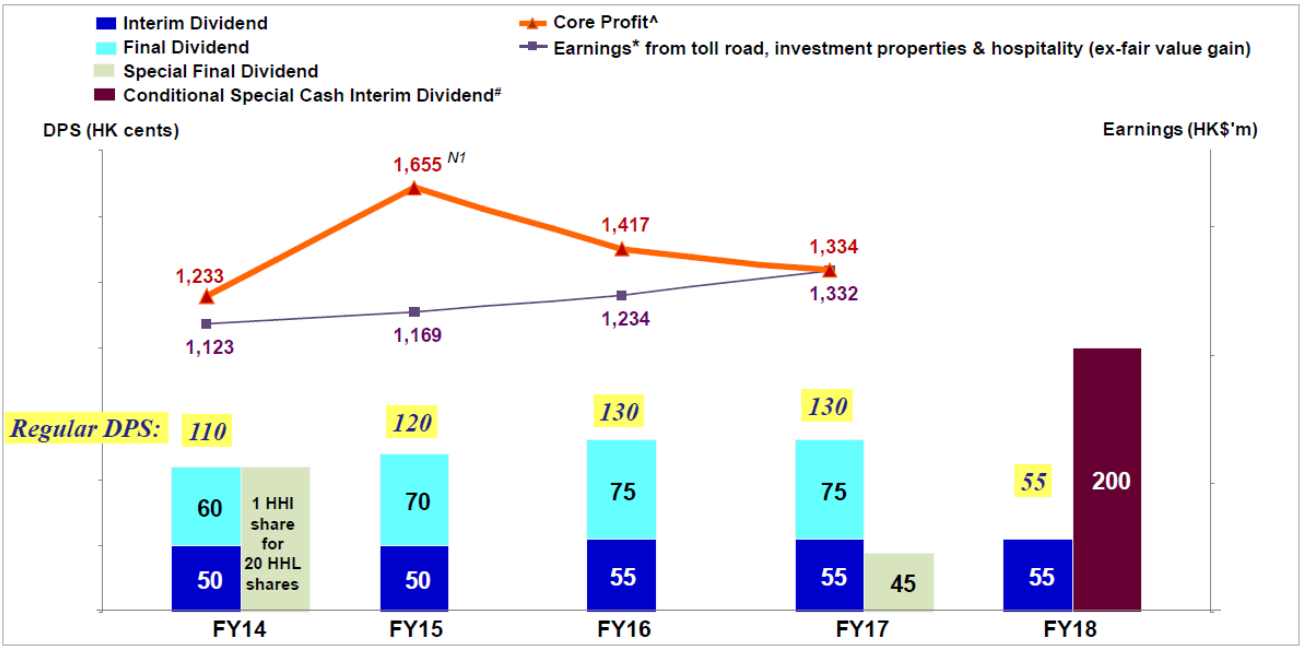
\# - *The net gain is calculated based on the consideration of HK$9,865 million less (i) the carrying value of HHL's approximately 66.69% equity interest in HHI as at 30 June 2017; and (ii) the estimated related costs and expenses (including any tax payable) of the Proposed Disposal*

\- *The financial impact set out above is for illustrative purpose only. The actual amount of the gain on the Proposed Disposal to be recognised by HHL will depend on the carrying value of HHL's approximately 66.69% equity interest in HHI as at Completion and the actual amount of related costs and expenses (including any tax payable) in relation to the Proposed Disposal, and therefore may be different from the amount mentioned above*

DIVIDENDS

Interim Dividend

The Board of Directors has declared an interim dividend of HK55 cents per share in respect of the financial year ending 30 June 2018 (financial year ended 30 June 2017: interim dividend HK55 cents per share). This dividend represents a payout ratio of 63% of the Group's core profit (i.e. profit attributable to owners of the Company excluding the fair value gain of completed investment properties and en bloc sale of entire project). The interim dividend will be paid on Monday, 12 March 2018 to shareholders of the Company registered as at the close of business on Friday, 2 March 2018. It is the present intention of the Board that upon Completion of the Proposed Disposal of HHI having taken place and 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
# Conditional upon Completion of Proposed Disposal of HHI having taken place
* EBIT net of proportional share by non-controlling interests
N1: Including Lee Tung Avenue completion gain HK$120m & 155-167 QRE redevelopment gain HK$300m

Closure of Register of Members

To ascertain shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed on Friday, 2 March 2018 and no transfer of the shares of the Company will be effected on the aforementioned book-close date. To qualify for the interim dividend, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 1 March 2018.

Conditional Special Cash Interim Dividend

On 18 January 2018, the Board of Directors has announced that, conditional upon Completion of the Proposed Disposal having taken place, a special cash interim dividend of HK$2.00 per share will be paid to all shareholders of the Company.

The special cash interim dividend will be paid out of the net sale proceeds received from the Proposed Disposal. Further details of the record date, the payout date of the special cash interim dividend and the book closure date will be announced after Completion in due course.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2017, the cash position and available banking facilities of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	*30.6.2017*	***31.12.2017***
Cash	4,036	**4,331**
Available Banking Facilities *(Note 1)*	4,790	**4,490**
Cash and Available Banking Facilities	8,826	**8,821**

Note 1: As at 31 December 2017, 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*	***31.12.2017***
Total debt	2,350	**2,550**
Net cash *(Note 2)*	1,686	**1,781**
Total assets	47,241	**48,833**
Shareholders' equity (excluding equity shared from HHI Group)	42,835	**44,254**
Total debt / total assets ratio	5.0%	**5.2%**
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$4,331 million included RMB1,472 million (equivalent to HK$1,768 million) and HK$2,563 million. The net cash position of HK$1,781 million comprised bank balances and cash less outstanding bank loans totalling HK$2,550 million.

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

HK$ million	*30.6.2017*		***31.12.2017***	
Repayable:				
Within 1 year	*1,150*	*49%*	***1,150***	***45%***
Between 1 and 5 years	*1,200*	*51%*	***1,400***	***55%***
	2,350		***2,550***	

The Group expects its abundant financial resources will well cover the capital needs of existing and future projects under development. It currently plans to spend approximately HK$3.8 billion on these projects between FY18 and FY20. The Group's cash on hand remains robust. This, together with the healthy cash flow from its investment properties and hospitality businesses, property sales proceeds and the committed banking facilities of HK$2.3 billion, HK$3.2 billion and HK$1.0 billion maturing in 2018, 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 Opening	Total Investment[N1] HK$'M	Interest %	HHL's Injection FY18 to FY20[N1] HK$'M
Hong Kong				
Hopewell Centre II	2021	9,000 - 10,000	100%	3,680 (FY18: 400; FY19: 570; FY20: 2,710)
153-167 Queen's Road East	2022	approx. 1,200	100%[N2]	80
TOTAL				**3,760**

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

As at 31 December 2017, HHI Group (consisting of HHI and its subsidiaries but excluding its JVs) maintained a net cash position of RMB417 million (equivalent to HK$501 million) at corporate level and it had no outstanding loan balance. HHI had available banking facilities amounting to HK$500 million as at 31 December 2017.

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

Treasury Policies

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

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

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

Charges on Assets

As at 31 December 2017, none of the Group's assets had been pledged to secure any loans or banking facilities.

Project Commitments

(a) Hopewell Centre II

As at 31 December 2017, 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$172 million.

(b) Hopewell New Town

	30.6.2017	***31.12.2017***
	HK$'000	***HK$'000***
Contracted for but not provided	121,625	**446,844**

(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	***31.12.2017***
	HK$'000	***HK$'000***
Contracted for but not provided	61,391	**56,775**

(d) Property renovation

	30.6.2017	***31.12.2017***
	HK$'000	***HK$'000***
Contracted for but not provided	58,859	**44,631**

(e) Other property for/under development

	30.6.2017	***31.12.2017***
	HK$'000	***HK$'000***
Contracted for but not provided	18,662	**19,383**

Contingent Liabilities

A subsidiary of the Company acted as the guarantor for the repayment of mortgage bank loans amounting to HK$115 million as at 31 December 2017 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 31 December 2017.

The registered capital amounting to HK$702 million previously injected by a subsidiary of HHI to an entity jointly controlled by the HHI Group and a third party was repaid by such entity during the year ended 30 June 2008. According to the Laws of the PRC on "Chinese-foreign Contractual Joint Venture" in relation to the repayment of registered capital before the expiry of the joint venture operation period, the subsidiary of HHI, as the foreign joint venture partner, is required to undertake the financial obligations of such entity to the extent of HK$702 million when such entity fails to meet its financial obligations during the joint venture operation period.

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

The Group made no material acquisitions or disposals during the period save and except that on 29 December 2017, Anber Investments, an indirect wholly-owned subsidiary of the Company has entered into a sale and purchase agreement as the vendor and the Company as the vendor's guarantor with Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd as the purchaser and Shenzhen Investment Holdings Co., Ltd as the purchaser's guarantor whereby Anber Investments 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 ("HHI") owned by 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 to be sold).

For more details of the sale and purchase above mentioned, please refer to the Joint Announcement and the Circular dated 29 December 2017 and 22 January 2018 respectively.

BUSINESS REVIEW

1. PROPERTIES

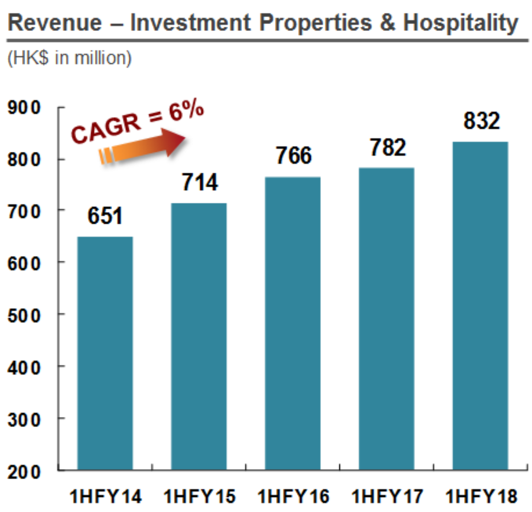
A. Investment Properties and Hospitality

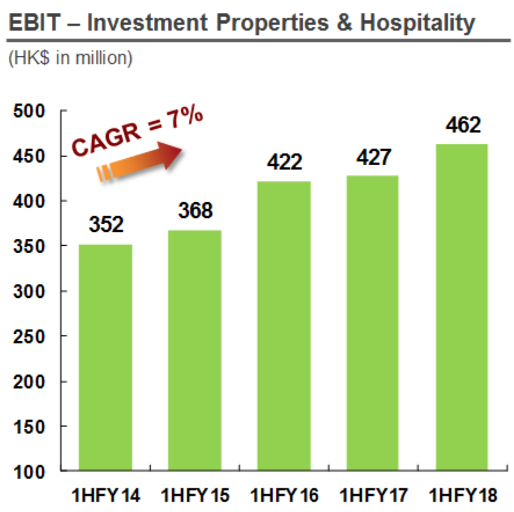
The Group's investment properties and hospitality businesses comprise its wholly-owned investment property portfolio and hotel, restaurant and catering operations. The revenue from these businesses increased 6% yoy to HK$ 832 million during the period under review.

(HK$ in million) For the six months ended 31-Dec	Revenue* 2016	 2017	yoy change
Investment Properties			
Rental income - office	195	209	+7%
Rental income - retail	167	163	-2%
Rental income - residential	40	38	-5%
Convention and exhibition	39	40	+3%
Air conditioning & management fee	79	82	+4%
Carpark & others	47	50	+6%
Investment Properties sub-total	567	582	+3%
Hospitality			
Room Revenue	105	112	+6%
Restaurants, catering operations and others	110	138	+25%
Hospitality sub-total	215	250	+16%
Total	782	832	+6%

** Excluding tenancies for HHL's own use*

EBIT for the Group's investment properties and hospitality businesses increased by 8% yoy to HK$462 million. The five-year compound annual growth rates of revenue and EBIT for the Group's investment properties and hospitality businesses during first half of FY14 to FY18 were 6% and 7% respectively.





Investment Properties

Revenues for the Group's property letting and management rose 3% yoy to HK$582 million during the period under review, while EBIT for these operations increased by 3% yoy to HK$394 million as 7% yoy rise in office rental income offset 2% yoy drop in retail rental income given E-Max is undergoing evolution, where B1/F is under renovation for expansion of up market fashion outlet. The five-year compound annual growth rates of revenue and EBIT for the Group's investment properties during the first half of FY14 to FY18 were 7% and 8% respectively. EBIT margin for 1H 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 macro environment which includes potential monetary contraction by the FED and global political instability, the Group will adopt a defensive rental strategy for office rental business which will focus on renewing lease of existing tenants with a flexible lease term so as to increase flexibility. Nevertheless, rental income of investment properties is expected to remain stable in FY18 given office rental income is expected to maintain stable growth which will offset the drop in retail rental income due to E-Max's B1/F renovation. 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			Change in Average Rental Rate
	1H FY17	1H FY18	yoy	
Hopewell Centre	87%	92%	+5%	+3%
KITEC Office	95%	90%	-5%	-2%
KITEC E-Max	83%	73%[N1]	-10%	+5%
Panda Place	98%	96%	-2%	+3%
QRE Plaza	99%	98% [N2]	-1%	+4%
Lee Tung Avenue	96%	93%	-3%	-4%
GardenEast (apartments)	94%	91%	-3%	+5%

N1: Tenants in B1/F vacated by the first quarter of 2017 for renovation of E-Max's fashion outlet expansion
N2: Occupancy rate was 100% as at 31 December 2017

Hopewell Centre

Hopewell Centre's overall revenue (excluding tenancies for the Group's own use) for 1H FY18 was HK$237 million. Overall average occupancy rate was at 92%.

Office

During the year under review, rental income increased 15% yoy to HK$145 million and average occupancy rate rebounded from 86% to 90% mainly because new tenants moved in. Despite softened demand for office space and 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 3% yoy to HK$45.0 per sq.ft. and average spot rent maintained at around HK$48.0 per sq.ft. in the period under review. Given the uncertainty in the market, 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 phases when i) Hopewell Centre II's site formation and foundation works complete in early 2019, according to current planning 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.

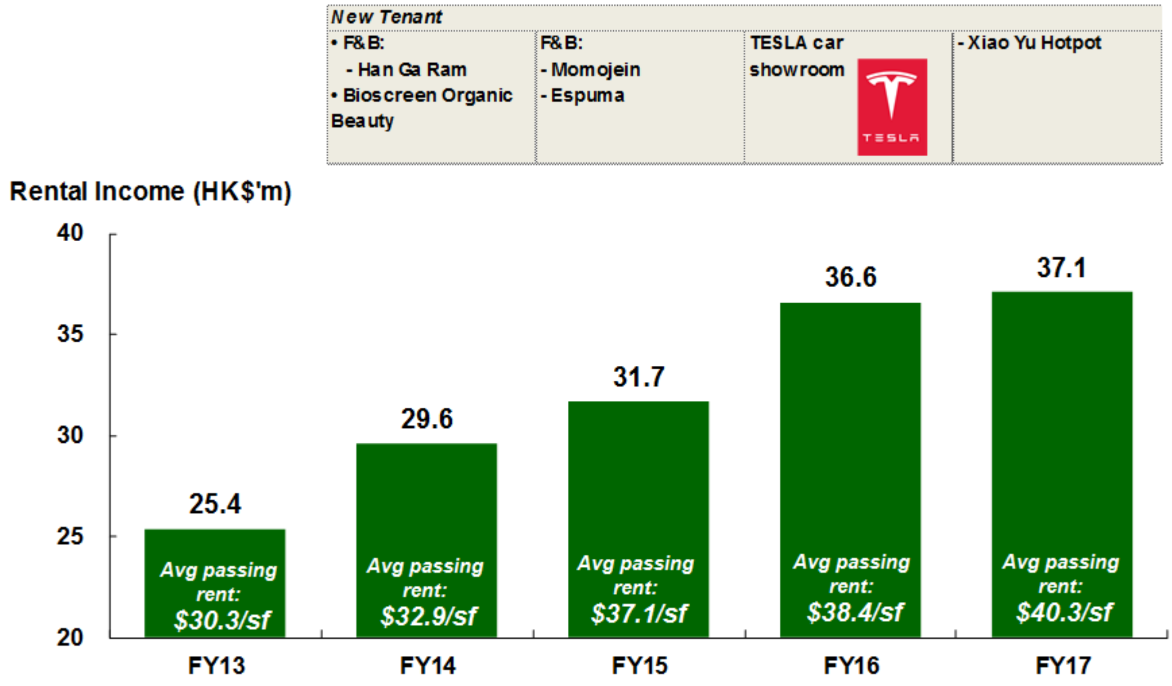
Retail

As at 31 December 2017, the occupancy rate was at 99%. The Group has replaced some retail tenants with high quality F&B and lifestyle stores offering more diversified dining and shopping experience. Besides, an upmarket "live house" performance venue – "1563' Live House" at 6/F which is a restaurant with live band performance during dinner with GFA of around 7,000 sq.ft., opened in August 2016 to help promote the evening business of the tenants of "The East".

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 maintained at HK$19 million in 1H FY18.

QRE Plaza Rental Income



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. 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 93% and the average rent was around HK$63 per sq.ft. in the period 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.

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. The opening of Hong Kong's only Rolls-Royce car showroom here was followed by McLaren's launch of its first Asia showroom, thus measurably expanding "The East's" car showroom cluster.

GardenEast

GardenEast has maintained steady performance amid competitive business environment, overall revenue was flat at HK$38 million in 1H FY18 yoy. Average rental rate rose by 5% yoy for serviced apartments while average occupancy rate of serviced apartments fell to 91% from 94% in the previous period.

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 sport and tourism facilities will be provided 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 into a quality business district in the long term.

On the office front, during the period under review, rental income dropped 4% yoy to HK$65 million mainly due to tenant reshuffling and increased office supply in Kowloon East, whereas average occupancy rate dropped from 95% to 90%. Average passing rent fell 2% in 1H FY18 to HK$17.0 per sq.ft. and average spot rent fell to approximately HK$19 per sq.ft., in line with market trend. 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 offer baby care room which were completed. Further AEI to upgrade facilities such as revamp of corridors and toilets are under planning. 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.

The GFAs of KITEC's office and retail portions are approximately 750,000 sq.ft. and 760,000 sq.ft. respectively. As at 31 December 2017, the Government is an anchor tenant with approximately 250,000 sq.ft. of space, which represented 33% of KITEC office's total GFA.

In the fourth quarter of 2017, the Group signed a new lease with a media company 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.

E-Max

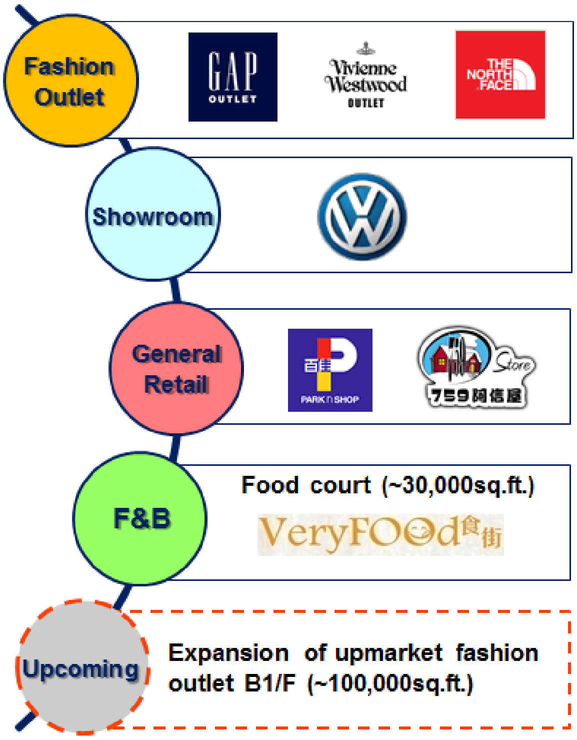
E-Max is an entertainment-driven shopping arcade that includes a live house, The Metroplex, and Star Hall. In light of The Metroplex and the Music Zone@E-Max, the tenant mix on G/F and 2/F has been refined to renowned brands and general retailers which helped to stimulate the footfall and enable E-Max 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, resulting in strong uplift in rental rate which more than tripled. In 2015, the Group has succeeded in attracting a number of F&B shops near the cinema to satisfy the taste buds of moviegoers and shoppers.

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 has been well-received by the market. To further refine the tenant mix on G/F and 2/F, the Group has launched an asset enhancement initiative in 2016. The world's top-3 automakers and premium auto brand "Volkswagen", opened a showroom of approximately 8,000 sq.ft. on G/F in February 2016. A supermarket 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 new 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. This second phase of E-Max's evolution has begun with tenants being vacated for renovation which commenced in the second quarter of 2017. It is planned that new tenants of the fashion outlet's expansion will move in and start operation by summer 2018. The short term negative impact on rental revenue from the moving out of tenants on B1/F during the period under review will be partially offset by the increase in rental income from the automall on B3/F as the rental rate has more than doubled under the new rental agreement which was renewed in December 2016. More importantly, it will be outweighed by the benefits on the long term growth when E-Max's second phase of evolution completes. In order to capture more local consumptions, E-Max has enlarged the area for F&B to increase footfall and increased rental income from the retail tenants. As a result of the increase in footfall alongside the enlarged area for F&B, the encouraging performance of the upmarket fashion outlet on G/F together with the second phase of evolution, E-Max's rental income is targeted to grow 50% in FY20 as compared to FY16.

<u>Introduced more popular brands and elements</u>



Conventions, Exhibitions and Entertainment

As one of the leading venue providers in Hong Kong, KITEC continues to render its effort on entertainment and convention industry. The diversified and flexible venues range from meeting rooms for 10 people to event halls catering up to 3,600 people, equipped with comprehensive facilities plus professional event management and catering team. 94 special events were held in KITEC, including concerts, fan meetings, award ceremony, sports, live broadcasts and musicals.

Star Hall remains a popular venue for hosting concerts, musicals, award ceremony and spectacular stage performances. During the period under review, 26 shows featuring various local and overseas performers has been held in Star Hall, including Michael Learns To Rock and Japanese pop band W-inds. Besides, the renowned international retail brand Mothercare has held their very first baby care expo at Star Hall in November 2017 and attracted high footfall to KITEC. "Star Hall 10th Anniversary Concert" was held on 24 November 2017, featuring 9 popular singers who has held concerts at Star Hall in the past ten years and received positive response from public. Music Zone@E-Max continues to be the hot spot for mini-concerts and fan meetings. 54 local and overseas premium performances were held during the period under review.

The performance of the conventions, exhibitions and entertainment business was satisfactory during the period under review, with total gross rental income, including equipment rental, recorded at HK$40 million.

The Metroplex (multi-cinema complex)

The Metroplex has sustained a steady performance despite a static film market and more new cinemas have been opening. The Metroplex has gained recognition by film lovers, winning the audience poll as "My favorite cinema on Kowloon Side" organized by Hong Kong Movie. During the period under review, The Metroplex has drawn over 300,000 audiences to E-Max, 8 gala premieres were held and more than 90 films were shown, ranging from Hollywood blockbusters, international award-winning pictures, local, specialty, documentaries and independent films.

The Metroplex is committed to supporting the creativity of independent filmmakers. The fourth edition of Sundance Film Festival: Hong Kong has completed with success, showcasing 12 narrative and documentary films from Sundance Film Festival in Utah. Directors of these films were flown in with the Sundance crew to share precious film making experience and answer audience questions. This year, The Metroplex carried on the momentum of Sundance Film Festival by organizing "Sundance Friday: Midnight", in which 4 American films were shown.

Moreover, The Metroplex takes a keen role in sponsoring and supporting various CSR initiatives. 5 sizable charity screenings and events were held with esteemed organizations, including Médecins Sans Frontières Hong Kong, SPCA, Hong Kong Outstanding Students Association, Ebenezer School & Home For The Visually Impaired and Heifer Hong Kong.

Panda Place

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

Rental income at Panda Place was flat at HK$31 million in 1H FY18. The average occupancy rate was 96% during the period under review. The Group expects stable rental income contribution from Panda Place as the major tenant reshuffling had been completed.

Hospitality

Panda Hotel

During the period under review, Panda Hotel's total revenue rose 11% yoy to HK$177 million, due to the increase in room and F&B revenues. Room revenue increased by 6% yoy to HK$112 million, mainly due to the increase in average room rate by 5% yoy and occupancy rate remained at high level of 98%. F&B revenue increased by 20% yoy to HK$65 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 there were signs of improvement in the hotel industry of Hong Kong, the outlook remains challenging.

As of 31 December 2017, the market value of hotel amounted to HK$3,040 million (equivalent to approximately HK$3.3 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 31 December 2017, the book value of Panda Hotel amounted to HK$314 million (equivalent to HK$0.3 million per room), which implies a hidden value of approximately HK$2.7 billion compared to its market value.

Restaurant & Catering Services

KITEC F&B

Given our high commitment to provide quality food, beverage and services, total revenue from KITEC F&B business recorded a healthy growth of 35% yoy to HK$62 million during the period under review.

The Glass Pavilion, opened in August 2016, has continued to gain recognition in hosting wedding banquets, corporate and social events. During the period under review, 29 wedding banquets and premium events including the Cancer Fund Gala 2017, the Hong Kong Beauty Industry Union Limited Inauguration Dinner and the Heart To Heart Foundation Charity Dinner were held.

To further boost the F&B business, the Group will strive to enhance its brand image by adopting active marketing strategies and enhance product varieties and presentation of festive products so as to satisfy customer needs.

B. Sales

Hopewell New Town

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

Hopewell New Town is a multi-phase composite development consisting of apartments, townhouses, commercial areas and recreational facilities. It is strategically located approximately three kilometres from Baiyun International Airport in Guangzhou and close to the highway connecting the airport with Guangzhou city centre. Approximately 483,100 sq.m. or 44% of the total GFA of the project (consisting of 183 townhouses and 3,699 apartments) were sold and booked up to 31 December 2017.

During the period under review, sales of 72 units or 8,800 sq.m. of apartments and 8 units or 2,300 sq.m. of townhouses were booked and generated revenue of RMB251 million, representing a 47% yoy drop given the higher base in 1H FY17 due to handover progress. The average selling price for the apartments booked during the period rose 4% 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 period under review. The Group expects it will be difficult for Hopewell New Town to achieve the original FY18 sales booking target of RMB500 million, given the current tightening policies in the PRC property market. Nevertheless, the Group will continue to 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)	**Expect difficult to achieve original FY18 target of RMB500m**[N1]

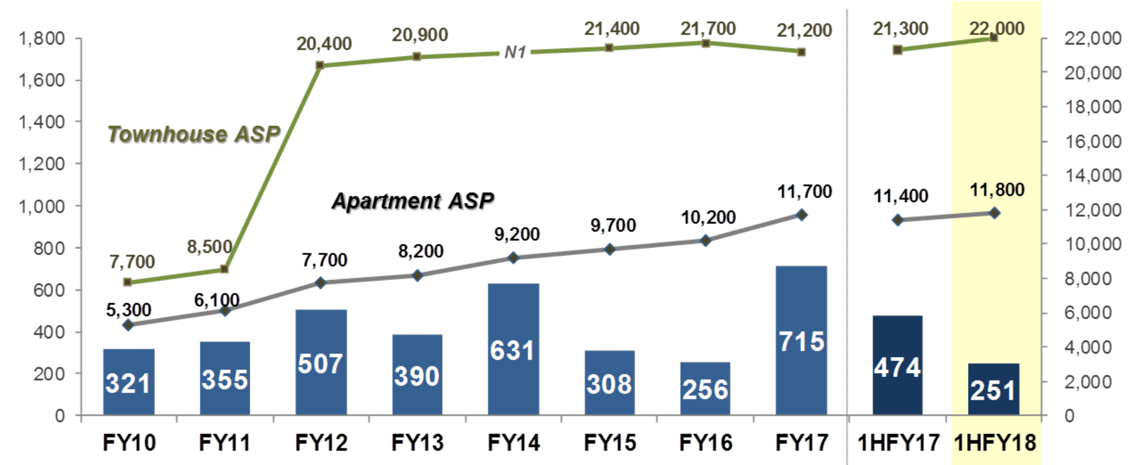
N1: Given current tightening policies in the PRC property market

The transition from business tax to value added tax was effective from 1 May 2016. Based on latest estimation, it is expected that there will be less than 10% negative impact on FY18 net profit.

The Group is currently studying various options for the development of a commercial strip with a permissible GFA of 150,000 sq.m. at Hopewell New Town. The MTR Route No.9 has commenced operation in December 2017 and an MTR exit near the site is under construction, which will further improve the connectivity in this area.

Revenue and Average Selling Price ("ASP") Booked

Revenue (RMB'm) ASP (RMB/sq.m.)



	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	1HFY17	1HFY18
GFA booked (sq.m.)										
Apartment	41,000	56,000	24,500	41,000	67,600	29,600	23,200	55,100	37,500	8,800
Townhouse	13,000	1,000	13,800	1,700	-	900	900	3,200	2,000	2,300
Units booked										
Apartment	366	574	306	333	695	252	195	486	325	72
Townhouse	43	4	48	6	-	3	3	11	7	8

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%
Avg. 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 31 December 2017, of which revenue of HK$24 million representing 1 unit or 1,800 sq.ft. was booked during the period under review compared to HK$280 million representing 25 units or 24,000 sq.ft. booked in 1H FY17.

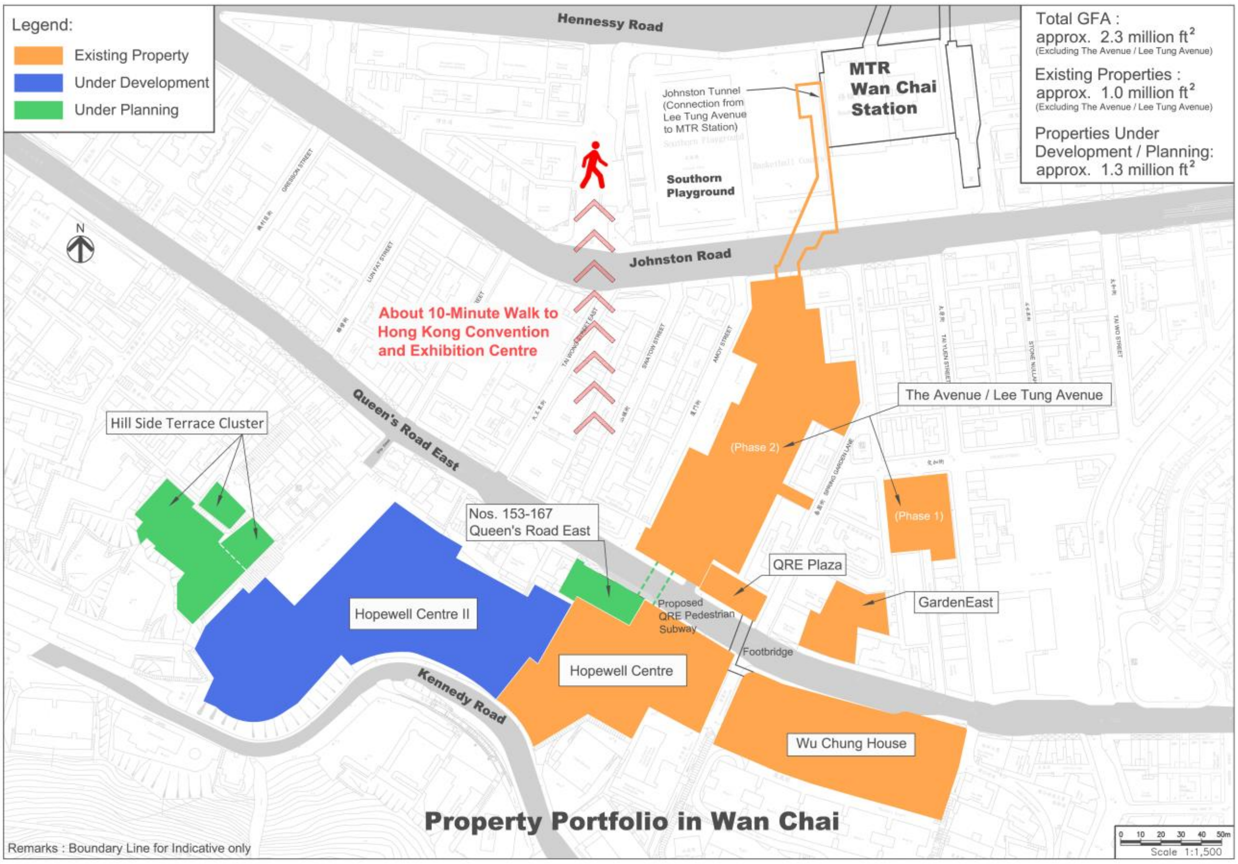
Broadwood Twelve

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

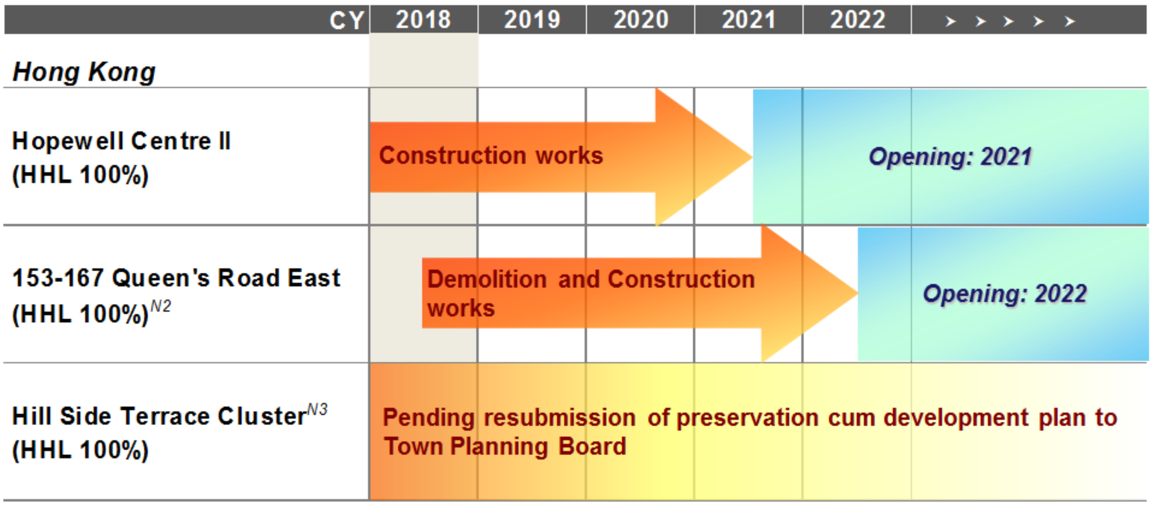
Broadwood Twelve is the Group's residential development on Broadwood Road. The top-quality finishes of its units and the stunning views they enjoy over the racecourse and Victoria Harbour have positioned them as attractive luxury residences.

The sales relaunch of Broadwood Twelve was well received by the market. As of 31 December 2017, 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 was around HK$34,400 per sq.ft. of saleable area. During the period 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$227 million or 5 units were booked in 1H FY18, including 1 unit which was sold in FY17. As at 31 December 2017, the book value of 3 units and 2 car-parking spaces which were sold in 1H FY18 but not yet booked was around HK$107 million.

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$9 - 10 billion (including land premium of HK$3,726 million and an estimated investment cost for a road improvement scheme and parks)
Status	Under construction (Site formation work in progress)

A Land Grant execution involving a land premium payment of HK$3,726 million was completed on 24 October 2012. Site formation work is in progress and construction of the hotel is advancing full steam forwards. Hopewell Centre II is targeted to open in 2021.

In August 2017, the Town Planning Board approved the 2017 Scheme of Hopewell Centre II. The new 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$9 to 10 billion. This will be financed by the Group's internal resources and/or external bank borrowings. Upon completion, Hopewell Centre II is expected to be one of the largest hotels in Hong Kong with comprehensive conference facilities.

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 2017	FY18	FY19	FY20 & Beyond
around $4,820[N2]	$400	$570	$3,430

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

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

As at 31 December 2017, the market value of the hotel portion of this project amounted to HK$4,435 million (equivalent to around HK$4.3 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$2,595 million (equivalent to around HK$2.5 million per room under development) in the Group's balance sheet. This implies a hidden value of around HK$1.8 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 31 December 2017, 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. Resubmission of the preservation cum development plan to Town Planning Board is pending.

153-167 Queen's Road East

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

The Group has expanded the 155-167 QRE project into 153-167 QRE project 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$500 million. Demolition works are planned to start in mid-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

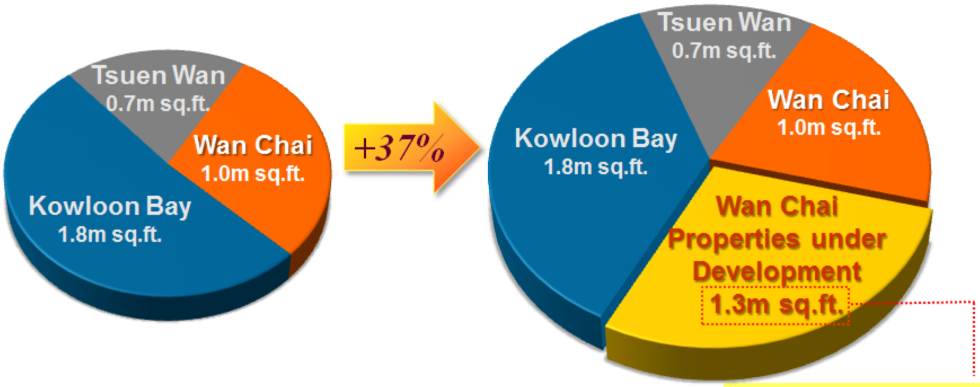
In increasing its exposure in Wan Chai, the Group aims to capture additional growth opportunities. Given that both 153-167 QRE and Hill Side Terrace Cluster are in close proximity to key properties in the Group's Wan Chai property portfolio, it will create tremendous synergy. Hopewell Centre II's retail 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 | **Future**

Total GFA: 3.5 million sq.ft. | Total GFA: 4.8 million sq.ft.



	Use	Target opening	GFA (sq.ft.)[N1]
Hopewell Centre II	Conference Hotel	2021	1,100,000
153 - 167 QRE	Commercial	2022	90,000
Hill Side Terrace Cluster	Residential	under planning	130,000
			1.3m

N1: Under current planning

* *Including hotel*

2. INFRASTRUCTURE

A. HHI

Business Performance

During the period under review, the aggregate average daily toll revenue of the GS Superhighway and the Western Delta Route grew by 7% yoy to RMB13.5 million and the aggregate total toll revenue amounted to RMB2,488 million.

With the support of a healthy economic environment in the PRD region, the traffic of the GS Superhighway continued to maintain a stable growth. During the period under review, its average daily toll revenue increased by 5% yoy to RMB9.7 million. Meanwhile, the average daily full-length equivalent traffic grew by 7% yoy to 106,000 vehicles.

The average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route amounted to RMB3.8 million and 52,000 vehicles with strong yoy growth of 13% and 12% respectively. Most of the maintenance and upgrading works on National Highway 105 and local roads nearby were finished by the third quarter of 2017 and the positive impact from these works had diminished thereafter. On the other hand, the implementation of truck restriction measures on Foshan Ring Road due to its upgrade works since 1 August 2017, diverted trucks to travel on the Western Delta Route and supported its growth. Such upgrade works are expected to be completed by the end of 2019.

The HHI Group's shared aggregate net toll revenue increased by 3% yoy to RMB1,122 million during the period under review, owing to the adjustment of profit sharing ratio from 48% to 45% in the GS Superhighway JV starting from 1 July 2017. The contribution from the GS Superhighway and the Western Delta Route were 70% and 30% respectively, compared to 73% and 27% during the same period in FY17.

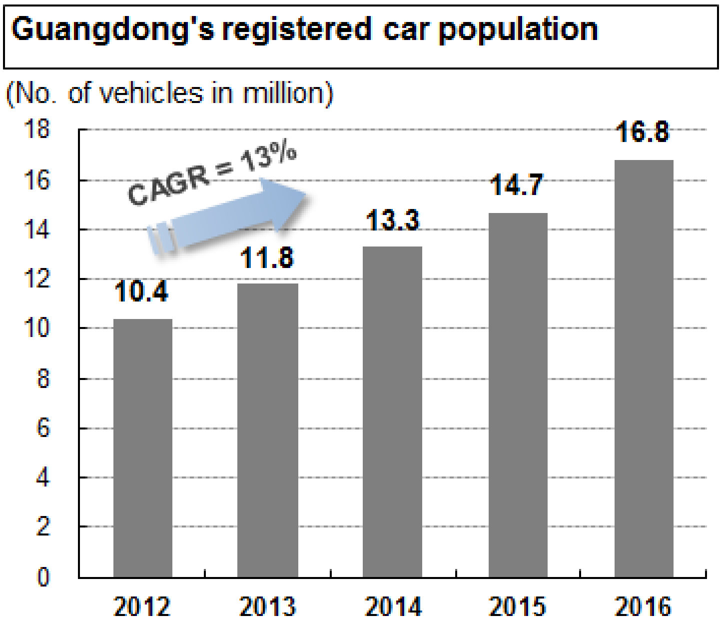
Financial Year	*1H 2017*	***1H 2018***	*% Change*
At JV company level			
GS Superhighway			
Average Daily Toll Revenue# (RMB '000)	9,225	**9,719**	+5%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	99	**106**	+7%
Western Delta Route			
Average Daily Toll Revenue# (RMB '000)	3,373	**3,802**	+13%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	46	**52**	+12%

\# Including tax

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

Economic Environment

From 2012 to the end of 2016, total length of expressways in Guangdong reached 7,683 km with a compound annual growth rate of 9%. On the other hand, continuous demand for road usage was caused by growing registered car population, which achieved a compound annual growth of 13% during the same period and grew by 14% yoy to a record high of 16.8 million vehicles at the end of 2016. The growth rate of toll road supply is far lagging behind the demand in Guangdong. Healthy economic development and rising registered car population that generate sustainable demand for road usage will continue to support the growth of the GS Superhighway and Western Delta Route.



The economic development in the Guangdong-Hong Kong-Macao Bay Area ("Bay Area") will be further boosted in the coming years. The GS Superhighway and the Western Delta Route, which connect most of the populous cities in the Bay Area, are expected to benefit from the fostered economic development.

Latest Update in Toll Road Industry

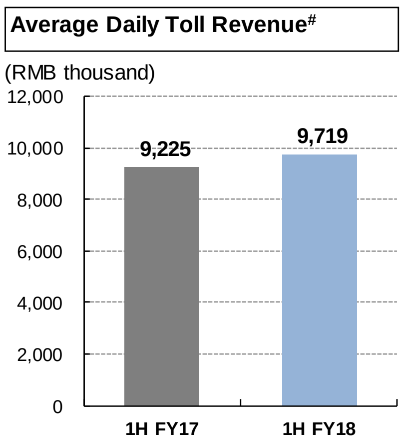
Toll discount for trucks on state-owned expressways

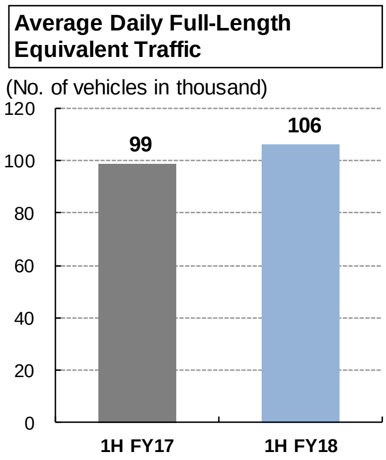
Two major state-owned toll road investors and operators in Guangdong Province, namely Guangdong Provincial Communication Group Company Limited and Guangdong Nanyue Transportation Investment and Construction Company Limited, jointly announced on 29 June 2017 that their 43 state-owned expressways in Guangdong would offer 15% toll discount for trucks using Guangdong Unitoll Card for toll payments starting from 1 July 2017 in order to lower the cost of the logistics industry. The toll discount for trucks is not applicable to the GS Superhighway and the Western Delta Route.

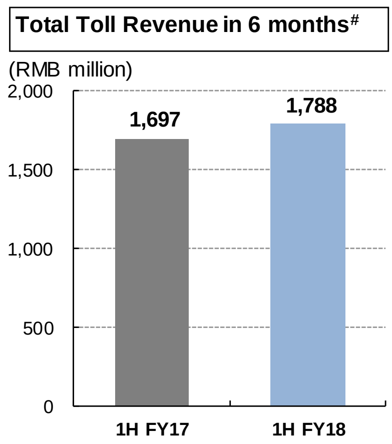
Guangzhou-Shenzhen Superhighway

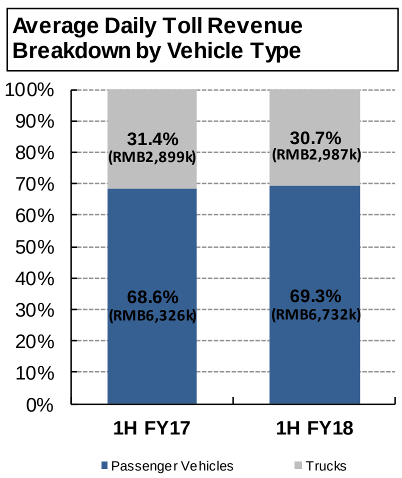
The GS Superhighway is the main expressway connecting the PRD region's three major cities – Guangzhou, Dongguan, Shenzhen and Hong Kong. The solid economic environment in these three PRD cities supported the stable growth of traffic on the GS Superhighway. Their GDP growth in the first three quarters of 2017 was maintained at 7.3%-8.8%. During the period under review, the GS Superhighway's average daily toll revenue increased by 5% yoy to RMB9.7 million. Its total toll revenue amounted to RMB1,788 million. The average daily full-length equivalent traffic rose by 7% yoy to 106,000 vehicles. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 69.3% and 82.5% of the GS Superhighway's toll revenue and full-length equivalent traffic volume respectively.

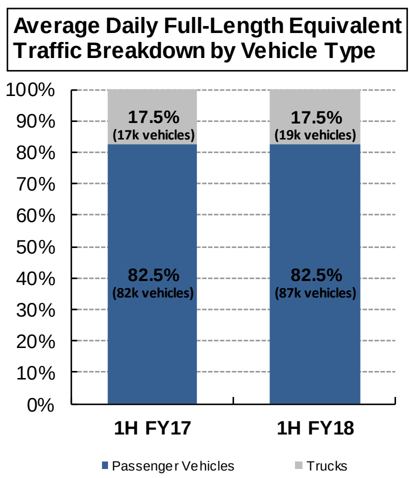
The implementation of traffic restriction measures in the peripheral area of Shenzhen Bay border crossing due to road network upgrade works since mid-October 2016 has diverted some passenger cars to travel on the GS Superhighway and resulted in minimal positive impact so far. One year after the start of the aforesaid works, the impact from such works had diminished. The date of the withdrawal of traffic restriction measures is yet to be announced.





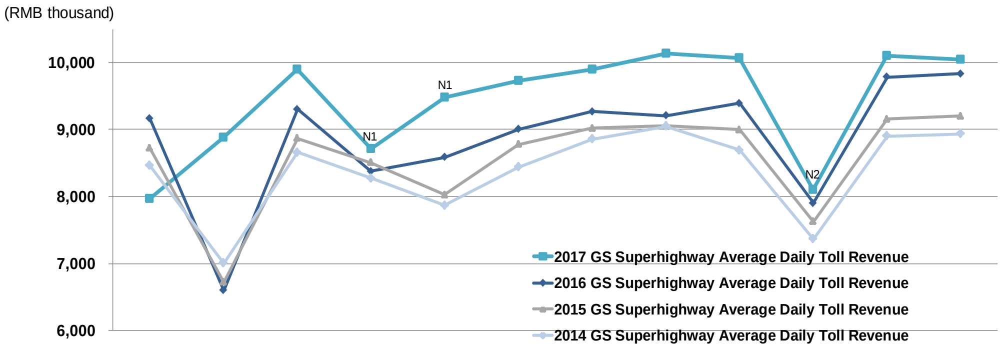






Including tax

GS Superhighway Average Daily Toll Revenue (Monthly)

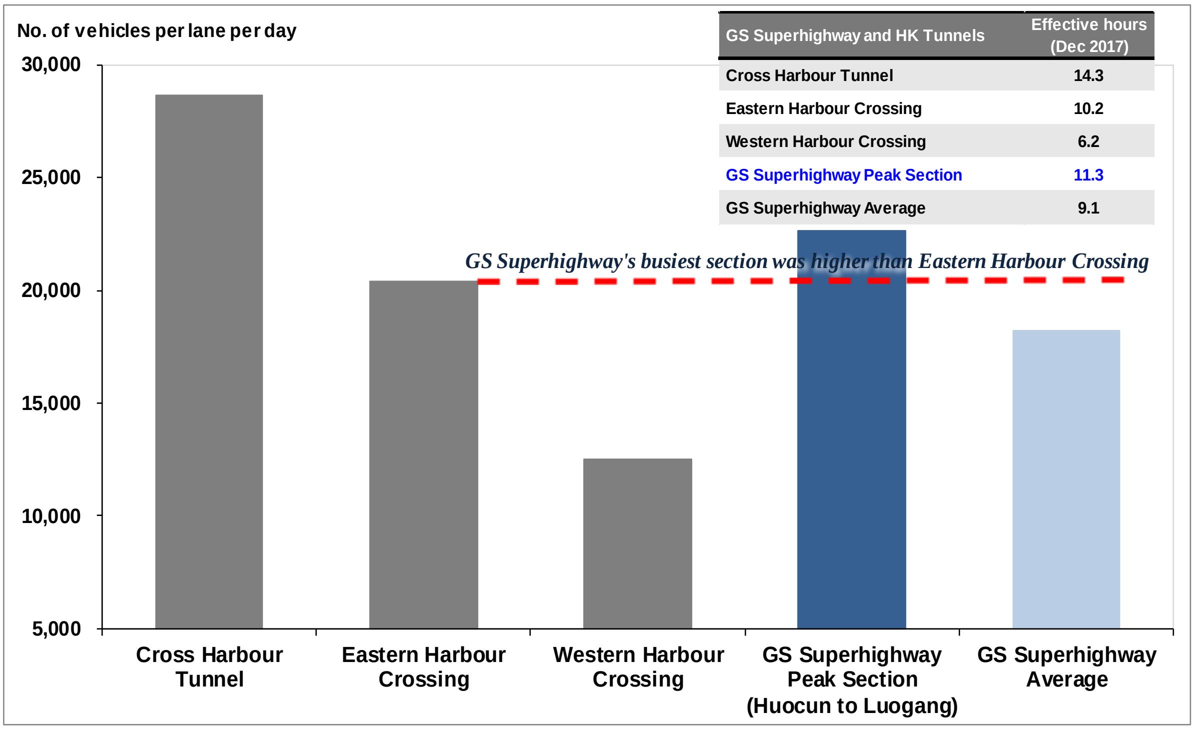


	Jan + Feb (Lunar New Year)	Mar	Apr (Ching Ming Festival)	May (Labour Holiday)	Jun	Jul	Aug	Sep + Oct (National Holiday)	Nov	Dec	CY Yearly Average	yoy change 1HCY	yoy change 2HCY
2014	7,770	8,657	8,276	7,868	8,438	8,857	9,046	8,017	8,903	8,933	8,384	-5%	-6%
2015	7,774	8,867	8,505	8,025	8,775	9,017	9,057	8,300	9,153	9,202	8,567	+2%	+2%
2016	7,921	9,303	8,374	8,584	9,002	9,266	9,204	8,634	9,779	9,831	8,875	+3%	+4%
2017	8,402	9,899	8,708	9,479	9,726	9,896	10,130	9,068	10,096	10,047	9,419	+7%	+5%
2016 vs 2015 yoy	+2%	+5%	-2%	+7%	+3%	+3%	+2%	+4%	+7%	+7%	+4%		
2017 vs 2016 yoy	+6%	+6%	+4%	+10%	+8%	+7%	+10%	+5%	+3%	+2%	+6%		

N1: April: one more day of toll-free holiday in 2017 compared to 2016; May: one less day of toll-free holiday in 2017 compared to 2016
N2: October: one more day of toll-free holiday in 2017 compared to 2016

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

GS Superhighway – Average Daily Cross Sectional Traffic Per Lane and Effective Hour



Remarks:
1) Effective hour = no. of vehicles per lane / 2,000 cars per hour per lane
2) 10 lanes in dual directions in Wudianmei to Taiping and Hezhou to Fuyong sections after expansion for the GS Superhighway
3) Average daily traffic of HK tunnels (November 2017): Cross Harbour Tunnel 115,000, Eastern Harbour Crossing 82,000, Western Harbour Crossing 75,000
4) Average daily traffic of GS Superhighway (December 2017)

The GS Superhighway JV has been making incessant progress in enhancing its operational efficiency and its capability to cope with the increasing traffic by installing automated equipment at the toll lanes and entry lanes. Currently, approximately 77% of all the toll lanes at entrances to the GS Superhighway are equipped with ETC or automatic card-issuing machines. The usage of ETC toll lanes has been in a gradually increasing trend.

Western Delta Route

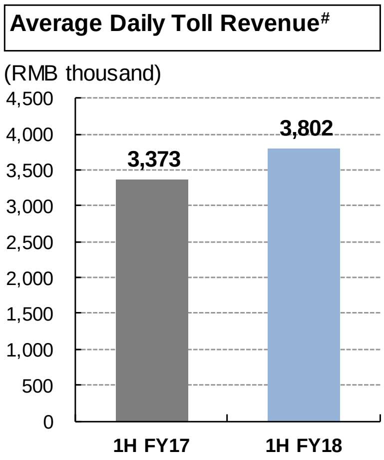
The Western Delta Route was developed in three phases and it was fully opened to traffic on 25 January 2013. It is a 97.9-km closed expressway with a total of 6 lanes in dual directions that runs from north to south along the central axis of western PRD and connects four major cities – Guangzhou, Foshan, Zhongshan and Zhuhai. It is the only main expressway artery between the city centres of Guangzhou and Zhuhai, and offers the most convenient access to Hengqin, Macao and Hong Kong through its connection with Second Hengqin Bridge, the Zhuhai Link Road and the forthcoming HZM Bridge respectively.

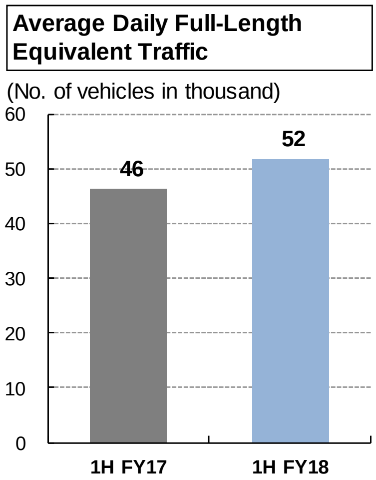
During the period under review, its average daily toll revenue and average daily full-length equivalent traffic achieved 13% and 12% yoy growth to RMB3.8 million and 52,000 vehicles respectively. Meanwhile, its total toll revenue amounted to RMB700 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 66.7% and 79.3% of the Western Delta Route's toll revenue and full-length equivalent traffic volume respectively, compared to 69.5% and 81.7% in the last corresponding period. The higher growth in average daily toll revenue compared to average daily full-length equivalent traffic growth was mainly because the average daily full-length equivalent traffic growth of trucks was stronger than that of passenger vehicles, as a result of the Foshan Ring Road upgrading works with traffic restriction measures implemented as described below. During the first three quarters of 2017, the economy of the four main cities alongside the Western Delta Route namely Guangzhou, Foshan, Zhongshan and Zhuhai stayed healthy with GDP growth of 7.3%-9.2%, which supported its continuous growth.

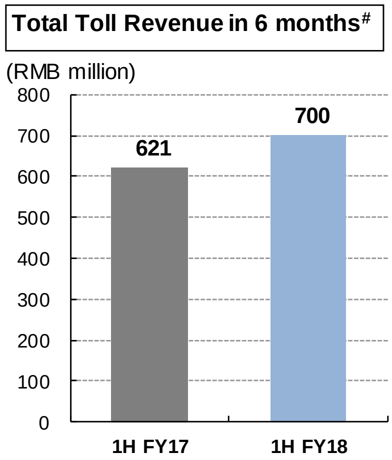
Most of the maintenance and upgrading works on National Highway 105 and local roads nearby that caused diversion of traffic onto the Western Delta Route since mid-August 2016 were completed by the third quarter of 2017, and corresponding traffic restriction measures were removed. As a result, the positive impacts from such maintenance and upgrading works had diminished.

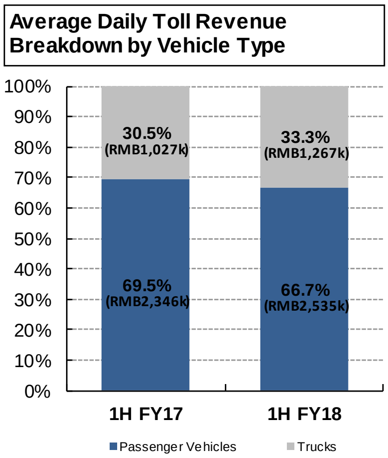
Foshan Ring Road, a major local road of Foshan city which is close to the northern end of the Western Delta Route, is scheduled to be upgraded into several toll expressways. The construction works are being carried out from late June 2017 to the end of 2019. Traffic restriction measures are implemented on some sections and all trucks are forbidden during the construction period from 1 August 2017 to 30 December 2018. It is observed that some trucks have been diverted onto the Western Delta Route since the implementation of such measures.

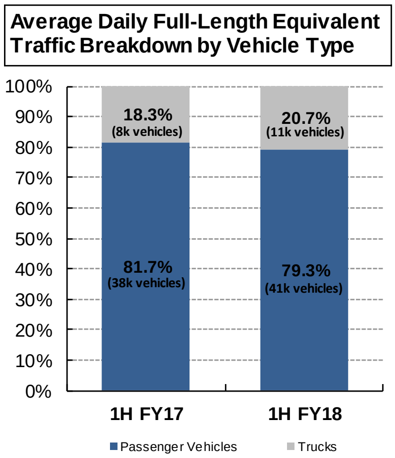
The eastbound of a bridge section on the Western Coastal Expressway, which connects to the southern end of the Western Delta Route, had been closed for urgent repair works from late August 2017 to the end of January 2018. It resulted in slightly negative impact on the traffic of the Western Delta Route during such period.







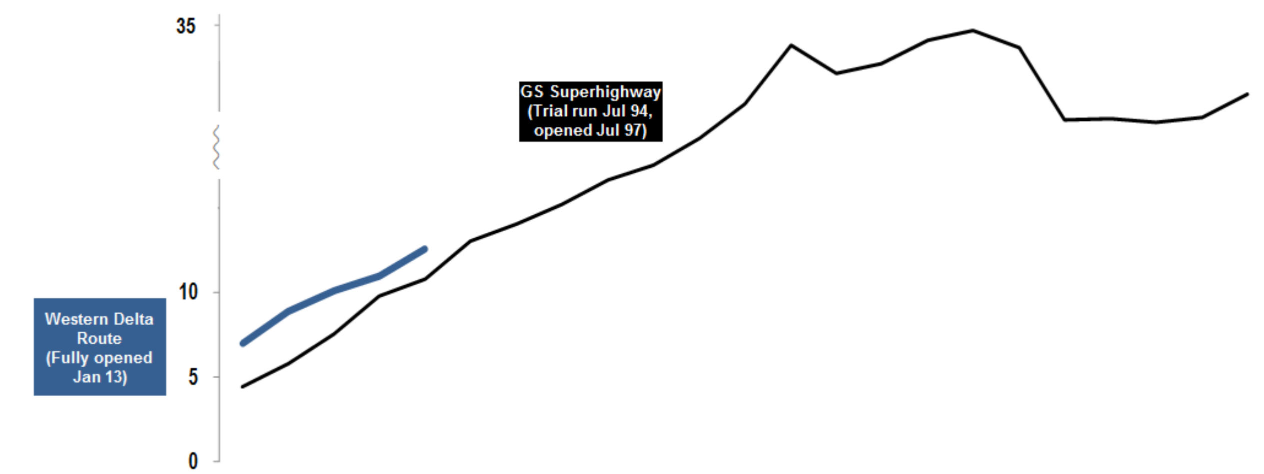




\# Including tax

Western Delta Route — Annual Toll Revenue* Per Km

(RMB million)



Opening Year / RMB 'm	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23
GS Superhighway (FY95)	4.4	5.8	7.5	9.8	10.8	13.1	14.4	15.4	17.2	20.6	24.2	26.2	29.8	26.0	26.6	28.5	30.1	29.5	25.7	25.8	25.2	25.9	27.3
Western Delta Route (FY13)	7.0	9.3	10.1	11.0	12.6																		

* Including tax

The Western Delta Route is located at the heart of western PRD and runs along its central axis. It is well connected with the Guangzhou Ring Road, Guangzhou-Gaoming Expressway, Guangzhou Southern Second Ring Road, Zhongshan-Jiangmen Expressway, Western Coastal Expressway, and will link up with not only the soon-to-open HZM Bridge, but also the Guangzhou-Zhongshan-Jiangmen Expressway, Humen Second Bridge and Shenzhen-Zhongshan Corridor to form a comprehensive regional expressway network.

* According to media

Besides, the soon-to-open HZM Bridge will provide a convenient link between Hong Kong and western PRD. As a result, traffic flow in western PRD, in particular the related feeder traffic, will be boosted subsequent to the opening of the HZM Bridge. It is expected that this will provide impetus to the traffic growth of the Western Delta Route.

B. Power

Heyuan Power Plant Phase I

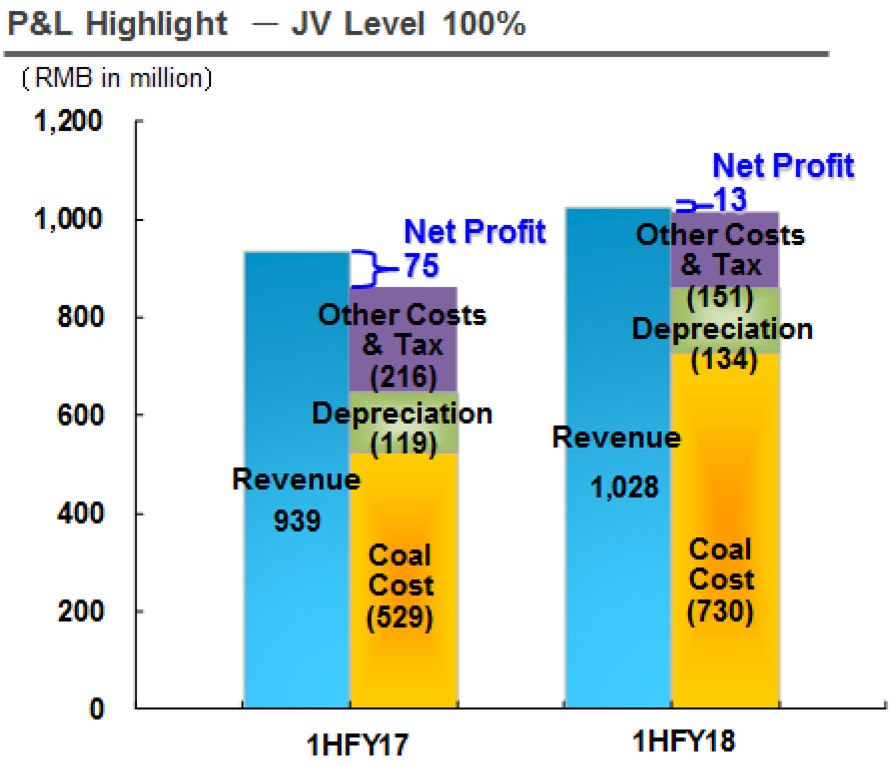
Project Description	
Location	Heyuan City, Guangdong Province, PRC
Installed Capacity	2 x 600MW
HHL's stake	35%
JV partner	Shenzhen Energy Group Company Limited
Total investment	RMB 4.7 billion
Status	In operation

Key operating data	1H FY17	**1H FY18**
Gross generation	2,600GWh	**3,000GWh**
Utilisation rate [N1] (hours)	50% (2,185 hours)	**56%** **(2,478 hours)**
Availability factor [N2]	72%	**82%**
Average on-grid tariff (with desulphurization, denitrification, dust removal and super low emission) (excluding VAT) (RMB/MWh)	379.9 [N3]	**366.4**
Approximate cost of coal (5,500 kcal/kg) (including transportation cost and excluding VAT) (RMB/ton)	542	**655**

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

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

N3: Unit 1 - without super low emission tariff



During the period under review, Heyuan JV's net profit decreased to RMB13 million from RMB75 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 8% to 1%. The Heyuan JV will continue to endeavor to formulate and implement suitable cost-control measures.

The economy is subject to cycles. The continuing economic development of Guangdong Province indicates that demand for electricity 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.

Heyuan Power Plant Phase II

Depending on various criteria such as the long term power demand in Southern China, the management will continue to review the feasibility of participating in the 2 x 1,000 MW second phase of the project.

PROSPECTS

The global economy was expanding steadily. However, the looming movements by US Federal Reserve on interest rate hikes and balance sheet reduction, rising tensions between countries across the globe, the unclear Brexit process and the rise of protectionism and de-globalization will all bring uncertainties to the global economy. The Group will continue to closely keep track of the evolving market environment and stay prepared for any challenges ahead.

Meanwhile as mentioned in the 19th National Congress of the Communist Party of China, the PRC government will continue its efforts to maintain the growth at a medium to high rate, with higher quality and in a more sustainable manner. The continuous effort of the government towards supply-side structural reform, internationalizing RMB and liberalizing the market will foster a healthy and stable environment favoring the economic development for PRC and Hong Kong.

The strategic regional development scheme of the Guangdong-Hong Kong-Macao Bay Area ("Bay Area"), tailored by the PRC government in order to strengthen the infrastructure linkages and stimulate economic cooperation among the region, is expected to provide a golden chance for Hong Kong to leverage on its unique position as, not only an international financial hub, but also an important conduit in and out of China. The prosperity and glamourous future of the area will certainly benefit the Group's businesses and bring huge potential to us.

Under the strong economic performance and persistent growth of China, PRC companies continued to invest and set up offices in Hong Kong which has provided support to the Hong Kong office market. In addition, the development of Kowloon East into CBD2 is expected to benefit the Group in the longer run. Amid the prevailing environment, the Group is committed to further strengthen our property portfolio by continuing to pursue proactive enhancement and management of its existing investment properties portfolio. For instance, the Group is expanding the upmarket fashion outlet to B1/F in E-Max, which is targeted to start operation in summer 2018.

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 location. 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.

CORPORATE SUSTAINABILITY

Awards and Recognition

- HHL was awarded the 8th Hong Kong Outstanding Corporate Citizenship Merit Award (Enterprise Category) while HH Social Club received the 8th Hong Kong Outstanding Corporate Citizenship Logo (Volunteer Category)

Environmental

Government's Environmental Campaigns

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

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

Green Office Awards Labelling Scheme (GOALS)

HHL received World Green Organisation's "Green Office" and "Eco-Healthy Workplace" label and together with a new Certificate with the United Nations PRME logo in recognition of our efforts towards a low carbon office.

Heyuan Power Plant

A steam supply system has started operation since September 2017 to provide steam to nearby factories. It is expected to help overall energy efficiency and reduce overall air pollution emissions as the factories will no longer need to operate their own boilers.

Our People

Employee Relations and Engagement

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

Employee Development

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

Talent Acquisition and Development

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

<u>Customers and Communities</u>

HHL actively supported and participated in community programmes and initiatives:

- Sponsored Wan Chai Happy Family Poon Choi Feast 2017
- Sponsored a social experiencing project, “Project Vista 2017”, organised by Hong Kong Outstanding Students’ Association
- Sponsored Lingnan University 50^{th} Anniversary in Hong Kong Celebration Banquet
- Supported the Hong Kong Athletes Career and Education Programme run by the Sports Federation and Olympic Committee of Hong Kong, China
- Participated in Heifer Hong Kong’s Race to Feed 2017
- Participated in TWGHs “iRun” – Hong Kong Jockey Club Special Marathon 2018
- Participated in Dress Casual Day 2017, Mooncakes for Charity 2017, Love Teeth Day 2017/2018, and 2017/2018 Hong Kong and Kowloon Walk for Millions organised by the Community Chest of Hong Kong
- The East organised Neon Music Box, QRE Wine & Whisky Walk 2017 and QRE Festival 2017

OTHER INFORMATION

Review of Interim Results

The Audit Committee of the Company had reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the Group's unaudited interim results for the six months ended 31 December 2017.

Employees and Remuneration Policies

The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers share option and share award schemes to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, discretionary bonuses are granted to employees based on their individual performance as well as the Group's business performance. It also provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 31 December 2017, the Group, excluding its JV companies, had 1,118 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family friendly employment policies and practices. The Group arranged birthday parties, staff outing, Christmas party, Annual Dinners and Employee Assistance Programme for employees, which were delivered by professionals who shared their experiences and methods to handle stress. The Group also invests in human capital development by providing relevant training programs to enhance employee productivity. In collaboration with Independent Commission Against Corruption, Equal Opportunities Commission and Office of Privacy Commissioner for Personal Data, the Group held different kind of seminars and workshops for the employees to enhance their awareness of corporate governance.

In 2017, the Group continues to hire 2 graduates with potential under a 24-month Management Trainee Program. The graduates acquired essential business knowledge and management skills through well planned job rotations within the Group's core business units and corporate offices. In addition, the Group continues to hire summer interns that provides university students with the opportunities to gain working experience in the Group.

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

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2017.

Corporate Governance Practices

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

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

Code Provision A.5.1

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

Code Provision A.5.6

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

Model Code for Securities Transactions

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

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

Hong Kong, 13 February 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	NOTES	Six months ended 31.12.2016	**31.12.2017**
		HK$'000	***HK$'000***
		(unaudited)	**(unaudited)**
Turnover	3	1,281,681	**1,099,445**
Cost of sales and services		(516,638)	**(359,015)**
		765,043	**740,430**
Other income	4	57,666	**66,405**
Other gains and losses	5	(7,352)	**15,974**
Selling and distribution costs		(38,557)	**(40,302)**
Administrative expenses		(166,496)	**(161,753)**
Gain on disposal of assets classified as held for sale (Broadwood Twelve)		6,196	**29,902**
Fair value gain of completed investment properties		192,265	**1,351,394**
Finance costs	6	(5,507)	**(8,654)**
Share of profits of joint ventures:	7		
Expressway projects		326,500	**440,416**
Power plant project		34,906	**6,195**
Property development project (The Avenue and Lee Tung Avenue)		31,113	**37,449**
Share of profit of an associate		766	**886**
Profit before taxation	8	1,196,543	**2,478,342**
Income tax expense	9	(216,591)	**(216,049)**
Profit for the period		979,952	**2,262,293**
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		(408,399)	**384,748**
Total comprehensive income for the period		571,553	**2,647,041**
Profit for the period attributable to:			
Owners of the Company		860,832	**2,110,297**
Non-controlling interests		119,120	**151,996**
		979,952	**2,262,293**
Total comprehensive income attributable to:			
Owners of the Company		563,429	**2,395,351**
Non-controlling interests		8,124	**251,690**
		571,553	**2,647,041**
		HK$	***HK$***
Earnings per share			
Basic	10	0.99	**2.43**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	NOTE	30.6.2017 *HK$'000* (audited)	**31.12.2017** ***HK$'000*** **(unaudited)**
ASSETS			
Non-current Assets			
Completed investment properties		30,318,946	**31,761,600**
Property, plant and equipment ("PPE")		700,246	**671,483**
Properties under development			
Commercial portion of HCII (investment properties)		4,645,923	**4,691,798**
Hotel portion of HCII (PPE)		2,537,700	**2,595,174**
QRE project (investment properties)		776,930	**782,614**
Properties for development		1,156,903	**1,157,178**
Interests in joint ventures			
Expressway projects		6,149,912	**6,071,902**
Power plant project		1,143,386	**1,126,622**
Property development project		662,353	**699,802**
Interest in an associate		38,548	**39,434**
Available-for-sale investments		8,513	**8,747**
		48,139,360	**49,606,354**
Current Assets			
Inventories		8,070	**8,215**
Stock of properties			
Under development		304,766	**402,910**
Completed		128,455	**65,545**
Trade and other receivables	12	37,132	**58,040**
Deposits and prepayments		149,303	**144,149**
Amount due from a joint venture		305,306	**190,306**
Bank balances and cash held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		4,035,537	**4,330,946**
HHI Group		540,365	**500,505**
		5,508,934	**5,700,616**
Assets classified as held for sale (Broadwood Twelve)		292,100	**107,000**
		5,801,034	**5,807,616**
Total Assets		53,940,394	**55,413,970**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 31 DECEMBER 2017

	NOTE	30.6.2017 *HK$'000* (audited)	**31.12.2017** ***HK$'000*** **(unaudited)**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		11,197,829	**11,197,829**
Reserves		36,048,235	**37,385,161**
Equity attributable to owners of the Company		47,246,064	**48,582,990**
Non-controlling interests		2,360,763	**2,345,376**
Total Equity		49,606,827	**50,928,366**
Non-current Liabilities			
Deferred tax liabilities		549,897	**565,628**
Other liabilities		53,966	**53,966**
Bank borrowings		1,200,000	**1,400,000**
		1,803,863	**2,019,594**
Current Liabilities			
Trade and other payables	13	511,957	**535,112**
Rental and other deposits		546,299	**376,908**
Tax liabilities		317,148	**390,496**
Bank borrowings		1,150,000	**1,150,000**
		2,525,404	**2,452,516**
Liabilities associated with assets classified as held for sale		4,300	**13,494**
		2,529,704	**2,466,010**
Total Liabilities		4,333,567	**4,485,604**
Total Equity and Liabilities		53,940,394	**55,413,970**

Notes:

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 30 June 2017 that is included in the condensed consolidated financial statements for the six months ended 31 December 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 31 December 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

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

Amendments to 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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 30 June 2018.

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). Certain operating segments that do not meet the quantitative thresholds are aggregated in "other operations".

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

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

Information regarding the above segments is reported below.

Segment revenue

	Six months ended 31.12.2016			**Six months ended 31.12.2017**		
	External	Inter-segment	Combined	**External**	**Inter-segment**	**Combined**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	***HK$'000***	***HK$'000***
Property investment	567,644	23,159	590,803	**582,638**	**25,924**	**608,562**
Hotel, restaurant and catering operation	214,567	120	214,687	**250,194**	**113**	**250,307**
Property development	879,807	-	879,807	**642,501**	**-**	**642,501**
Toll road investment	1,252,568	-	1,252,568	**1,323,115**	**-**	**1,323,115**
Power plant	434,305	-	434,305	**481,620**	**-**	**481,620**
Treasury income	38,345	-	38,345	**42,473**	**-**	**42,473**
Other operations	-	63,400	63,400	**-**	**61,500**	**61,500**
Total segment revenue	3,387,236	86,679	3,473,915	**3,322,541**	**87,537**	**3,410,078**

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

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

3. TURNOVER AND SEGMENT INFORMATION - continued

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

	Six months ended 31.12.2016 HK$'000	Six months ended **31.12.2017** ***HK$'000***
Total segment revenue from external customers	3,387,236	**3,322,541**
Less:		
Income from sales of assets classified as held for sale included in the segment revenue of property development	(85,154)	**(227,378)**
Treasury income	(38,345)	**(42,473)**
Share of revenue of joint ventures engaged in:		
Toll road investment	(1,252,568)	**(1,323,115)**
Power plant	(434,305)	**(481,620)**
Property development and property investment	(295,183)	**(148,510)**
Turnover as presented in condensed consolidated statement of profit or loss and other comprehensive income	1,281,681	**1,099,445**

Segment results

	Six months ended 31.12.2016				**Six months ended 31.12.2017**			
	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	373,117	8,841	766	382,724	**385,435**	**7,387**	**886**	**393,708**
Hotel, restaurant and catering operation	44,176	-	-	44,176	**68,004**	**-**	**-**	**68,004**
Property development	251,128	22,272	-	273,400	**219,464**	**30,062**	**-**	**249,526**
Toll road investment	(21,640)	326,500	-	304,860	**(6,122)**	**440,416**	**-**	**434,294**
Power plant	(886)	34,906	-	34,020	**(434)**	**6,195**	**-**	**5,761**
Treasury income	38,345	-	-	38,345	**42,473**	**-**	**-**	**42,473**
Other operations	(67,740)	-	-	(67,740)	**(58,164)**	**-**	**-**	**(58,164)**
Total segment results	616,500	392,519	766	1,009,785	**650,656**	**484,060**	**886**	**1,135,602**

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

	Six months ended 31.12.2016 HK$'000	Six months ended **31.12.2017** ***HK$'000***
Segment results	1,009,785	**1,135,602**
Fair value gain of completed investment properties	192,265	**1,351,394**
Finance costs	(5,507)	**(8,654)**
Profit before taxation	1,196,543	**2,478,342**

4. OTHER INCOME

	Six months ended	
	31.12.2016	**31.12.2017**
	HK$'000	***HK$'000***
Included in other income are:		
Interest income from bank deposits	38,345	**42,473**

5. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2016	**31.12.2017**
	HK$'000	***HK$'000***
Exchange (loss) gain, net	(7,352)	**15,974**

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

6. FINANCE COSTS

	Six months ended	
	31.12.2016	**31.12.2017**
	HK$'000	***HK$'000***
Interests on bank borrowings	16,537	**19,326**
Loan commitment fees and others	9,334	**11,384**
	25,871	**30,710**
Less: Finance costs capitalised in properties under development	(20,364)	**(22,056)**
	5,507	**8,654**

7. SHARE OF PROFITS OF JOINT VENTURES

	Six months ended	
	31.12.2016	**31.12.2017**
	HK$'000	***HK$'000***
Expressway projects in the PRC		
Share of results of joint ventures before amortisation of additional cost of investments in joint ventures	384,670	**505,376**
Amortisation of additional cost of investments in joint ventures	(58,170)	**(64,960)**
	326,500	**440,416**
Power plant project in the PRC		
Share of profits of joint venture	34,906	**6,195**
Property development project (The Avenue and Lee Tung Avenue)		
Share of profits of joint ventures from sales and leasing of properties	31,113	**37,449**
	392,519	**484,060**

8. PROFIT BEFORE TAXATION

	Six months ended	
	31.12.2016	**31.12.2017**
	HK$'000	***HK$'000***
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	33,511	**37,057**
Share of tax of joint ventures (included in share of profits of joint ventures)	137,425	**184,346**
Share of tax of an associate (included in share of profit of an associate)	185	**164**

9. INCOME TAX EXPENSE

	Six months ended	
	31.12.2016	**31.12.2017**
	HK$'000	***HK$'000***
Hong Kong Profits Tax		
Current period	39,572	**49,779**
Under (over) provision in respect of prior periods	281	**(73)**
	39,853	**49,706**
Taxation elsewhere - current period		
PRC Enterprise Income Tax ("EIT")	132,455	**76,245**
PRC Land Appreciation Tax ("LAT")	79,867	**77,514**
	212,322	**153,759**
Deferred tax	(35,584)	**12,584**
	216,591	**216,049**

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

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

PRC EIT for the period includes PRC withholding tax on dividends declared during the period by the Group's joint ventures amounting to approximately HK$41,454,000 (six months ended 31.12.2016: HK$84,379,000).

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

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

10. EARNINGS PER SHARE

	Six months ended	
	31.12.2016	**31.12.2017**
	HK$'000	***HK$'000***
The calculation of the basic earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share	860,832	**2,110,297**
	Number of shares	**Number of shares**
Number of ordinary shares for the purpose of basic earnings per share	869,839,121	**869,839,121**

No diluted earnings per share have been presented as there was no potential ordinary shares in issue for both period.

11. DIVIDENDS

	Six months ended	
	31.12.2016	**31.12.2017**
	HK$'000	***HK$'000***
Dividends recognised as distribution during the period:		
Final cash dividend for the year ended 30 June 2017 of HK75 cents per share (six months ended 31.12.2016: for the year ended 30 June 2016 of HK75 cents per share)	652,379	**652,379**
Special final cash dividend for the year ended 30 June 2017 of HK45 cents per share (six months ended 31.12.2016: nil)	-	**391,428**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(54)	**(86)**
	652,325	**1,043,721**
Dividends declared after the period end:		
Interim cash dividend for the year ending 30 June 2018 of HK55 cents per share (six months ended 31.12.2016: for the year ended 30 June 2017 of HK55 cents per share)	478,412	**478,412**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(40)	**(40)**
	478,372	**478,372**

Subsequent to 31 December 2017, the Directors declared that an interim cash dividend in respect of the financial year ending 30 June 2018 of HK55 cents per share shall be paid to the shareholders of the Company registered as at the close of business on 2 March 2018.

The amount of interim cash dividend declared for the year ending 30 June 2018 is calculated based on total number of issued shares, less the dividends for shares held by HHL Employees' Share Award Scheme Trust, at the date of approval of these condensed consolidated financial statements.

12. TRADE AND OTHER RECEIVABLES

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

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

	30.6.2017	**31.12.2017**
	HK$'000	***HK$'000***
Receivables aged		
0 to 30 days	19,122	**27,377**
31 to 60 days	3,738	**3,473**
Over 60 days	8,236	**9,959**
	31,096	**40,809**
Less: Allowance for doubtful debts	(3,610)	**(2,780)**
	27,486	**38,029**
Interest receivable on bank deposits	9,646	**20,011**
	37,132	**58,040**

13. TRADE AND OTHER PAYABLES

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

	30.6.2017	**31.12.2017**
	HK$'000	***HK$'000***
Payables aged		
0 to 30 days	76,532	**65,226**
31 to 60 days	1,489	**5,024**
Over 60 days	22,603	**33,403**
	100,624	**103,653**
Retentions payable	26,329	**38,296**
Amount due to a minority shareholder of a subsidiary	28,091	**19,772**
Amount due to an associate	1,088	**1,547**
Accrued construction and other costs	300,001	**293,985**
Accrued staff costs	55,450	**76,378**
Accrued interest on bank borrowings	374	**1,481**
	511,957	**535,112**

GLOSSARY

"1H FY14"	the first half of FY14
"1H FY15"	the first half of FY15
"1H FY16"	the first half of FY16
"1H FY17"	the first half of FY17
"1H FY18"	the first half of FY18
"2H FY18"	the second half of FY18
"Average daily full-length equivalent traffic"	the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the period under review
"Average daily toll revenue"	average daily toll revenue including tax
"Average Occupancy Rate"	the average of the Occupancy Rate as at the end of each month in the relevant period
"Board"	the Board of Directors of the Company
"CAGR"	compound annual growth rate
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Circular"	the circular issued by the Hopewell Holdings Limited dated 22 January 2018 in relation to, among others, major transaction in relation to the proposed disposal of approximately 66.69% of the issued shares of Hopewell Highway Infrastructure Limited and notice of extraordinary general meeting
"Coastal Expressway"	Guangzhou-Shenzhen Coastal Expressway
"Company" or "HHL"	Hopewell Holdings Limited
"Completion"	as defined in the Joint Announcement and the Circular
"Core profit"	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
"CY"	calendar year
"Director(s)"	director(s) of the Company
"DPS"	dividend per share
"EBIT"	earnings before interest and tax
"F&B"	food and beverage
"FY10"	the financial year ended 30 June 2010
"FY11"	the financial year ended 30 June 2011
"FY12"	the financial year ended 30 June 2012
"FY13"	the financial year ended 30 June 2013
"FY14"	the financial year ended 30 June 2014
"FY15"	the financial year ended 30 June 2015
"FY16"	the financial year ended 30 June 2016

"FY17"	the financial year ended 30 June 2017
"FY18"	the financial year ending 30 June 2018
"FY19"	the financial year ending 30 June 2019
"FY20"	the financial year ending 30 June 2020
"GDP"	gross domestic product
"GFA"	gross floor area
"Grand Site"	Grand Site Development Limited, the joint venture company established for the property development project of The Avenue/ Lee Tung Avenue
"Group"	the Company and its subsidiaries
"GS Superhighway"	Guangzhou-Shenzhen Superhighway
"GS Superhighway JV"	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture company established for the GS Superhighway
"GWh"	gigawatt hour
"Heyuan JV"	Shenzhen Energy Hopewell Power (Heyuan) Co., Ltd., the joint venture company holding Heyuan Power Plant
"Heyuan Power Plant"	the ultra super-critical coal-fired power plant project located in Heyuan City, Guangdong Province
"HHI"	Hopewell Highway Infrastructure Limited
"HHI Group"	HHI and its subsidiaries
"Hill Side Terrace Cluster"	1-3 Hill Side Terrace, 1A Hill Side Terrace, 55 Ship Street (Nam Koo Terrace), 53 Ship Street and 1-5 Schooner Street (Miu Kang Terrace), Inland Lot No.9048 Schooner Street, Wan Chai
"HK$" or "HKD" or "HK Dollar(s)"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"Hong Kong Government"	the Government of Hong Kong
"HZM Bridge"	the Hong Kong-Zhuhai-Macau Bridge
"Joint Announcement"	the announcement jointly issued by Hopewell Holdings Limited, Hopewell Highway Infrastructure Limited and Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (the "Offeror") dated 29 December 2017 in relation to, amongst others, (i) the proposed disposal of approximately 66.69% of the issued shares of HHI to the Offeror; and (ii) the possible unconditional mandatory cash offer by CLSA Limited for and on behalf of the Offeror to acquire all the issued shares of HHI (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it)

"JV/JVs"	joint venture/ ventures
"KITEC"	Kowloonbay International Trade & Exhibition Centre
"KITEC F&B"	IT Catering & Services Limited, the food and beverage operations of KITEC
"km"	kilometre
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macao"	the Macao Special Administrative Region of PRC
"Mainland China"	the PRC, excluding Hong Kong and Macao
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MWh"	megawatt hour
"Occupancy rate"	the percentage of total area comprising those already leased and occupied by tenants, reserved for specific uses and those in respect of which leases have been committed but not yet commenced over total lettable floor area
"Ordinary Resolution"	as defined in the announcement issued by the Hopewell Holdings Limited dated 8 February 2018 in relation to the poll results at the Extraordinary General Meeting held on 8 February 2018 in relation to major transaction for the proposed disposal of approximately 66.69% of the issued shares of Hopewell Highway Infrastructure Limited
"PRC" or "China"	the People's Republic of China
"PRD"	Pearl River Delta
"Proposed Disposal"	as defined in the Joint Announcement and the Circular
"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
"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
"Wan Chai Projects"	the development of Hopewell Centre II and the redevelopment of the Hill Side Terrace Cluster and 153-167 QRE
"West Route JV"	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the Western Delta Route

"Western Coastal Expressway Branch Line"	A non-HHI project owned by Guangdong Provincial Highway Construction Company Limited (the joint venture partner for WDR) and Guangdong Communication Enterprise Investment Company Limited
"Western Delta Route" or "WDR"	the route for a network of toll expressways in the western PRD, linking Guangzhou to Zhuhai
"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.