HOPEWELL HOLDINGS LIMITED

Stock Code: 54

Annual Report 2015/16

Hopewell Holdings Limited, a Hong Kong-based group listed on the Stock Exchange since 1972 (stock code: 54). The Group has continuously grown and become one of the leading business conglomerates in Hong Kong.

The Group is actively engaged in property development and investment, highway infrastructure, power, hotel & hospitality and other businesses. While achieving substantial long term growth, the Group recognises the vital importance of promoting sustainable development. It devotes significant resources to enhance corporate governance, promote environmental protection, make community investment, instill best workplace practices and engage stakeholders.

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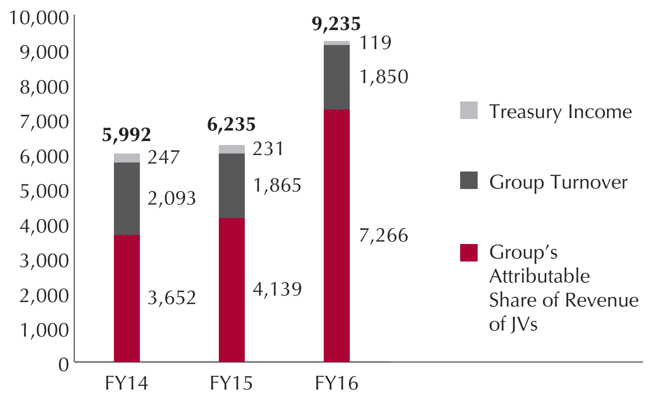
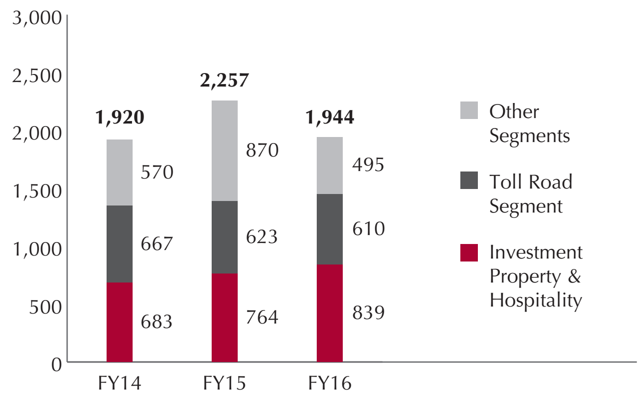
Financial Highlights

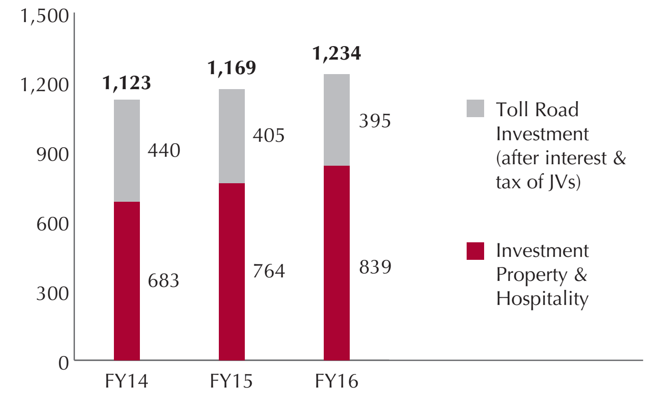
Revenue (HK$m)



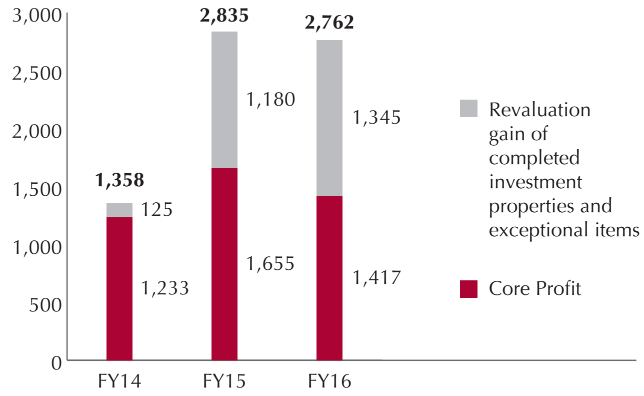
Earnings before Interest and Tax (HK$m)



Operating Profit* from Prime-Earning Businesses (HK$m)

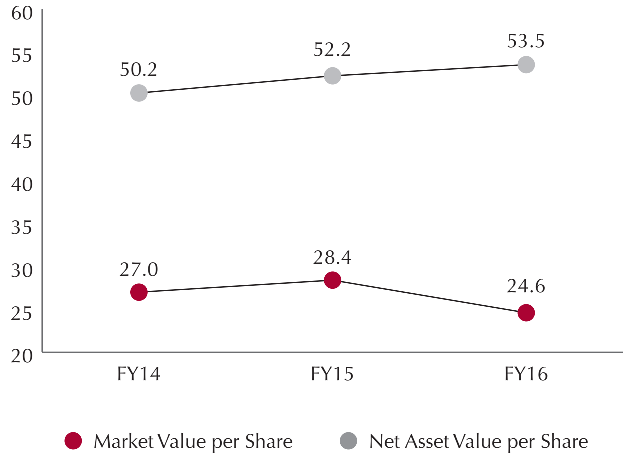


Profit Attributable to Owners of the Company (HK$m)

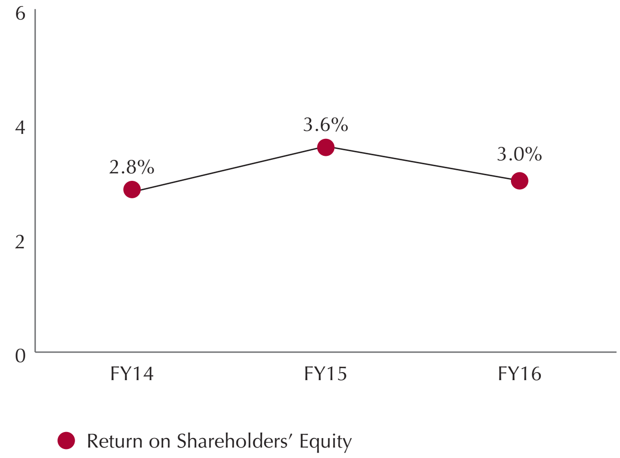


* Being the EBIT net of the proportional share by non-controlling interests

Net Asset vs Market Value per Share (HK$)



Return on Shareholders' Equity*



* Based on profit attributable to owners of the Company excluding revaluation gain of completed investment properties and attributable deferred tax

5-Year Financial Summary

Consolidated Results (in HK$ million)

	Year ended 30 June				
	2012	*2013*	*2014*	*2015*	***2016***
Revenue	6,560	6,148	5,992	6,235	**9,235**
Turnover	1,758	1,725	2,093	1,865	**1,850**
Earnings before interest and tax	2,136	4,150	1,920	2,257	**1,944**
Profit before taxation	4,328	12,768	1,945	3,347	**3,230**
Taxation	(365)	(295)	(329)	(267)	**(235)**
Profit before non-controlling interests	3,963	12,473	1,616	3,080	**2,995**
Non-controlling interests	(332)	(267)	(258)	(245)	**(233)**
Profit attributable to owners of the Company	**3,631**	**12,206**	**1,358**	**2,835**	**2,762**

Consolidated Statement of Financial Position (in HK$ million)

	As at 30 June				
	2012	*2013*	*2014*	*2015*	***2016***
Investment properties	17,429	26,320	26,839	28,196	**29,639**
Property, plant and equipment	716	686	740	690	**660**
Properties under/for development	1,171	7,393	7,877	8,380	**8,527**
Interests in JVs	9,073	9,177	8,984	9,341	**9,159**
Amounts due from JVs (non-current)	2,117	3,513	763	–	**–**
Other non-current assets	24	41	40	48	**48**
Properties held for sale (Hopewell New Town and Broadwood Twelve)	1,992	1,676	1,486	1,620	**1,425**
Amounts due from JVs (current)	652	690	2,251	2,070	**529**
Bank balances and cash	7,976	5,357	5,210	4,485	**3,647**
Other current assets	491	551	480	413	**211**
Total assets	**41,641**	**55,404**	**54,670**	**55,243**	**53,845**
Corporate bonds and bank borrowings (non-current)	3,698	4,212	3,498	4,360	**2,350**
Other non-current liabilities	475	505	536	554	**595**
Corporate bonds and bank borrowings (current)	1,754	2,965	2,625	296	**200**
Other current liabilities	1,132	1,210	1,119	1,227	**1,347**
Total liabilities	**7,059**	**8,892**	**7,778**	**6,437**	**4,492**
Non-controlling interests	**2,784**	**3,269**	**3,117**	**3,276**	**2,841**
Shareholders' equity	**31,798**	**43,243**	**43,775**	**45,530**	**46,512**

Per Share Basis	*2012*	*2013*	*2014*	*2015*	***2016***
Basic earnings per share (HK cents)	415	1,397	156	325	**317**
Dividend per share (HK cents)	139	100	130	120	**130**
— Interim	45	45	50	50	**55**
— Final	54	55	60	70	**75**
— Special	40	–	20#	–	**–**
Net asset value per share (HK$)	36.5	49.6	50.2	52.2	**53.5**

\# Represent distribution in specie of shares in HHI

Financial Ratios	*2012*	*2013*	*2014*	*2015*	***2016***
Net debt to shareholders' equity (excluding equity shared from HHI Group)	Net cash	6%	3%	2%	**Net cash**
Return on shareholders' equity*	4.3%	8.0%**	2.8%	3.6%	**3.0%**
Dividend payout ratio*	64%#	25%**	78%Δ	63%	**80%**

* Excluding revaluation gain of completed investment properties and attributable deferred tax
** Including land conversion gain of Hopewell Centre II HK$2,249 million
\# Taking into account of net realised gain on property sale of Broadwood Twelve
Δ Excluding distribution in specie of shares in HHI

Chairman's Statement

I am pleased to report to shareholders that the Group achieved profit attributable to owners of the Company of HK$2,762 million for the financial year ended 30 June 2016. The Group's total revenue for the year, including treasury income and its share of the revenues of JVs engaged in toll roads, power plant operations and property development, amounted to HK$9,235 million, 48% more than the previous year's figure. The significant increase in revenue of the Group was principally due to the continued growth of investment property business together with the sales recognition of The Avenue Phase 2, which offset decreased electricity sales of Heyuan Power Plant, treasury income and hospitality business' revenue. The Group's EBIT before redevelopment gain and completion gain rose by 6% year-on-year to HK$1,944 million. This is mainly due to the continued growth of investment properties business and profit shared from residential property sales of The Avenue Phase 2, which were partly offset by an exchange loss due to RMB depreciation together with drops in treasury income, decreased electricity sales of Heyuan Power Plant and hospitality business. In the absence of redevelopment gain and completion gain, which were recorded in the previous year, the Group's basic earnings per share amounted to HK$3.17, a 2% decrease on the previous year's HK$3.25.

Final Dividend

The Board has proposed a final cash dividend of HK75 cents per share for the year ended 30 June 2016. Together with an interim cash dividend of HK55 cents per share paid on 22 March 2016, the total cash dividends for the year will amount to HK130 cents per share. This represents an increase of 8% on the last financial year's total cash dividends of HK120 cents per share, and represents a payout ratio of 80% of the Company's core profit (excluding the fair value gain of completed investment properties).

Subject to shareholders' approval at the 2016 Annual General Meeting to be held on Wednesday, 26 October 2016, the proposed final cash dividend will be paid on Tuesday, 8 November 2016 to shareholders who are registered at the close of business on Tuesday, 1 November 2016.

Closure of Register of Members

To ascertain shareholders' eligibility to attend and vote at the 2016 Annual General Meeting to be held on Wednesday, 26 October 2016, the Register of Members of the Company will be closed from Wednesday, 19 October 2016 to Wednesday, 26 October 2016, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the 2016 Annual General Meeting, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 18 October 2016.

To ascertain shareholders' entitlement to the proposed final cash dividend, the Register of Members of the Company will be closed for one day on Tuesday, 1 November 2016, if and only if the proposed final cash dividend are approved by the shareholders at the 2016 Annual General Meeting. No transfer of shares of the Company will be effected on the aforementioned book-close date. To qualify for the proposed final cash dividend, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 31 October 2016.

Business Review

During the year under review, the global economy was affected by uncertainty over the timing of the US interest rate hike. Britain's vote to leave the European Union ("EU") ("Brexit") has also set in motion an unprecedented and unpredictable process that threatens turbulence and potential crisis — for Britain, Europe and the global economy. Such challenges are coming at an already fragile moment for the world's economy and the gloomy outlook is exaggerated by a sharp decline in the pound and plummet of the global stock market.

The PRC economy remains as the growth engine to the world economy. To maintain the GDP growth momentum at the target rate of 6.5%–7.0%, the PRC government continues to stimulate domestic consumption, ease money market liquidity, liberate interest rate, open up capital market and invest in large-scale infrastructure projects. Although RMB weakened unexpectedly in August 2015, the PRC economy still experienced a sustainable expansion. Its GDP in the second quarter of 2016 grew by 6.7% year-on-year, a similar figure to 2015's.

Sluggish external demand and weak tourism hit the Hong Kong economy. With private consumption, exports of goods and services plus investment expenditure keep on contracting, Hong Kong's GDP growth in the second quarter of 2016 grew by 1.6% year-on-year only.

Investment Properties and Hospitality

Total revenue from the two business segments — investment properties and hospitality businesses, grew annually by 5% to HK$1,570 million, resulting in an 8% five-year compound annual growth rate of the two segments' revenue. Despite the challenging economic environment, the Group's investment properties business maintained a mild growth. Driven by the demand for office space, redevelopment and revitalization of the Wan Chai and Kowloon East areas and proactive asset enhancement, the Group's office rental business maintained its growth, which served as the key contributor to growth for the investment properties business. During the year under review, the Group's office space maintained high occupancy rate of over 90%.

Wanchai Projects

Sales of The Avenue Phases 1 & 2 were well-received. As of 11 August 2016, 1,264 units or 99% of the total number of units had been sold. The grand opening of Lee Tung Avenue, will be held in the third quarter of 2016. It has further enlarged the Group's rental property portfolio and created a new retail neighborhood which further realised the project's synergy with the Group's other properties in the area.

Site formation work of Hopewell Centre II is in progress and the hotel is targeted to commence operation in 2019. A road improvement scheme and a green park which will be open to the public will be completed alongside this project. The road improvement scheme will improve the area's traffic flow and enhance pedestrian safety, while the green park will provide a venue for public recreation and amenity.

The ongoing district redevelopment is expected to bring significant changes to Wan Chai. Demolition of 155-167 QRE was completed and construction works are underway. It is envisioned to commence operation in 2019 with a development similar to that of QRE Plaza in scale. The Group proposed that the Grade I 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 of Hill Side Terrace Cluster to Town Planning Board is pending.

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

Infrastructure

During the year under review, the aggregate average daily toll revenue of the GS Superhighway and Western Delta Route grew 4% year-on-year to RMB11.6 million and the combined toll revenue amounted to RMB4,254 million. The average daily full-length equivalent traffic of GS Superhighway increased 4% year-on-year to 92,000 vehicles, while its average daily toll revenue grew 3% year-on-year to RMB8.7 million. The average daily full-length equivalent traffic of the Western Delta Route increased 12% year-on-year to 40,000 vehicles, while its average daily toll revenue grew 8% year-on-year to RMB2.9 million.

Corporate Sustainability

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

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

Prospects

The global economy is facing growing uncertainty after UK voted to leave EU. The unprecedented decision had rendered the slump of world financial markets, and the immediate effect was that the GBP had plunged by approximately 10% against USD on the announcement day of Brexit voting. Furthermore, Brexit had cast cloud on whether Scotland and Northern Ireland may leave UK and created the unforeseeable domino effect that other EU members will follow to exit EU, which might eventually lead to the disintegration of EU and Euro markets. The US will inevitably be affected under the precarious economic climate in the coming years, which will make the Federal Reserve more cautious in raising interest rate this year.

Against the backdrop of unstable economic environment, the PRC government will continue to transform the economy to a consumption-oriented, technology-advanced and environmentally-sustainable growth economy. In order to maintain its GDP growth at a slower rate, the PRC authorities have been deploying policies to revitalize the PRC property market and encourage domestic consumption. These were manifested from series of official lending rate cuts, targeted tax reduction and accommodative monetary and fiscal policies.

"The Belt and Road initiative" of PRC tactically redirects the overcapacity in PRC to forge a strategic connection to international arena through international infrastructure projects. In the long run, it will promote co-development and mutual co-operation in the areas of economic, finance, transport, tourism and technology which will finally result in prosperity of the nations along the regions.

Amid the setback in inbound tourism, the Hong Kong Government spares no effort to strengthen Hong Kong's infrastructure through implementing large-scale projects to boost the economy and create job opportunities, such as the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge and the airport's three-runway system.

Given more PRC companies are setting up offices in Hong Kong, together with the cautiously optimistic economic backdrop, the demand for office space in Hong Kong is expected to remain stable, while end-users' demand is expected to provide support to the residential property market.

For offices, the Group will continue to pursue proactive enhancement and management of its existing investment property portfolio. These include, opening of a new venue at 3/F of KITEC, The Glass Pavilion, for wedding banquets and corporate events; repositioning E-Max as an entertainment hub to expand its competitive advantages; introducing a new catering venue, the Crystal, to Panda Hotel; and implementing marketing plan to strengthen Panda Hotel's MICE business. These will strengthen the Group's image as a landlord of quality properties in Hong Kong and contribute to the sustainable growth of its businesses.

Sales of The Avenue were well-received and will help bring in high-income households to the area. Lee Tung Avenue has become a popular shopping and dining rendezvous in Hong Kong. The Group's major pipeline projects, namely Hopewell Centre II, Hill Side Terrace Cluster and the 155-167 QRE, will generate tremendous synergies with the Group's existing properties in Wan Chai. These, together with the Group's existing projects, namely Hopewell Centre, Wu Chung House retail shops, GardenEast, QRE Plaza and Lee Tung Avenue, will form an attractive lifestyle hub drawing in visitation, spending and businesses.

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 hotels in prime locations. With its comprehensive conference facilities, it is well-positioned to capitalise on the opportunities as a result of the lack of conference venues in Hong Kong. Together with the development of Hill Side Terrace Cluster, not only will the area be developed into a fashionable charm, but it will also be transformed into a major business centre and cool dining neighborhood. As part of the long-term growth strategy, the Group will continue to acquire land that will synergise with its existing property portfolio.

On the infrastructure front, growth momentum of the GS Superhighway has persisted since the second half of FY15, after the full opening of the Coastal Expressway in December 2013. The Western Delta Route is the most direct and convenient artery of a regional expressway network that covers the most prosperous and populous cities on the western bank of the Pearl River Delta, including Guangzhou, Foshan, Zhongshan and Zhuhai, and reduces the travelling time between them. It also offers convenient access to the Hengqin State-level Strategic New Zone, and via its connection with the forthcoming HZM Bridge, to Hong Kong. The urbanization of cities in the western PRD region is expected to accelerate, thus creating economic growth that will benefit the Group.

Acknowledgement

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

Sir Gordon Ying Sheung WU KCMG, FICE
Chairman

Hong Kong, 23 August 2016

Awards & Recognition

9/2015

Hang Seng Corporate Sustainability Benchmark Index

HHL and HHI were selected as constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index for five consecutive years in recognition of the Group's long term commitment to environmental, social and corporate governance.

10/2015

Honorary Fellowship of Lingnan University

Mr Thomas Wu, Managing Director of HHL, was conferred an honorary fellowship by Lingnan University in recognition of his outstanding achievements in the business community and valuable contribution to the well-being of society.

12/2015

Hong Kong Outstanding Corporate Citizenship Logo

The Group was awarded Merit Award (Enterprise Category) and HH Social Club received Corporate Citizenship Logo (Volunteer Category) of the 6th Hong Kong Corporate Citizenship Program by the Hong Kong Productivity Council and the Committee on the Promotion of Civic Education. These honours affirm the Group's ongoing efforts in fulfilling social responsibilities and integrating the belief of corporate citizenship into its business model and operation.

5/2016

Caring Company Logo

HHL and ten of its subsidiaries received the Caring Company Logo 2015/16 from the Hong Kong Council of Social Service. Among these, HHL, HHI, Hopewell Real Estate Agency Limited, Hopewell Property Management Co., Limited, Hopewell Centre Management Limited, KITEC Management Limited, Panda Place Management Limited and IT Catering & Services Limited have received the honour for more than five consecutive years. Panda Hotel has been awarded the honour for over ten consecutive years and received the accolade of 10 Years Plus Caring Company Logo.

5/2016

Manpower Developer 1st

HHL was presented Manpower Developer 1st (2010-2018) of the 6th ERB Manpower Developer Award Scheme by the Employees Retraining Board. HHL received this award for the fourth time in recognition of the Group's performance in manpower training and development strategies.

5/2016

Best IR Company – Mid Cap

HHL won Best IR Company – Mid Cap of the HKIRA 2nd Investor Relations Award by Hong Kong Investor Relations Association in recognition of the Group's excellence and achievements in investor relations.

9/2016

Family-Friendly Employer

HHL received Family-Friendly Employer 2015/16, Special Mention 2015/16 (Gold) and Award for Breastfeeding Support 2015/16 by Family Council at 2015/16 Family-Friendly Employers Award Scheme in recognition of the Group's long term commitment in implementing family-friendly employment policies and practices.

Profile of Directors

Executive Directors

Sir Gordon Ying Sheung WU KCMG, FICE

Aged 80, he is the Chairman of the Board of the Company since November 1996. He is also the Chairman of HHI, the listed subsidiary of the Company, and a director of various subsidiaries of the Company.

In 1958, he graduated from Princeton University with a Bachelor of Science degree in engineering, and as one of the founders of the Company, he was the Managing Director from 1972 to 2001. His responsibilities have included the Company's infrastructure projects in the PRC and South-East Asia, and he has been involved in designing and constructing numerous buildings and development projects in Hong Kong, the PRC and overseas, including the Shajiao B power plant, which received the British Construction Industry Award, as well as set a world record for completion within 22 months.

He is the husband of Lady WU, a Non-executive Director and a substantial shareholder of the Company, the father of Mr. Thomas Jefferson WU, the Managing Director of the Company and the uncle of Mr. Guy Man Guy WU, an Independent Non-executive Director of the Company.

He is very active in civic activities and community service. His civic and community positions include:

In the PRC

Council Member	United Nations Association of China
Advisor	China Development Bank

In Hong Kong

Vice President	The Real Estate Developers Association of Hong Kong

He was a member of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") from 1983 to 2013 and a Vice Chairman of the Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese (Special committee of CPPCC) from 2003 to 2013.

Sir Gordon WU is a Fellow of several professional bodies, including:

— Institution of Civil Engineers, United Kingdom (Fellow)
— The Hong Kong Institution of Engineers (Honorary Fellow)
— Hong Kong Academy of Engineering Sciences (Fellow)

He also received Honorary Doctorate Degrees from the following universities:

— The Hong Kong Polytechnic University, Hong Kong (Honorary Doctor of Engineering)
— University of Strathclyde, United Kingdom (Honorary Doctor of Business Administration)
— The University of Edinburgh, United Kingdom (Doctorem honoris causa)
— Lingnan University, Hong Kong (Honorary Doctor of Laws)
— City University of Hong Kong, Hong Kong (Honorary Doctor of Social Science)
— Macau University of Science & Technology, Macau (Honorary Doctor of Business Administration)
— University of Manitoba, Canada (Honorary Degree of Doctor of Laws)
— The Hong Kong Institute of Education (retitled as "The Education University of Hong Kong"), Hong Kong (Honorary Degree of Doctor of Social Sciences)

His additional awards and honours include:

Awards and Honours	Year Awarded
The HKIE Gold Medal 2015 by The Hong Kong Institution of Engineers	2015
The Lifetime Achievement Award of 2013 Hong Kong Business Awards by the South China Morning Post and DHL	2013
The Lifetime Achievement Award of the 9th Asia Business Leaders Award by CNBC	2010
Officer de L'Ordre de la Couronne by HM Albert II, King of Belgium	2007
The Order of Croatian Danica with figure of Blaz Lorkovic by the Republic of Croatia	2007
Gold Bauhinia Star (G.B.S.) by the Hong Kong Government	2004
Leader of the Year 2003 (Business/Finance) by Sing Tao Newspaper Group	2004
Personality of the Year 2003 by the Asian Freight & Supply Chain Awards	2003
Knight Commander of the Order of St. Michael and St. George (KCMG) by the Queen of England	1997
Industry All-Star Award by Independent Energy, USA	1996
International CEO of the Year by George Washington University, USA	1996
Among "the Best Entrepreneurs" by Business Week	1994
Man of the Year by the International Road Federation, USA	1994
Business Man of the Year by the South China Morning Post and DHL	1991
Asia Corporate Leader by Asia Finance Magazine, Hong Kong	1991
Chevalier de L'Ordre de la Couronne by the King of Belgium	1985

Mr. Eddie Ping Chang HO

Aged 83, he has been the Vice Chairman of the Company since August 2003. He is the Vice Chairman of HHI and a director of various subsidiaries of the Company. He was previously the Deputy Managing Director of the Company since 1972 and the Managing Director of the Company from January 2002 to September 2009. He has extensive experience in implementation of property development and major infrastructure strategic development projects and has been involved in developing all of the Company's projects in Mainland China, including highway, hotel and power station projects. He is an Honorary Citizen of the cities of Guangzhou, Foshan and Shenzhen, and the Shunde District in the PRC.

Mr. Thomas Jefferson WU JP

Aged 43, he is the Managing Director of the Company as well as the Managing Director of HHI, the listed subsidiary of the Company, and a director of various subsidiaries of the Company.

He graduated with high honours from Princeton University in 1994 with a Bachelor of Science degree in Mechanical and Aerospace Engineering. He then worked in Japan as an engineer for Mitsubishi Electric Corporation for three years before returning to full-time studies at Stanford University, where he obtained a Master of Business Administration degree in 1999. In 2015, he was conferred an honorary fellowship by Lingnan University.

Mr. WU joined the Company in 1999 as Manager of the Executive Committee Office, and was promoted to Group Controller the following year. He has been involved in the review of the Company's operational performance, strategic planning and organisational effectiveness, and has upgraded its financial and management accounting systems. An Executive Director of the Company since 2001, he was appointed Chief Operating Officer in 2002, Deputy Managing Director in 2003, Co-Managing Director in 2007, and re-designated as Managing Director in 2009.

Mr. WU is active in public service in both Hong Kong and Mainland China. He serves in a number of advisory roles at different levels of government. In Mainland China, he is a member of the Heilongjiang Provincial Committee of the 11th Chinese People's Political Consultative Conference, a Standing Committee member and a member of the Huadu District Committee of The Chinese People's Political Consultative Conference, among other public service capacities.

In Hong Kong, Mr. WU's major public service appointments include being a member of the Hong Kong Tourism Board, a member of the Hong Kong Government's Standing Committee on Disciplined Services Salaries and Conditions of Service, a member of the Energy Advisory Committee of the Environment Bureau and a Vice Patron of the Community Chest of Hong Kong. He is also a member of the Business School Advisory Council of The Hong Kong University of Science and Technology. In addition, he is an Independent Non-executive Director of Melco Crown Entertainment Limited, a company listed on NASDAQ Global Select Market in USA. Previously, he was a council member of The Hong Kong Polytechnic University and the Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science of Technology and a board member of the Asian Youth Orchestra.

In addition to his professional and public service engagements, Mr. WU is mostly known for his passion for ice hockey, as well as the sport's development in Hong Kong and the region. He is the Vice President (Asia/Oceania) of the International Ice Hockey Federation, Co-founder and Chairman of the Hong Kong Amateur Hockey Club and Hong Kong Academy of Ice Hockey , as well as Chairman of the Hong Kong Ice Hockey Officials Association. He is also the Honorary President of the Hong Kong Ice Hockey Association — the national sports association of ice hockey in Hong Kong, Vice Chairman of the Chinese Ice Hockey Association, Honorary President of the Macau Ice Sports Federation and Honorary Chairman of the Ice Hockey Association of Taipei Municipal Athletics Federation.

In 2006, the World Economic Forum selected Mr. WU as a "Young Global Leader". He was also awarded the "Director of the Year Award" by the Hong Kong Institute of Directors in 2010, the "Asian Corporate Director Recognition Award" by *Corporate Governance Asia* in 2011, 2012 and 2013, and named "Asia's Best CEO (Investor Relations)" in 2012, 2013 and 2014.

Mr. WU is the son of Sir Gordon WU, the Chairman and a substantial shareholder of the Company and Lady WU, a Non-executive Director and a substantial shareholder of the Company, and the cousin of Mr. Guy Man Guy WU, an Independent Non-executive Director of the Company.

Mr. Josiah Chin Lai KWOK

Aged 64, he was appointed as Deputy Managing Director of the Company in January 2002 and is also a director of various subsidiaries of the Company. He is a solicitor by training. Previously, he worked as a consultant to the Company on various important projects such as Guangzhou-Shenzhen-Zhuhai Superhighway, Shajiao B and C Power Stations, etc. He has also worked as legal consultants to banks, Secretary for The Hong Kong Association of Banks, Legal Director of The Airport Authority, Hong Kong and Group Legal and Compliance Director of the BNP Paribas Peregrine Group.

Profile of Directors

Mr. Albert Kam Yin YEUNG

Aged 65, he was appointed as an Executive Director of the Company in November 2002 and is also a director of various subsidiaries of the Company. He is an experienced architect and now mainly responsible for the construction works of Hopewell Centre II. Prior to joining the Company, he was a director of WMKY Limited from 1986 to 1998 and acted as a consultant of the Company's development and construction projects. He holds a Bachelor of Architecture degree from the University of Hong Kong. He is a Registered Architect, an Authorised Person, and a member of The Hong Kong Institute of Architects and various professional bodies.

Mr. William Wing Lam WONG

Aged 59, he was appointed as an Executive Director of the Company in January 2007. He has a Bachelor Degree in Land Economy from Aberdeen University, United Kingdom and is a Registered Professional Surveyor, a Fellow member of the Royal Institution of Chartered Surveyors and a member of Hong Kong Institution of Surveyors. He is an Executive Committee member of the Real Estate Developers Association of Hong Kong and also a member of the Federation of Hong Kong Hotel Owners. He has over 27 years of experience in property and land matters. He is mainly responsible for property sales and leasing and currently a director of certain subsidiaries of the Company.

Ir. Dr. Leo Kwok Kee LEUNG

Aged 57, he was appointed as a Non-executive Director of the Company on 1 July 2009 and has been re-designated as an Executive Director of the Company on 1 October 2009. He is also a director of various subsidiaries of the Company. Ir. Dr. LEUNG joined as a director of a subsidiary of the Company in 1993. He was previously in-charge of the architecture, engineering and construction of all in-house projects of the Company for about 10 years before he was transferred to HHI as an executive director in 2003. He is an experienced multi-disciplinary engineer and an expert in designing and applying slipform and climbform techniques. He worked for Brown & Root and Ove Arup & Partners before joining the Company and had acquired a wide range of design and construction experiences in The United Kingdom, Europe, Africa and Asia in highways, bridges, buildings, dams and tunnel structures. Ir. Dr. LEUNG graduated from Imperial College of the University of London with a Master of Science degree with Distinction in Earthquake Engineering and Structural Dynamics. He was also awarded a Bachelor of Science degree with First Class Honours from the Council for National Academic Awards (CNAA) in Civil Engineering, as well as the Institution of Civil Engineers' Prize for his outstanding undergraduate performance. He was further awarded an Honorary Doctorate of Technology from his alma mater, the University of Sunderland in 2016. He also attained the PRC National Class 1 Registered Structural Engineers qualification in 2004. Ir. Dr. LEUNG served as committee members to a number of Professional Institutions and was the Chairman of the Civil Division (2011-2012) of the Hong Kong Institution of Engineers ("HKIE"), and has been a Council Member of the HKIE since

2012. He was also the Chairman of the Hong Kong Branch of the Chartered Institution of Highways and Transportation (2006-2007). He was elected as an Election Committee Member by the Engineering Subsector for the nomination and election of the Chief Executive of HKSAR in 2012. He was an Executive Director of HHI and responsible for the planning, design, engineering and construction of projects within HHI from 2003 to 2009.

Non-executive Directors

Lady WU Ivy Sau Ping KWOK JP

Aged 67, she is a Non-executive Director of the Company and joined the Board in August 1991.

She is the Deputy Chairman of the Hong Kong Red Cross and serves on the committees and boards of numerous other social organizations, including the Asian Cultural Council (Hong Kong) and the Asia Society (Hong Kong Center). She was appointed as the Honorary Consul of The Republic of Croatia in Hong Kong in September 2014.

She is the wife of Sir Gordon WU, the Chairman and a substantial shareholder of the Company, the mother of Mr. Thomas Jefferson WU, the Managing Director of the Company and the auntie of Mr. Guy Man Guy WU, an Independent Non-executive Director of the Company.

Mr. Carmelo Ka Sze LEE JP

Aged 56, he was appointed as an Independent Non-executive Director of the Company in March 2001 and was re-designated as a Non-executive Director of the Company on 6 September 2004. He is a member of the Remuneration Committee of the Company and served as the Chairman of the Committee during the period from May 2011 to February 2012. Mr. LEE holds a Bachelor of Laws degree from The University of Hong Kong. He is a practicing solicitor and a partner of Messrs. Woo Kwan Lee & Lo, Solicitors & Notaries, a firm which renders professional services to the Company and receives normal remuneration for such services. Mr. LEE is a Non-executive Director of CSPC Pharmaceutical Group Limited, Yugang International Limited, Safety Godown Company, Limited and Termbray Industries International (Holdings) Limited and also an Independent Non-executive Director of KWG Property Holding Limited, Esprit Holdings Limited and China Pacific Insurance (Group) Co., Ltd., all these companies are listed on the Stock Exchange. Mr. LEE was a Non-executive Director of Y.T. Realty Group Limited from September 2004 to February 2016; and an Independent Non-executive Director of Ping An Insurance (Group) Company of China, Ltd from June 2009 to June 2015, both companies are listed on the Stock Exchange. Mr. LEE was appointed as a Convenor cum member of the Financial Reporting Review Panel of The Financial Reporting Council in July 2016. He served as the Chairman of the Listing Committee of the Stock Exchange from May 2012 to July 2015 after serving as Deputy Chairman and member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively.

Independent Non-executive Directors

Mr. Guy Man Guy WU

Aged 59, he is an Independent Non-executive Director of the Company and joined the Board in 1987. He is also a member of the Audit Committee and the Remuneration Committee of the Company. He has a Bachelor of Science degree in industrial engineering from Purdue University, U.S.A. He is also the Managing Director of the Liverton Group and Video Channel Productions Limited.

Mr. WU is the cousin of Mr. Thomas Jefferson WU, an Executive Director and Managing Director of the Company, and the nephew of Sir Gordon WU, the Chairman and a substantial shareholder of the Company and Lady WU, a Non-executive Director and a substantial shareholder of the Company.

Ms. Linda Lai Chuen LOKE

Aged 78, she is an Independent Non-executive Director of the Company and joined the Board in August 1991. She is also a member of both the Audit Committee and the Remuneration Committee of the Company. She was the Chairman of the Remuneration Committee during the period from February 2012 to January 2013. A graduate of the University of California at Berkeley, she has over 30 years of professional experience in the securities and investment field. She was the emeritus Managing Director of Dean Witter Reynolds (Hong Kong) Limited and Vice President (Private Wealth Management) at Morgan Stanley Inc.

Mr. Sunny TAN

Aged 42, he was appointed as an Independent Non-executive Director of the Company in November 2010 and the Chairman of the Audit Committee of the Company in May 2011. Mr. TAN was an Executive Director of Luen Thai Holdings Limited ("Luen Thai"), a listed public company in Hong Kong, from May 2006 to December 2012. Mr. TAN joined Luen Thai in 1999 and is currently the Chief Financial Officer thereof. Prior to joining Luen Thai, Mr. TAN worked at the Investment Banking Division of Merrill Lynch (Asia Pacific). Mr. TAN was appointed as the Executive Vice Chairman of the Hong Kong General Chamber of Textiles in 2009 and Chairman of Group 12 and General Council Member of the Federation of Hong Kong Industries ("FHKI"), Executive Committee Member of the Hong Kong Shippers' Council and the Council Member of the Hong Kong Productivity Council. In 2013, Mr. Tan was awarded "Young Industrialist Award 2013" which was organized by the FHKI. Mr. Tan is currently the Vice Chairman of Tung Wah Group of Hospitals and Chairman of the Board of Governors of Tung Wah College. Mr. TAN also appointed as Member of the Board of Trustees of Shaw College at the Chinese University of Hong Kong, the Member of the Textiles Advisory Board on Trade and Industry Department, the Advisory Committee on the Education Development Fund of Education Bureau Government Secretariat and the Action Committee Against Narcotics Sub-committee on Preventive Education and Publicity of Narcotics Division Security Bureau Government Secretariat, Hong Kong Government. Mr. TAN obtained a Master of Science degree from Stanford University and Bachelor of Business Administration degree from the University of Wisconsin-Madison.

Dr. Gordon YEN

Aged 46, he was appointed as an Independent Non-executive Director and a member of the Remuneration Committee of the Company in May 2012. He was further appointed as the Chairman of the Remuneration Committee of the Company since February 2013. He is currently the Managing Director of Radiant Venture Capital Limited and a Non-executive Director of Fountain Set (Holdings) Limited ("Fountain Set"), a public company listed on the Stock Exchange. He previously served as an Executive Director of Fountain Set from September 2004 to May 2013 and also assumed the role of Chief Financial Officer from 2012. Dr. Yen obtained a Bachelor of Manufacturing Engineering degree from Boston University, US, a Master of Business Administration degree from McGill University, Canada and a Doctorate degree in Business Administration from The Hong Kong Polytechnic University, Hong Kong.

He was an Independent Non-executive Director and a member of each of the Remuneration Committee and the Audit Committee of HHI from July 2003 to May 2012. Dr. YEN was previously employed by the Company or its subsidiaries as Project Director during 1995 to 1999.

Mr. Ahito NAKAMURA

Aged 64, he was appointed as an Independent Non-Executive Director of the Company in December 2012. Mr. NAKAMURA is the Managing Director of Legato Holdings Limited (formerly known as PIA Entertainment (H.K.) Co., Limited) and J-Macau Consulting Limited. Mr. NAKAMURA is also an Executive Board Member of The Macao-Japan Chamber of Commerce. He was previously employed by the Company as Treasurer during 1992 to 1997. Mr. NAKAMURA was awarded a Bachelor of Arts degree in Economics from Keio University, Japan in 1975.

Mr. Yuk Keung IP

Aged 64, he was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company on 10 April 2015. He is also an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of HHI. Mr. IP is an international banking and real estate professional with 33 years of experience at Citigroup, First National Bank of Chicago, Wells Fargo and Merrill Lynch in Hong Kong, Asia and the United States. His areas of expertise are in real estate, corporate banking, risk management, transaction banking and wealth management. Mr. IP was named Managing Director of Citigroup in 2003 and Senior Credit Officer/Real Estate Specialist of Citicorp in 1990. He held senior positions at Citigroup such as North Asia Real Estate Head, Hong Kong Corporate Bank Head, Head of Transaction Banking — Hong Kong and Head of Asia Regional Investment Finance of Global Wealth Management. He was a Managing Director of Investments at Merrill Lynch (Asia Pacific).

Mr. IP is the Executive Director and Chief Executive Officer of LHIL Manager Limited which is the trustee-manager of Langham Hospitality Investments, and Langham Hospitality Investments Limited, and a Non-executive Director of Eagle Asset Management (CP) Limited, as manager of Champion Real Estate Investment Trust. He is also an Independent Non-executive Director of TOM Group Limited, AEON Credit Service (Asia) Company Limited, Power Assets Holdings Limited and Lifestyle International Holdings Limited. All the companies mentioned above except for LHIL Manager Limited and Eagle Asset Management (CP) Limited, are listed on the Stock Exchange, and Langham Hospitality Investments is a listed fixed single investment trust and Champion Real Estate Investment Trust is a listed real estate investment trust. In addition, he is an Independent Non-executive Director of New World China Land Limited, a company de-listed from the Stock Exchange on 4 August 2016.

Mr. IP is an Honorary Professor of Business of Lingnan University, an Adjunct Professor of City University of Hong Kong, University of Macau and Hang Seng Management College, an Advisory Board Member of Faculty of Business and Department of Accountancy at Lingnan University, a Council Member of the Hong Kong University of Science and Technology, a member of the International Advisory Committee at University of Macau, an Executive Fellow in Asia at Washington University in St. Louis, a Research Fellow of the Institute for Financial Economics at Singapore Management University, a member of the Board of Governors of World Green Organization Limited, and a member of Legal Aid Services Council of Hong Kong. He is a member of the Committee on Certification for Principalship under the Education Bureau of the Hong Kong Government.

Mr. IP holds a Bachelor of Science degree at Washington University in St. Louis (summa cum laude) and Master of Science degrees at Cornell University and Carnegie-Mellon University. He is an Honorary Fellow of Vocational Training of Council.

Mr. IP had been appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company and HHI on 13 August 2007 and resigned from all the aforesaid positions on 29 February 2008 due to his other business commitments. In view of his valuable experience in banking, accounting, real estate finance and hospitality industries, Mr. IP was invited to re-join the Board of HHI and the Company in July 2011 and April 2015 respectively. His professional insights and expertise are conducive to the development of Group's hospitality business.

Business Review

1. Properties

A. Investment Properties and Hospitality

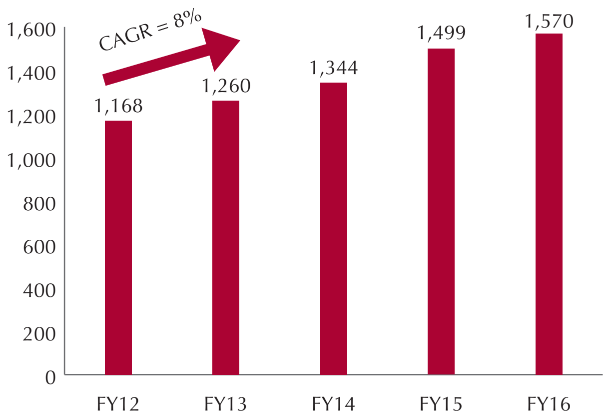
The Group's investment properties and hospitality businesses comprise its wholly-owned investment property portfolio and hotel, restaurant and catering operations. The revenue from these businesses amounted to HK$1,570 million for the year under review, a year-on-year increase of 5%.

(HK$ million)	Revenue*		
For the year ended 30 June	2015	**2016**	yoy change
Investment Properties			
Rental income – office	390	**415**	+6%
Rental income – retail	266	**319**	+20%
Rental income – residential	81	**75**	-7%
Convention and exhibition	59	**60**	+2%
Air conditioning & management fee	142	**158**	+11%
Carpark & others	77	**92**	+19%
Investment Properties sub-total	1,015	**1,119**	+10%
Hospitality			
Room Revenue	230	**195**	-15%
Restaurants, catering operations and others	254	**256**	+1%
Hospitality sub-total	484	**451**	-7%
Total	1,499	**1,570**	+5%

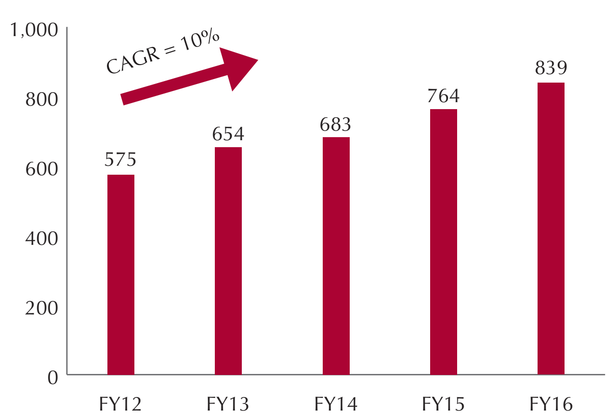
* Excluding tenancies for HHL's own use

EBIT for the Group's investment properties and hospitality businesses increased by 10% to HK$839 million year-on-year. The five-year compound annual growth rates of revenue and EBIT for the Group's investment properties and hospitality businesses between FY12 and FY16 were 8% and 10% respectively.

Revenue – Investment Properties & Hospitality
(HK$ in million)



EBIT – Investment Properties & Hospitality
(HK$ in million)



Investment Properties

Revenues for the Group's property letting, agency and management operations rose 10% to HK$1,119 million during the year under review, while EBIT for these operations increased by 17% to HK$739 million. The five-year compound annual growth rates of revenue and EBIT for investment properties between FY12 and FY16 were 12% and 14% respectively. EBIT margin for FY16 increased to 66% from 62% in FY15 mainly due to the rise in rental revenue and effective cost controls.

The Group continues to achieve sustainable growth and strengthen its branding by actively managing its properties and maintaining an uncompromising focus on service and quality. Through continuous refinement of the office and retail tenant mix, the Group continued to achieve rental income growth and high occupancy rates.

The Group's retail assets are neighborhood shopping centres for local shoppers (e.g. PARKnSHOP), thus less hit by drop in tourist arrivals to Hong Kong. During the year under review, retail rental income grew 20% to HK$319 million. In order to capture more local consumptions, the Group has been increasing the proportion of F&B in its retail portfolio since FY14, which has helped to bring footfall and increase rental income from the retail tenants. Area for F&B as a percentage of total leased retail area of "The East" in Wan Chai increased from 46% in FY14 to 50% in FY16, resulting in 22% increase in sales per sq.ft. of F&B tenants to around HK$300/sq.ft. and 23% rise in retail rental income of "The East" to HK$155 million in FY16 as compared to FY14. The opening of Lee Tung Avenue has provided synergy to "The East" and increased its popularity as a hub for local shoppers, residents and working population nearby. On the other hand, the Group will continue to use the same strategy of increasing the area of F&B to lift the rental income of E-Max, which is now undergoing evolution with the introduction of an entertainment-driven city outlet that targets at local consumption, whereby planned completion of the first and second phases will be first quarter of FY17 and third quarter of FY18 respectively. In particular, area for F&B as a percentage of area for retail is targeted to grow to 25% in FY19 from 18% in FY16. As a result of the increase in footfall alongside the enlarged area for F&B, E-Max's rental income is targeted to grow 50% in FY19 as compared to FY16. Given the evolution which is now underway at E-Max, together with the opening of Lee Tung Avenue and Hopewell Centre II which is currently under construction, the Group expects retail segment will be the main growth driver of its investment properties business.

In view of the uncertainty in the market, the Group will adopt a defensive rental strategy for office which focuses on renewing lease of existing tenants with a flexible lease term so as to increase flexibility and capture opportunities brought by the economic turnaround.

Occupancy rates for the Group's investment properties remained strong during the year under review alongside with average rental rates increased.

Occupancy and Rental Rates of Investment Properties

	Average Occupancy Rate			Change in Average Rental Rate
	FY15	**FY16**	yoy	
Hopewell Centre	95%	**93%**	–2%	+8%
KITEC Office	96%	**96%**	–	+11%
KITEC E-Max	88%	**90%**	+2%	+23%
Panda Place	95%	**96%**	+1%	+9%
QRE Plaza	91%	**100%**	+9%	+5%
Lee Tung Avenue	–	**96%**[N1]	N/A	N/A
GardenEast (apartments)	94%	**82%**	–12%	+6%

N1: Figure for June 2016. Lee Tung Avenue soft opened in December 2015

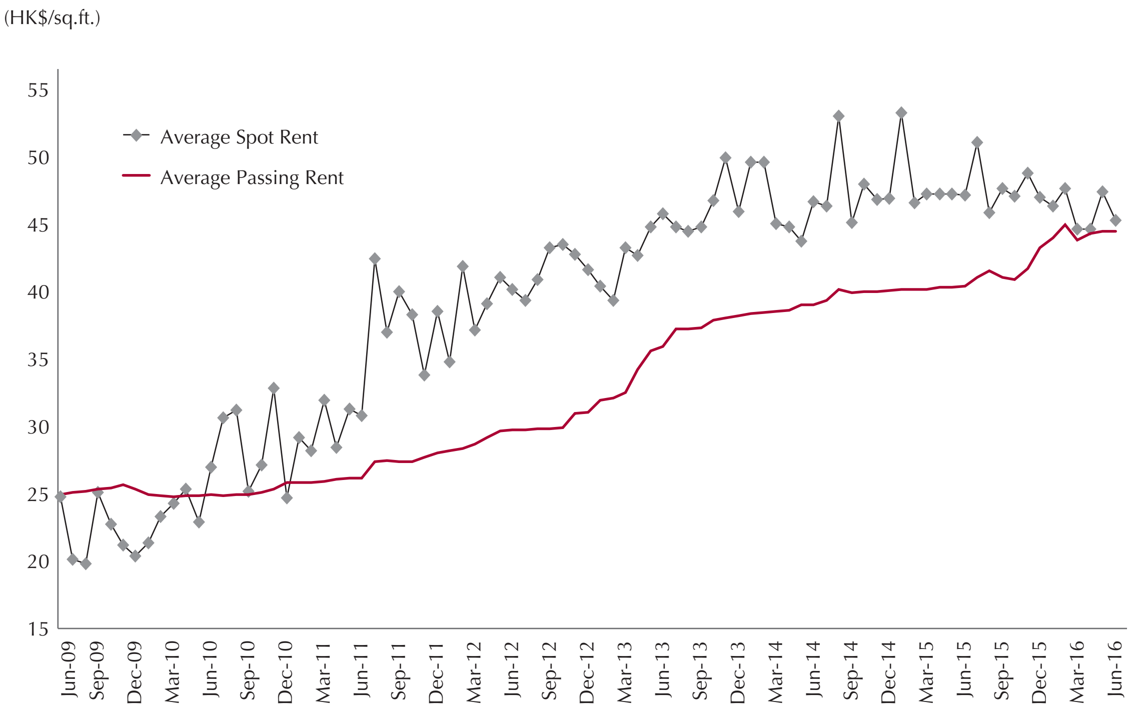
Hopewell Centre

As the Group's flagship property, Hopewell Centre's overall revenue (excluding tenancies for the Group's own use) for FY16 increased by 6% to HK$446 million. Overall average occupancy rate remained high at 93%.

On the office front, average occupancy rate maintained at a high level of 93% for FY16. Rental income (excluding tenancies for the Group's own use) recorded a mild growth of 2% year-on-year to HK$271 million for FY16. Excluding a one-off rental adjustment of HK$8 million in December 2014, rental income growth for the year under review would be 6%. Average passing rent increased by 6% year-on-year to HK$43.5/sq.ft. and average spot rents was HK$47.3/sq.ft. for FY16.

The main drivers of Hopewell Centre's increased rental income were the continuous enhancement of its facilities and services, plus the refinement of its tenant mix. The Group has implemented improvement plans and asset enhancement measures to maintain its competitiveness so as to uplift rental rates.

Hopewell Centre Office
Average Spot and Average Passing Rent (FY10 - FY16)

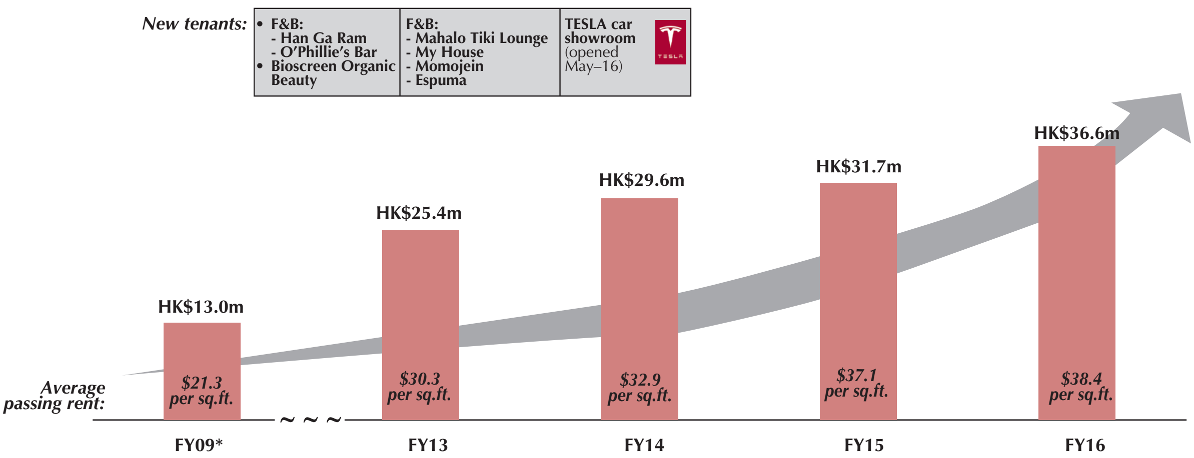


On the retail front, the Group has replaced some retail tenants with high quality F&B and lifestyle stores offering more diversified dining and shopping experience. Besides, an upmarket "live house" performance venue — "1563' Live House" at 6/F with GFA of around 7,000 sq.ft. has opened in August 2016.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

QRE Plaza

Continuous efforts in refining tenant mix have helped to lift rental income of QRE Plaza. Besides, marketing and promotional activities have succeeded in attracting increased traffic and renowned retailers to "The East". The showroom by TESLA, a premium auto brand was opened in May 2016. QRE Plaza's overall revenue rose by 16% in FY16.

Rental income



* QRE Plaza opened in November 2007

Lee Tung Avenue

Lee Tung Avenue is a tree-lined pedestrian walkway equipped with lifestyle and dining options that perfectly complement their beautiful streetscape surroundings. It is a URA redevelopment project. Net rental income will be split 40:60 between the URA and the 50:50 joint venture between the Group and Sino Land. It has a total GFA of approximately 87,700 sq.ft. and has so far received very positive responses from tenants and is planned to have its grand opening in the third quarter of 2016. The average occupancy rate of Lee Tung Avenue was around 96% and the average rent was around HK$70/sq.ft. in June 2016. The Group has introduced several cafe and restaurants which are the first comers to Hong Kong, namely Omotesando Koffee, Ginza West, Le Pain Quotidien, Blue Brick Bistro by Yoku Moku, La Bola, Bistro Seoul and Brook's Café.

Lee Tung Avenue has further enlarged the Group's rental property portfolio and created synergy among existing properties such as Hopewell Centre, QRE Plaza and GardenEast. 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, construction of the Johnston Tunnel is underway and is targeted for completion in the first half of 2017. An additional QRE Tunnel connecting Lee Tung Avenue and Hopewell Centre is currently under planning.

Progress	2014	2015	2016	2017	2018 and Beyond
Johnston Tunnel **(Lee Tung Avenue → MTR)**	2Q2014: Approved by Hong Kong Government and under construction. Plan to complete construction in 1H2017				
Queen's Road East Tunnel **(Lee Tung Avenue → Hopewell Centre)**	Under planning				

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

Overall revenue dropped by 5% year-on-year mainly due to softening demand and challenging economic environment. Average rental rates grew by 6% for serviced apartments while average occupancy of serviced apartments fell by 12% to 82%.

KITEC

Office

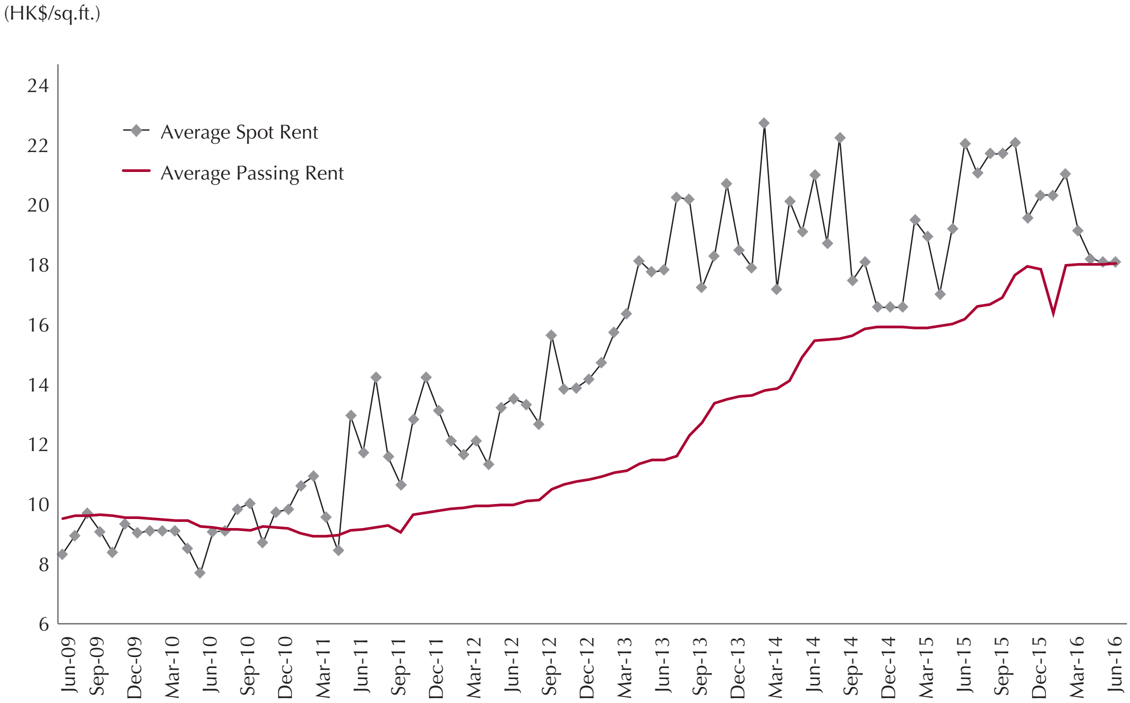
In its 2016 Policy Address, the Hong Kong Government will continue to take forward the "Kai Tak Fantasy", a recreational landmark on the site of the former airport runway at the Kai Tak Development Area. Major projects underway include the infrastructure for the south apron and the "hotel belt" at the former runway. The Hong Kong Government's 2016 Policy Address also stated that Kowloon East (including Kai Tak) will be developed into a quality business district. This will create a cluster effect that will boost traffic flows into the district and further increase demand for KITEC's top quality services and offerings.

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

On the office front, during the year under review, rental income (excluding tenancies for the Group's own use) recorded a growth of 14% year-on-year to HK$143 million. Average passing rent increased 11% to HK$17.7/sq.ft. in FY16 from HK$16/sq.ft. in FY15. KITEC office's average spot rent rose by 5% to HK$20.0/sq.ft. and average occupancy rate remained at high level of 96%.

The conversion of the 6/F of E-Max to office units and conference facilities was completed in March 2015. After the conversion, the GFA of KITEC's office and retail portions is now approximately 750,000 sq.ft. and 760,000 sq.ft. respectively. Part of the converted office areas is leased by the Hospital Authority, which has taken up around 117,000 sq.ft. in four phases since September 2014 at a rental rate of approximately HK$20/sq.ft. Combined with the Labour Department's GFA of 49,000 sq.ft. and the Registration and Electoral Office's GFA of 90,000 sq.ft., this makes the Hong Kong Government a key KITEC anchor tenant with approximately 256,000 sq.ft. of space, representing 34% of KITEC office's total GFA.

KITEC Office
Average Spot and Average Passing Rent (FY10 - FY16)



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 will be refined to renowned brands and general retailers to stimulate the footfall and enable E-Max to achieve higher rental rates.

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

As the evolution of E-Max unfolded since 2014, success has been shown. In FY16, E-Max's rental income grew 27% year-on-year, which was mainly driven by new tenants. The introduction of more popular brands to E-Max has been well-received by the market. Besides, more quality customers have been attracted to E-Max with increase in their spendings, which led to a 200% increase in F&B sales per sq.ft. to around HK$470/sq.ft. in FY16 as compared to FY14.

To further refine the tenant mix on E-Max's G/F and 2/F, the Group has launched an asset enhancement initiative in 2016. The Group aims to attract more renowned brands and general retailers to further boost traffic and rental revenue. A supermarket opened on 2/F in June 2016 and a new food court of approximately 30,000 sq.ft. will be opened on 2/F in the fourth quarter of 2016. Upmarket fashion outlets of approximately 65,000 sq.ft. will be introduced at G/F in the third quarter of 2016, including Gap, Vivienne Westwood and The North Face. E-Max will then be refurbished to provide a spacious fashion mall housing a fine selection of premium fashion brands and offering affordable luxury. In addition, 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. In 2017 and 2018, subject to government approval, the Group plans to convert the existing auto mall on B1/F and B3/F of approximately 200,000 sq.ft. into a retail area as an expansion of G/F's fashion outlets. E-Max's continuing evolution to become an entertainment-driven city outlet will help further uplift its rental income, which is targeted to grow 50% in FY19 as compared to FY16.

E-Max's Evolution

Year		Event	Achievements / Plans
2014	Feb	The Metroplex: G/F	- Over 1 million audience since opening Feb 2014 - Box office +94% yoy in 2015 (vs HK market + 21%)
	Jun	Rotunda 2 refurbishment: 2/F	
	2H	Refined tenant mix: G/F & 2/F	- 759 flagship store opened
	Nov	E-Max Home: 4/F & 5/F	- Rental rate more than tripled
2015	Jul	BOUNCE Trampoline gymnasium: G/F (former swimming pool area)	- Rental rate more than tripled
2016	Feb	Volkswagen showroom: G/F ~8,000 sq.ft.	- World's top-3 automakers
	Jun	Supermarket: 2/F	
	3Q*	Upmarket fashion outlets: G/F ~65,000 sq.ft.	- Including Gap, Vivienne Westwood, The North Face
		"The Glass Pavilion" for wedding banquets and corporate events: 3/F	- Will increase football and positive to E-Max's rental
	4Q*	Food court: 2/F ~30,000 sq.ft.	
2017-2018	Under planning	Expansion of upmarket fashion outlet: B1/F & B3/F ~200,000 sq.ft.	- Plans to convert existing auto mall into retail shops (subject to government approval)

* Target date

Conventions, Exhibitions and Entertainment

The availability of spacious venues made KITEC continue to be a preferred choice for hosting concerts, exhibitions, meetings and conferences, banquets and also sports events in Hong Kong. Over 175 shows including concerts, sports, live broadcasts and musicals were held in the venues during the year under review.

Star Hall remains an attractive venue for hosting concerts, musicals, award presentations and different kinds of stage performances. 37 shows were staged in Star Hall in FY16, which include a fascinating magic show by international renowned magician Cyril Takayama, performances of international artistes such as French electronic music band M83, Australian soft rock duo Air Supply, Korean pop star IU, Japanese singers Lisa Ono, Tomomi Itano, Japanese pop bands w-inds, SCANDAL and also Hong Kong Cantopop music award RTHK The 38th Chinese Top Ten Gold Songs Awards.

KITEC's convention, exhibition and entertainment business revenue saw steady growth during the year. Gross rental income, including equipment rental, rose by 2% to HK$60 million. With the completion of the new venue for wedding banquets as well as corporate events, The Glass Pavilion, which targets to open in the third quarter of 2016, KITEC's competitive edge will further be strengthened.

The Glass Pavilion — KITEC's new venue for wedding banquets and corporate events

The Metroplex (multi-cinema complex)

Since its opening in 2014, The Metroplex has attracted more than 1 million audiences to E-Max and benefited KITEC's F&B and other tenants surrounding. The Metroplex has strengthened and upgraded KITEC's image by continuing to be one of the most preferred venues for gala premieres and events. The Metroplex has organized 14 gala premieres and sponsored 5 celebrity events during the year under review.

The Metroplex continues to solidify its aspiration to support art and culture through conducting special screening programs like "Arts in Cinema", and annual events like "Sundance Film Festival: Hong Kong" and "Summer Anime Festival". Moreover, 16 programs under Metro Select label, have been organized for more than 9,000 art film lovers.

The Metroplex has fully supported corporate social responsibility through organizing 7 CSR events and has been awarded numerous awards, including the "Silver Emblem Recognition Scheme Award" by HK Council of Social Service caring for old aged customers; the "Certificate of Appreciation on Business-School Partnership Program" by Education Bureau for providing students with out of classroom learning experience; and the "Manpower Developer Award" by Employees Retraining Board for caring of staff development.

Panda Place

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

Rental income at Panda Place grew by 11% year-on-year to HK$61 million in FY16. This is because the re-layout of the 2/F from a Chinese restaurant into an Asian epicurean hub, which doubled 2/F's rental rate, had been completed in the first quarter of 2015. The average occupancy rate was 96% during the year under review. The Group expects to achieve stable rental income growth due to the completion of major tenant reshuffling.

Hospitality

Panda Hotel

During the year under review, the anti-parallel trading and the appreciation in the HK Dollar continues to pose challenges to the tourism industry in Hong Kong.

Room revenue decreased by 15% to HK$195 million during the year under review, mainly because of the drop in average room rate by 18% despite average room occupancy rate increased by 3% to a historical high of 97%. The decrease in room revenue was mainly due to 7% drop in tourist arrivals given strong HK Dollar and it was in line with the general market.

F&B revenue increased mildly by 4% to HK$109 million, mainly due to the growth in tailor-made catering packages for annual corporate events and wedding banquets. An additional catering venue, the Crystal, which can accommodate up to 22 tables or 450 people for banquet or corporate events, opened in mid-September 2015 and has further increased the hotel's competitiveness.

Total revenue fell by 9% to HK$304 million as the increase in F&B revenue was offset by the drop in room revenue.

The outlook of Hong Kong's hotel industry remains challenging as the strong HK Dollar is expected to continue to impact tourist arrivals. Panda Hotel will continue to maintain its competitiveness by adopting flexible marketing strategy and diversification of customer mix such as Vietnam, Philippines and Thailand, to avoid over reliance on Mainland China leisure visitors. It will also expand its partner network in order to enlarge its travel agent base and further strengthen its MICE business so as to capture more revenue sources, increase average room rates and visitors' length of stay. Various marketing programmes are being deployed to sustain the business volume.

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

As of 30 June 2016, the market value of hotel amounted to HK$3,075 million (equivalent to approximately HK$3.4 million per room) as estimated by DTZ Debenham Tie Leung Limited ("DTZ"). According to the general market practice, the asset value of hotel is stated at cost less accumulated depreciation in the Group's balance sheet. As of 30 June 2016, the book value of Panda Hotel amounted to HK$346 million (equivalent to approximately HK$0.4 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 business remained healthy during the year under review and achieved total revenue of around HK$140 million.

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

B. Sales

Hopewell New Town

Project Description

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

Hopewell New Town is a multi-phase composite development consisting of apartments, townhouses, commercial areas and recreational facilities. It is strategically located approximately three kilometres from Baiyun International Airport in Guangzhou and close to the highway connecting the airport with Guangzhou city centre. Approximately 413,700 sq.m. of the development (consisting of 164 townhouses and 3,141 apartments) were sold and booked up to 30 June 2016.

447 units or 52,000 sq.m. of apartments were sold in FY16 and subsequently up to 11 August 2016, generated RMB570 million sales. Average selling price for apartments sold during the above period was approximately RMB11,000 per sq.m., 12% higher than that in FY15.

During the year under review, sales of 195 units or 23,200 sq.m. of apartments and 3 units or 900 sq.m. of townhouse were booked and generated revenue of RMB256 million, representing a 17% year-on-year fall as some units sold in FY16 will be booked in FY17 due to handover progress.

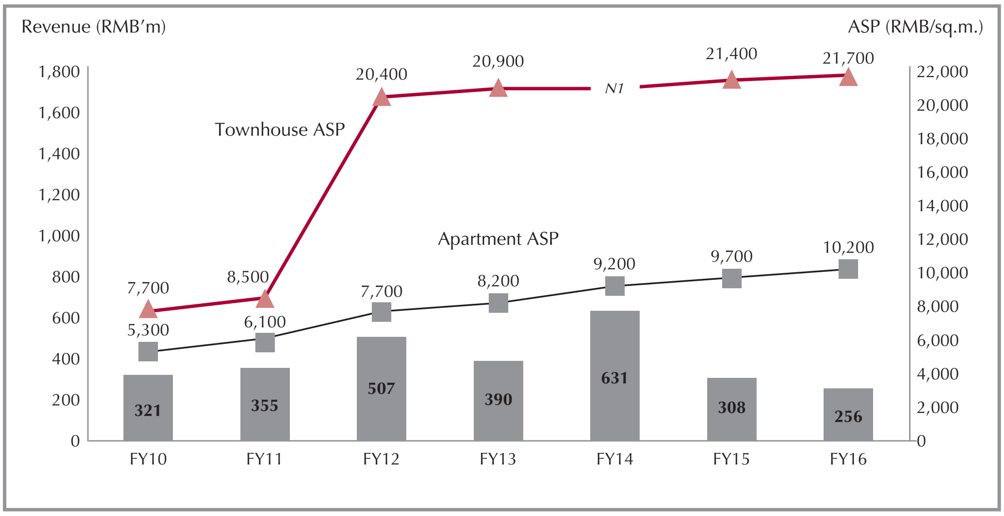
The Group expects demand for housing in the area will continue to support sales of the residential units at Hopewell New Town, and it will further strengthen marketing for the sales in FY17. Based on the transaction progress, the Group expects to book approximately RMB600 million sales revenue in FY17, of which 69% of sales with average selling price for apartment of RMB11,100 per sq.m. has been achieved as of 11 August 2016. Such average selling price represents 9% increase compared to that for FY16. The sales target for FY18 is not less than 43,000 sq.m. with its pre-sale planned to start in second quarter of 2017. The Group will continue to explore cost-effective ways to control the construction costs and improve the profitability.

	FY16	*FY17*	*FY18*
Sales target	RMB850m (85,000 sq.m.)		not less than 43,000 sq.m.
Sales booking	RMB256m (booked)	~RMB600m (to be booked)	

The transition from business tax to value added tax was effective from 1 May 2016. There was no impact on FY16 and FY17 net profit, while impact on net profit is expected to start in FY18.

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

Revenue and Average Selling Price ("ASP") Booked



GFA booked (sq.m.)							
Apartment	41,000	56,000	24,500	41,000	67,600	29,600	23,200
Townhouse	13,000	1,000	13,800	1,700	–	900	900
Units booked							
Apartment	366	574	306	333	695	252	195
Townhouse	43	4	48	6	–	3	3

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. All sold units in Phase 1 have been handed over. Phase 2 started hand over in November 2015 and 1,072 units (98.7% of units sold in Phase 2) have been handed over. As at 11 August 2016, 1,264 units or 641,000 sq.ft. representing 99% of total number of units had been sold. The average selling price of units sold was around HK$22,100 per sq.ft. of saleable area. The estimated valuation of 11 unsold units covering approximately 15,000 sq.ft. was around HK$41,300 per sq.ft..

The Avenue Residential Sales (sales figure as of 11 August 2016)

Based on saleable area	*Phase 1*	*Phase 2*	*Total*
Total units	179 (103,000 sq.ft.)	1,096 (554,000 sq.ft.)	1,275 (657,000 sq.ft.)
Units sold	178 (101,000 sq.ft.)	1,086 (540,000 sq.ft.)	1,264 (641,000 sq.ft.)
• As % of total units	99%	99%	99%
• Average selling price (sold units)	HK$19,900/sq.ft.	HK$22,600/sq.ft.	

Revenue shared (after URA's sharing) from sales of The Avenue Phase 2 residential units amounted to HK$4,074 million, representing 1,065 units or 520,000 sq.ft. have been booked during the year under review.

Broadwood Twelve

Project Description	
Location	12 Broadwood Road, Happy Valley, 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

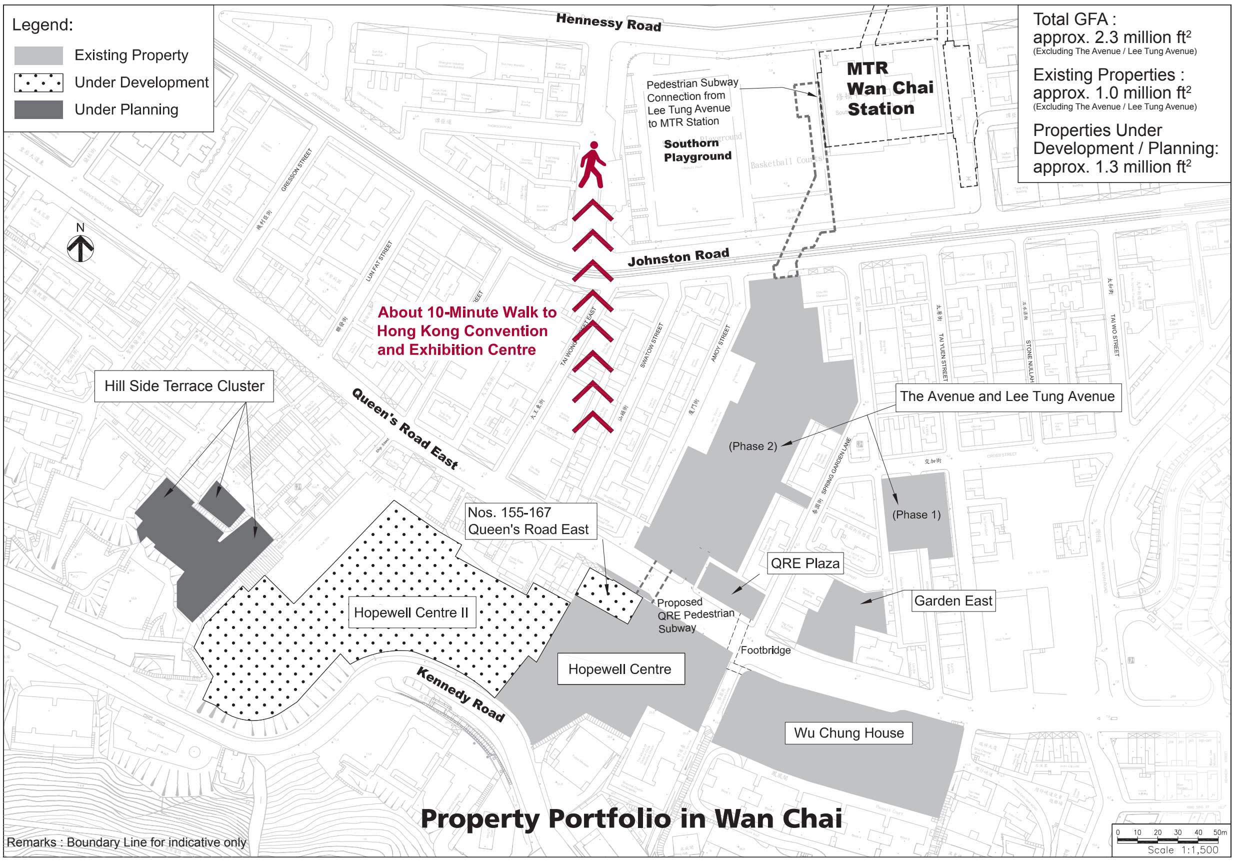
Broadwood Twelve is the Group's residential development on Broadwood Road. The top-quality finishes of its units and the stunning views they enjoy of the racecourse and Victoria Harbour have positioned them as attractive luxury residences.

Sales of Broadwood Twelve residential units commenced in June 2010. As of 11 August 2016, 59 units or 78% of its 76 units had been sold, generating total sales proceeds (including sale of car-parking spaces) of around HK$2,739 million. Most of the buyers were end-users. The average price of the units sold was around HK$34,100 per sq.ft. based on saleable area. The estimated total value of the 17 unsold units, as at 30 June 2016, was around HK$638 million. The Group has uploaded the sales brochure of these unsold units on the website and it is ready to re-launch sales.

Although there has been a slowdown of sales activity in the overall luxury market, the Hong Kong luxury residential market is relatively well supported by limited new supply, especially in prime locations and traditional luxury districts. The Group is confident about the long term prospects for the Hong Kong luxury residential property market.

Broadwood Twelve's high-end residential units have also attracted leasing offers from large and well-known corporations, as well as individual professionals. To maximise the Group's income, 10 unsold units were being leased at an average monthly rental rate of about HK$66 per sq.ft. of saleable floor area as of 11 August 2016. These units will still be available for sale.

C. Properties Under/For Development



Construction Timeline for Projects*

CY	2014	2015	2016	2017	2018	2019	>>>
Hong Kong							
Hopewell Centre II (HHL 100%)	Construction works						Operation start: 2019
155-167 Queen's Road East (HHL 100%)			Construction works				Operation start: 2019
Hill Side Terrace Cluster^ (HHL 100%)			Pending resubmission of preservation cum development plan to Town Planning Board				

^ Includes 1-3 Hill Side Terrace, 1A Hill Side Terrace, Nam Koo Terrace, Miu Kang Terrace and Schooner Street Site

* Present planning, subject to change

Hopewell Centre II

Project Description

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

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

Construction progress details

Excavated soil/rock volume	Around 48,000 cubic meter
Average daily workers on site	Around 100 workers

Capex Plan[N1] (HK$'m)

Up to 30 June 2016	*FY17*	*FY18*	*FY19 and Beyond*
around $4,570[N2]	$550	$2,530	$1,350

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

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

As at 30 June 2016, the market value of the hotel portion of this project amounted to HK$4,234 million (equivalent to around HK$4.1 million per room under development) as estimated by DTZ. In line with accepted market practice, the value of the hotel portion of the project is stated at a cost of around HK$2,409 million (equivalent to around HK$2.4 million per room under development) in the Group's balance sheet. This implies a hidden value of around HK$1.8 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. A Hopewell Centre II Green Park Committee has been formed to strive for a better design of the green park.

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

Hill Side Terrace Cluster Development

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

* Acquisition date of the last unit

Hill Side Terrace Cluster includes 1-3 Hill Side Terrace, 1A Hill Side Terrace, Nam Koo Terrace, Miu Kang Terrace and Schooner Street Site. As at 30 June 2016, the total book costs of these properties is around HK$600 million.

In order to realise the redevelopment potential of Hill Side Terrace Cluster and to preserve Nam Koo Terrace, the Group proposed that the Grade I 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.

155-167 Queen's Road East

Project Description	
Site area (sq.ft.)	5,000
Development GFA (sq.ft.)	75,000
Proposed use	Commercial
Estimated total investment cost	Around HK$750 million

Construction works of the property are underway. It is envisioned to commence operation in 2019 with targeted full-year rental income of not less than HK$40 million in FY21. Under current planning, the scale of the proposed development will be similar to that of QRE Plaza.

Development in Wan Chai

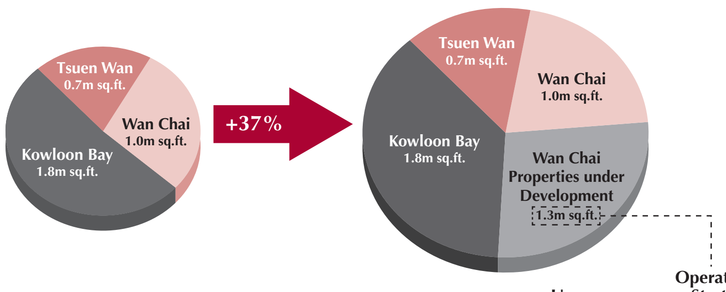
In increasing its exposure in Wan Chai, the Group aims to capture additional growth opportunities. Given that both 155-167 QRE and Hill Side Terrace Cluster are in close proximity to key properties in the Group's Wan Chai property portfolio, it will create tremendous synergy. Hopewell Centre II's retail space will also add to the Group's existing retail space to create one of Wan Chai's largest retail clusters in future. The ongoing redevelopment in the district is expected to bring significant changes to Wan Chai. The Group will continue to look for opportunities to increase land reserves in locations synergizing with its existing properties and development in Wan Chai.

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

Investment Properties under Development – Future Growth Driver

Existing — Total GFA: 3.5 million sq.ft.

Future — Total GFA: 4.8 million sq.ft.



	Use	Operation Start^	GFA (sq.ft.)^
Hopewell Centre II	Conference Hotel	2019	1,100,000
155–167 QRE	Commercial	2019	75,000
Hill Side Terrace Cluster	Residential	under planning	130,000
		^ Under current planning	1.3m

Liede Integrated Commercial (Operating Lease) Project

The Group has entered into an agreement with Guangzhou Liede Economic Company Limited, the development's landlord, that it would not proceed with the Liede Project. The withdrawal shall enable the Group to focus on its core businesses and had no material adverse impact on the existing businesses and financial position of the Group.

2. INFRASTRUCTURE

A. HHI

Business Performance

During the year under review, the aggregate average daily toll revenue of the GS Superhighway and the Western Delta Route grew by 4% year-on-year to RMB11.6 million and the combined toll revenue amounted to RMB4,254 million.

The growth momentum of the GS Superhighway has persisted since the second half of FY15, as diversion impact from the full opening of the Coastal Expressway since December 2013 was fully realised in 2014. During the year under review, its average daily toll revenue increased by 3% year-on-year to RMB8.7 million and average daily full-length equivalent traffic grew by 4% year-on-year to 92,000 vehicles, maintaining an upward trend.

Nanguang Expressway and Longda Expressway (Shenzhen section), which are parallel to Taiping to Nantou section of the GS Superhighway, became toll-free since 7 February 2016. From current observations, the slight fall in long-distance traffic between Shenzhen and Guangzhou was offset by the significant increase in short-distance traffic between Nantou (which is connected to Nanguang Expressway) and Huanggang/Baoan interchanges. As a result, the overall impact on the GS Superhighway has been slightly positive and HHI will closely monitor the situation.

The average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route recorded healthy growth at 8% and 12% year-on-year to RMB2.9 million and 40,000 vehicles respectively, reaching historical high. Phase I West maintained steady growth while Phase II West's growth rebounded since November 2015, one year after the completion of upgrading works on National Highway 105 in October 2014. The average daily toll revenue and average daily full-length equivalent traffic of Phase I West grew by 9% and 10% year-on-year, amounting to RMB574,000 and 49,000 vehicles respectively, while that of Phase II West were RMB1,749,000 and 52,000 vehicles, representing a growth of 6% and 11% respectively. Phase III West continued to perform healthily, its average daily toll revenue and average daily full-length equivalent traffic grew by 14% and 19% year-on-year to RMB617,000 and 22,000 vehicles respectively.

The HHI Group's shared aggregate net toll revenue increased by 4% year-on-year to RMB2,002 million during the year under review, with the GS Superhighway and the Western Delta Route contributing 74% and 26% respectively, compared to 75% and 25% respectively in FY15.

Financial Year	*2015*	***2016***	*% Change*
At JV company level			
GS Superhighway			
Average Daily Toll Revenue^ (RMB '000)	8,462	**8,682**	+3%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	88	**92**	+4%
Western Delta Route			
Average Daily Toll Revenue^ (RMB '000)	2,715	**2,941**	+8%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	36	**40**	+12%
Phase I West			
Average Daily Toll Revenue^ (RMB '000)	525	**574**	+9%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	45	**49**	+10%
Phase II West			
Average Daily Toll Revenue^ (RMB '000)	1,651	**1,749**	+6%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	47	**52**	+11%
Phase III West			
Average Daily Toll Revenue^ (RMB '000)	540	**617**	+14%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	19	**22**	+19%

^ Including tax

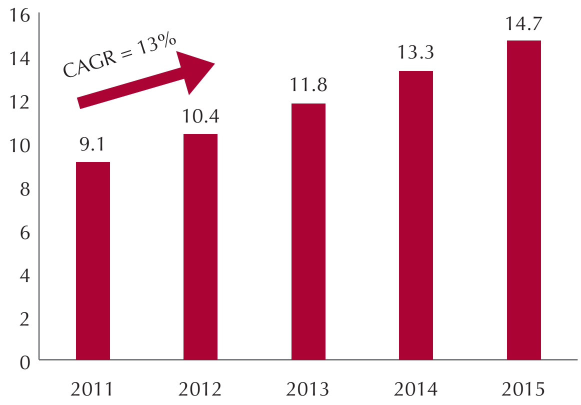
* Average daily full-length equivalent traffic is defined as the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the year under review. It can better reflect road usage as it takes into account total travelling distance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

Economic Environment

The national GDP of China and Guangdong grew at a moderate pace of 6.9% and 8% in 2015 respectively. Entering the 13th Five-Year Plan period, the Chinese government continues to strive for a balance between economic growth and economic restructuring. Accommodative policies are kept in place to maintain a steady growth. On the other hand, supply-side structural reforms are carried out to accelerate the transformation and upgrade of the economy. Under this economic backdrop, the Chinese government targets the GDP growth of China and Guangdong at a moderate pace of 6.5%-7.0% and 7.0%-7.5% respectively in 2016.

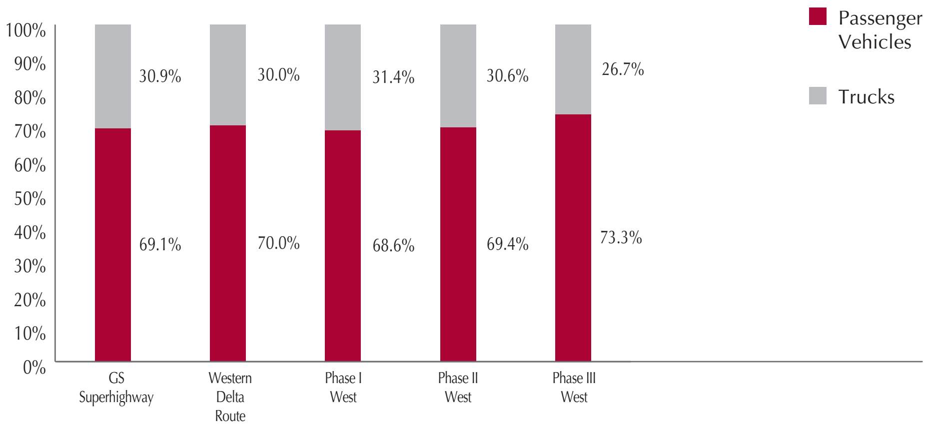
From 2011 to the end of 2015, total length of expressways in Guangdong reached 7,021 km with a compound annual growth rate of 9%. On the other hand, continuous demand for road usage was reflected by a compound annual growth of registered car population at 13% during the same period. A new record high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

Guangdong's registered car population
(No. of vehicles in million)

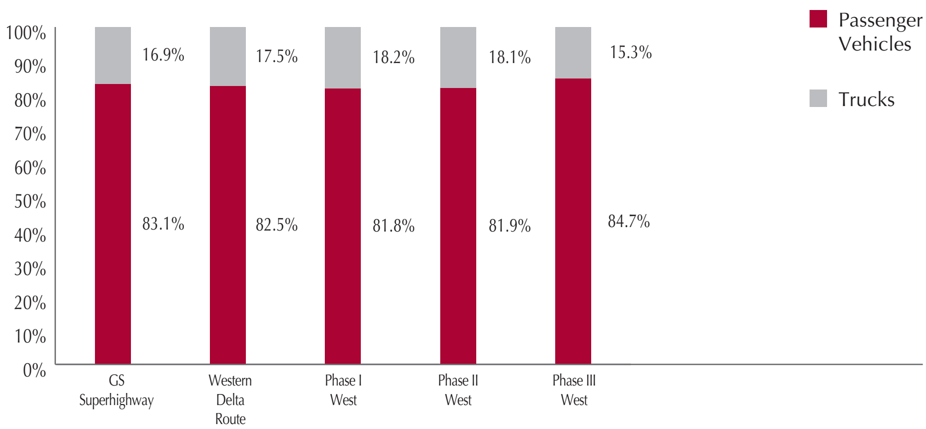


China continued to be the world's largest vehicle sales market for the seventh consecutive year in 2015. Annual vehicle sales in the PRC in 2015 increased by 5% to approximately 25 million units according to the China Association of Automobile Manufacturers. During the first half of 2016, the sales volume has reached approximately 12.8 million units at an annual growth rate of 8%. It is expected that total sales will increase 6% year-on-year and exceed 26 million units at the year end of 2016. In 2015, registered car population in the PRC rose 11% year-on-year to 163 million. HHI believes that the GS Superhighway and the Western Delta Route will continue to benefit from the growth of car population in the PRC and Guangdong, which is driven mainly by the sales growth of passenger cars.

Toll Revenue Contribution (FY16)



Full-Length Equivalent Traffic Contribution (FY16)



Growth Potential of the Western Delta Route

The Western Delta Route is a 97.9-km closed expressway with a total of 6 lanes in dual directions which comprises Phase I West, Phase II West and Phase III West. It is the most direct and convenient expressway artery in the regional expressway network on the western bank of the PRD region, running from north to south through the most prosperous and populous cities namely Guangzhou, Foshan, Zhongshan and Zhuhai. It offers direct and convenient access to the Hengqin State-level Strategic New Zone, and via its connection with the forthcoming HZM Bridge, to Hong Kong. The healthy economic development of the four main cities on the western bank of the PRD region, namely Guangzhou, Foshan, Zhongshan and Zhuhai with GDP growth of 7.6%-8.1% in the first half of 2016, will create solid demand for transportation along the Western Delta Route.

The Western Delta Route is located at the heart and runs along the central axis of the western bank of the PRD region. It is well connected with the Guangzhou Ring Road, Guangzhou-Gaoming Expressway, Guangzhou Southern Second Ring Road, Zhongshan-Jiangmen Expressway, Western Coastal Expressway, and will link up with the forthcoming HZM Bridge, Guangzhou-Zhongshan-Jiangmen Expressway, Humen Second Bridge and Shenzhen-Zhongshan Corridor (these infrastructures will open to traffic by the end of 2018, 2019, 2019 and 2023 respectively, according to the media reports) to form a comprehensive regional expressway network. Moreover, Second Hengqin Bridge was open to traffic on 30 December 2015 and is linked with the southern end of the Western Delta Route via local road into Hengqin temporarily. By the end of 2016, an expressway linking with the Second Hengqin Bridge will be completed and this new connection will further strengthen the position of the Western Delta Route as a north-south corridor on the western bank of the PRD region, making it the only expressway artery facilitating traffic to and fro Guangzhou and Hengqin. HHI believes that good connectivity will provide continuous and stable traffic flow to the Western Delta Route.

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

* According to media

Hengqin in Zhuhai is the third State-level Strategic New Zone following Shanghai's Pudong District and Tianjin's Binhai area in China. It is also being incorporated as part of the China (Guangdong) Pilot Free Trade Zone which was established in April 2015. Hengqin is being positioned as a new growth hub focusing on the development of business services, tourism, entertainment and technological research. Numerous key development projects, including commercial landmarks, hotels and tourist attractions, will be completed in the coming few years. According to the media reports in April 2016, the total committed project investments in Hengqin have reached over RMB320 billion. Among which, several key projects are in progress. Chimelong International Ocean Tourist Resort, one of the signature projects in Hengqin that attracted over 25 million tourists since official opening in March 2014, had started the construction of its phase two in January 2015. Moreover, Phase one of Lai Sun Group's Star and Artist Cultural Creative City, another signature project focused on culture and recreation industries with theme hotels, targets to open in 2018 according to the media. Early in April 2014, the Macao government recommended 33 qualified projects, covering tourism, culture, trade and technology industries, to be developed in the Guangdong-Macao Cooperation Industrial Park. Of which, a ground-breaking ceremony was held for 12 Macao-funded projects in February 2016 that will be completed from 2018 onwards as reported by the media. The progressive development in Hengqin will strengthen the demand for transportation in the region.

Hengqin's Developments

CY	2014	2015	2016	2017	2018	>>>
Projects						
Chimelong International Ocean Tourist Resort Phase 1	**Opened in March 2014**					
Chimelong International Ocean Tourist Resort Phase 2		**Started construction in January 2015 (Target opening in 2020*)**				
Phase I of Lai Sun Group's Star and Artist Cultural Creative City			**Started construction in end 2015 (Target opening in 2018*)**			
Ferretti Yacht Asia-Pacific Center			**Started construction in December 2015 (Target opening in 2018*)**			
Guangdong-Macao Cooperation Industrial Park			**Started construction in February 2016 (Target completion from 2018 onwards*)**			
Infrastructure						
Macau Cotai-Hengqin Border Crossing 24-hour opening		**Started since December 2014**				
Hengqin Second Bridge			**Opened in December 2015**			

* According to media

On the other hand, newly established gaming resorts and hotels in Macau have helped to promote tourism. In addition to Studio City's opening in October 2015, Wynn Palace and the Parisian Macao are scheduled to open in the second half of 2016, providing a total of approximately 6,200 guest rooms. These new landmarks will provide fresh experience of entertainment and hospitality in the region, propelling a second wave of growth in Macau's tourism. Furthermore, after the implementation of 24-hour opening of border crossing for passengers and passenger cars between Macau and Hengqin since 18 December 2014, the cross border traffic flow was boosted. The average daily cross border passenger flow and vehicular traffic between Cotai and Hengqin grew robustly by 53% and 15% to 21,000 journeys and 3,000 vehicles respectively in 2015. The Western Delta Route, being the most direct and the shortest expressway from Guangzhou to Hengqin and Macau, will benefit from the increased demand for passenger and freight transportation brought along by the developments of the region.

Toll Road Policies

Traffic restriction during peak hours in Shenzhen

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

Regulation on the Administration of Toll Roads (Amendment Proposal)

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

Guangzhou-Shenzhen Superhighway

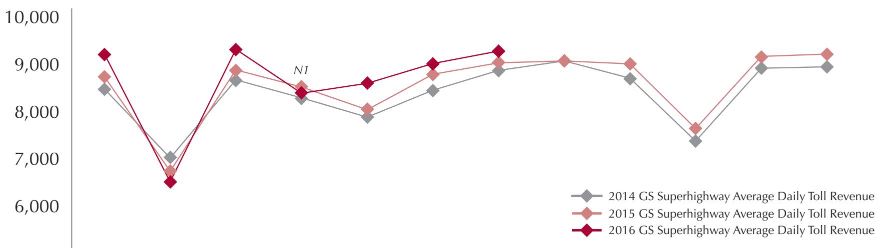
Project Summary

Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8 km
Lanes	A total of 6 lanes in dual directions, except for certain sections being 10 lanes
Class	Expressway
Toll Collection Period	July 1997 – June 2027
Profit Sharing Ratio	Year 1 – 10: 50% Year 11 – 20: 48% Year 21 – 30: 45%

The GS Superhighway is the main expressway connecting the PRD region's three major cities — Guangzhou, Dongguan, Shenzhen and Hong Kong. After the full opening of the Coastal Expressway at the end of 2013, the GS Superhighway returned to positive growth since the second half of FY15. During the year under review, the growth has persisted at a steady pace. Average daily toll revenue increased by 3% year-on-year to RMB8.7 million, and its total toll revenue amounted to RMB3,177 million. The average daily full-length equivalent traffic on the GS Superhighway rose by 4% year-on-year to 92,000 vehicles, implying a 28% room to grow when compared with the historical peak at 118,000 vehicles on 18 September 2013. This indicates there is still room for traffic to grow on the GS Superhighway. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 69.1% and 83.1% of the GS Superhighway's toll revenue and full-length equivalent traffic volume.

GS Superhighway Average Daily Toll Revenue (Monthly)

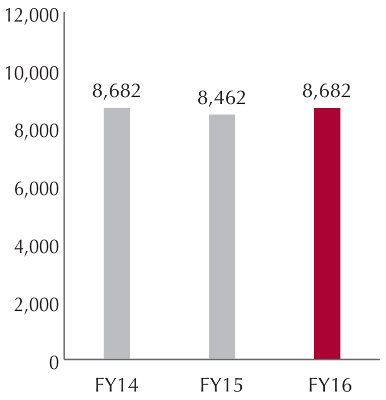
(RMB thousand)



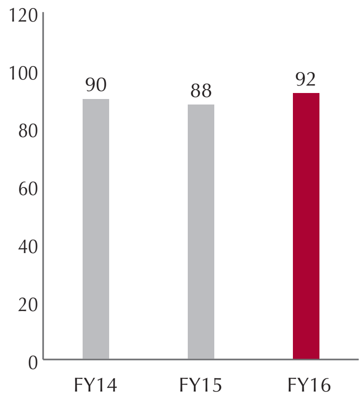
	Jan + Feb (Lunar New Year)	Mar	Apr (Ching Ming Festival)	May (Labour Holiday)	Jun	Jul	Aug	Sep + Oct (National Holiday)	Nov	Dec	CY Yearly Average	yoy change 1HCY	yoy change 2HCY
2014	7,770	8,657	8,276	7,868	8,438	8,857	9,046	8,017 (Guangzhou Northern Ring Road closure)	8,903	8,933	8,384	-5%	-6%
2015	7,774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

N1: April: One more day of toll-free Labour Holiday in 2016 compared to 2015; May: One less day of toll-free Labour Holiday in 2016 compared to 2015

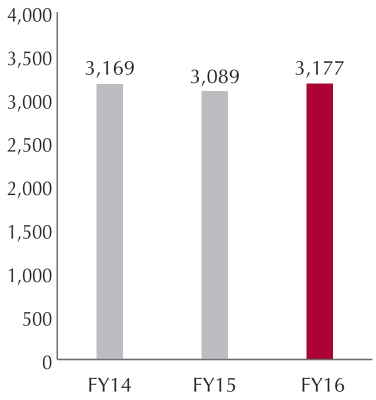
Average Daily Toll Revenue^
(RMB thousand)



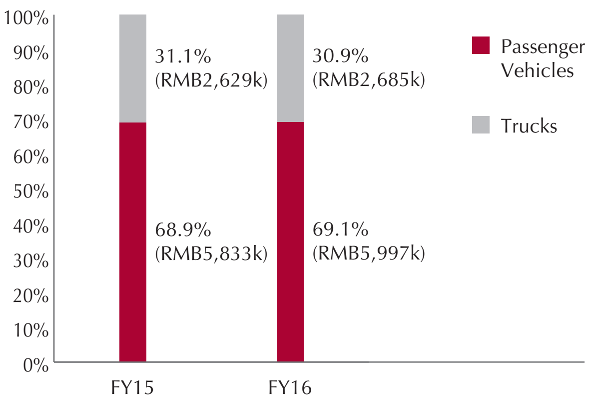
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



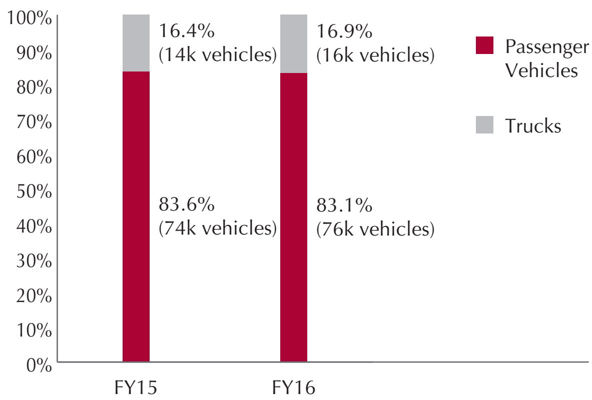
Annual Toll Revenue^
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



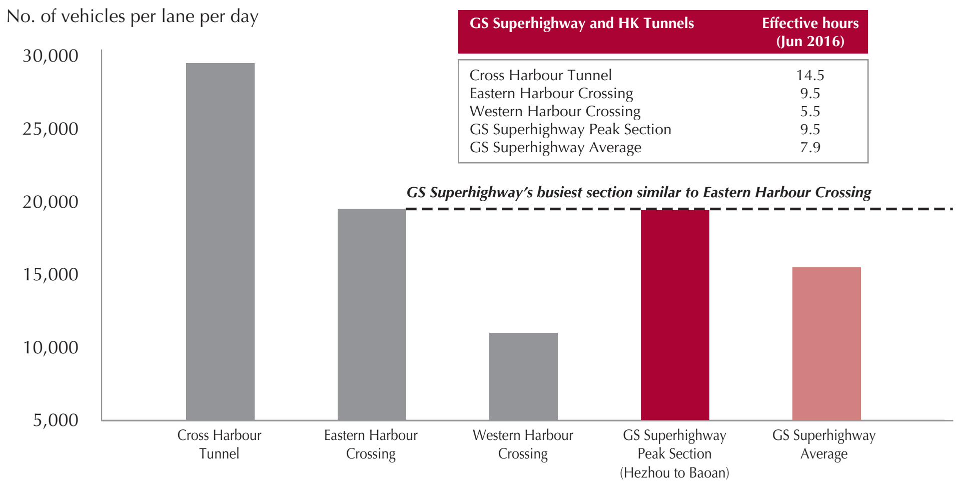
Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



^ Including tax

With reference to the chart below, comparing the cross sectional traffic volume (per lane) of the GS Superhighway with that of the Eastern Harbour Crossing in Hong Kong, its busiest section was similar to the Eastern Harbour Crossing 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 (May 2016): Cross Harbour Tunnel 116,000, Eastern Harbour Crossing 76,000, Western Harbour Crossing 66,000

(4) Average daily traffic of GS Superhighway (June 2016)

Nanguang Expressway and Longda Expressway (Shenzhen section), which are parallel to Taiping to Nantou section of the GS Superhighway, became toll-free since 7 February 2016. From current observations, the slight fall in long-distance traffic between Shenzhen and Guangzhou was offset by the significant increase in short-distance traffic between Nantou (which is connected to Nanguang Expressway) and Huanggang/Baoan interchanges. As a result, the overall impact on the GS Superhighway has been slightly positive and HHI will closely monitor the situation.

In response to the collision incidents caused by over-height ships sailed across the navigable bridges of the GS Superhighway, certain lanes on both directions at Chuancha Bridge, Zhongtang Bridge (both located between Machong and Wangniudun interchanges) and Xinzhou Bridge (located between Daojiao and Dongguan interchanges) were closed for maintenance in different periods from mid-March to early July in 2016. This temporary measure had minimal impact on the toll revenue of the GS Superhighway. In light of such incidents, the GS Superhighway JV enforced several precautionary measures, such as the installation of alarm and warning systems at navigable bridges of Dongguan section, to reduce the possibility of ship collision in the future.

Both Guangzhou Northern Ring Road and Guangzhou East-South-West Ring Road, which are connected to Guangdan interchange of the GS Superhighway, started maintenance works in some sections from mid-June 2015. The maintenance works on Guangzhou Northern Ring Road were completed by the end of August 2015 while the renovation works on Guangzhou East-South-West Ring Road will continue till 2017. Traffic between these roads and the GS Superhighway was slightly interrupted and the impact is insignificant.

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

The GS Superhighway JV has been making incessant progress in enhancing its operational efficiency and its capability to cope with the increasing traffic by installing automated equipment at the toll lanes and entry lanes. Currently, approximately 76% of all the toll lanes at entrances to the GS Superhighway are equipped with ETC or automatic card-issuing machines. An organizational structure review is also in progress in order to streamline the workforce to further improve the operational efficiency. Furthermore, energy saving LED lights were installed at the toll plazas and along its entire main alignment in order to reduce energy consumption and lower operating cost.

Western Delta Route

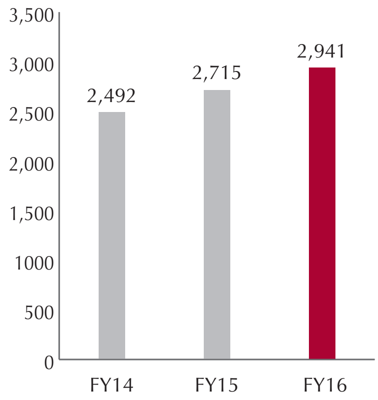
Project Summary

Location	Guangzhou to Zhuhai, Guangdong, PRC
Length	97.9 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	Phase I West (September 2003 to September 2033) Phase II West (June 2010 to June 2035) Phase III West (January 2013 to January 2038)
Profit Sharing Ratio	50%

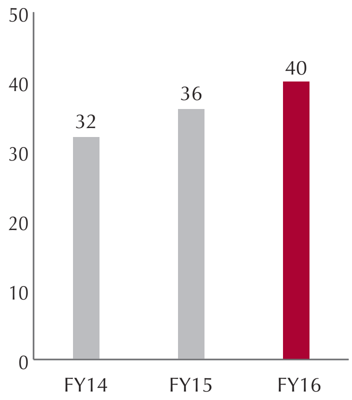
The Western Delta Route is a 97.9-km closed expressway with a total of 6 lanes in dual directions which is comprised of Phase I West, Phase II West and Phase III West. It is the central expressway artery on the western bank of the PRD region connecting four major cities — Guangzhou, Foshan, Zhongshan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

During the year under review, benefiting from the development of tourism in Hengqin and Macau and healthy economic environment, the average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route continued to grow healthily and achieved 8% and 12% year-on-year growth to RMB2.9 million and 40,000 vehicles respectively. Meanwhile, its total toll revenue amounted to RMB1,076 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 70.0% and 82.5% of the Western Delta Route's toll revenue and full-length equivalent traffic volume respectively. On 8 June 2016, its toll revenue recorded a new high which amounted to RMB3.9 million.

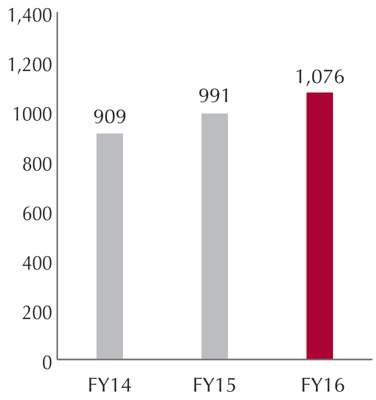
Average Daily Toll Revenue^
(RMB thousand)



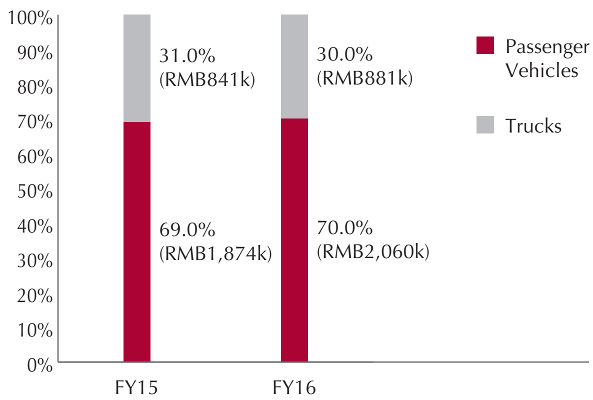
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



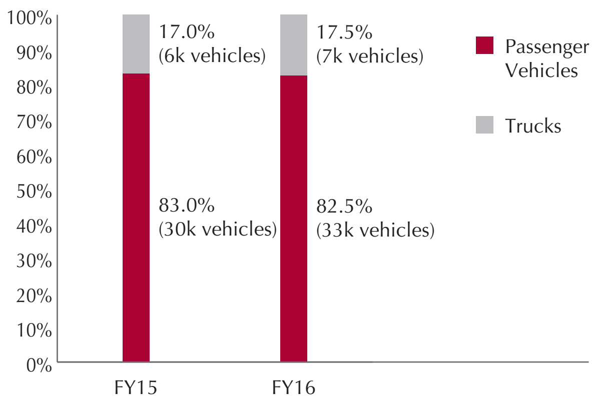
Annual Toll Revenue^
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



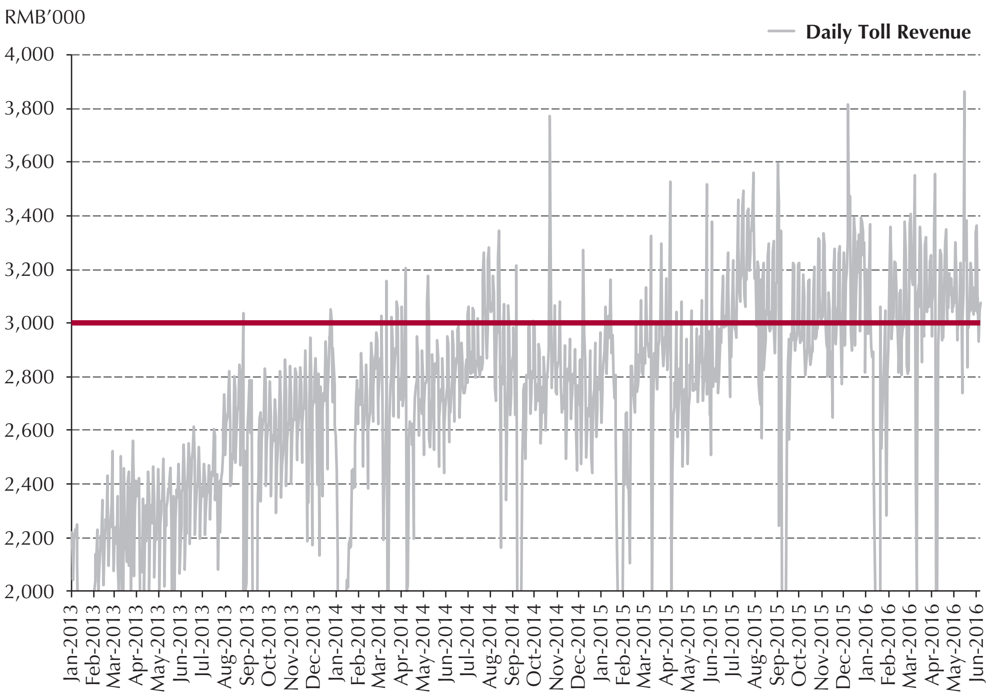
Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



^ Including tax

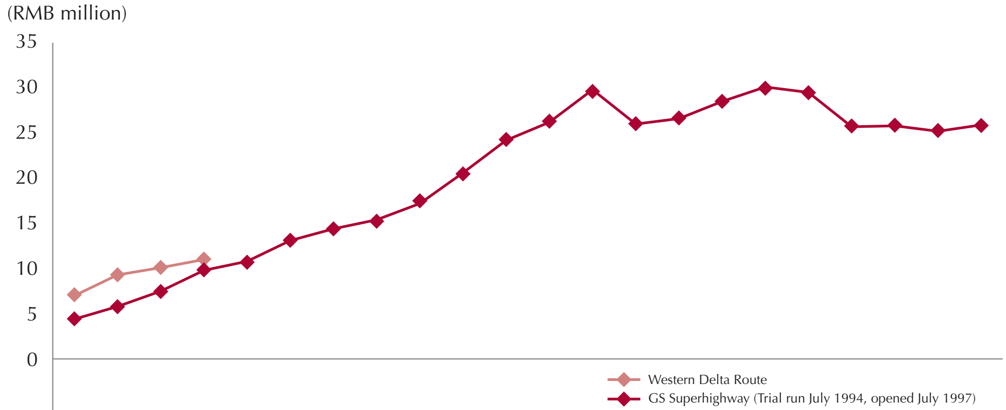
After the opening of Phase III West in the second half of FY13, the Western Delta Route continues to maintain its positive operating cash flow (after taking interest expense payments into account). As the People's Bank of China started a series of lending rate cuts since the fourth quarter of 2014, together with the completion of Phase II West's new financial plan, the interest expense of the Western Delta Route has been lowered. As a result, the level of average daily toll revenue for the Western Delta Route to achieve profit breakeven is below RMB3 million. The Western Delta Route first turned profitable in FY16 and it has shown encouraging revenue generation since opening when comparing with other projects of HHI. Given its locational advantages on the western bank of the Pearl River Delta, it is well positioned to grow with the prosperous economic development in the region.

Western Delta Route (Phases I, II and III West): Daily Toll Revenue*



* Data from 25 January 2013 (when Phase III West commenced operation) to 30 June 2016

Western Delta Route — Annual Toll Revenue^ Per Km



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

^ Including tax

Phase I of the Western Delta Route

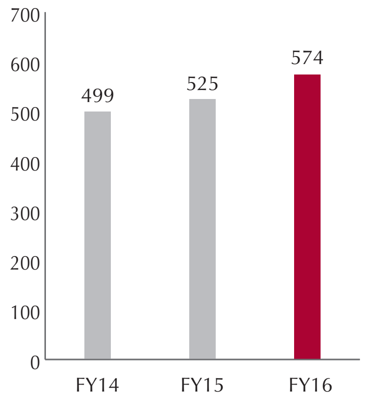
Project Summary

Location	Guangzhou to Shunde, Guangdong, PRC
Length	14.7 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	September 2003 – September 2033
Profit Sharing Ratio	50%

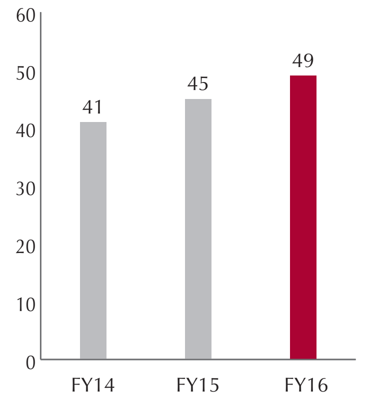
Phase I West connects with Guangzhou East-South-West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. As the northern part of the Western Delta Route, Phase I West's synergy with Phase II West and Phase III West as well as the on-going economic growth of Guangzhou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

The traffic volume and toll revenue of Phase I West grew steadily. During the year under review, its average daily toll revenue increased by 9% year-on-year to RMB574,000, whereas its average daily full-length equivalent traffic increased by 10% to 49,000 vehicles. Its total toll revenue for the year amounted to RMB210 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 68.6% and 81.8% of Phase I West's toll revenue and full-length equivalent traffic volume respectively.

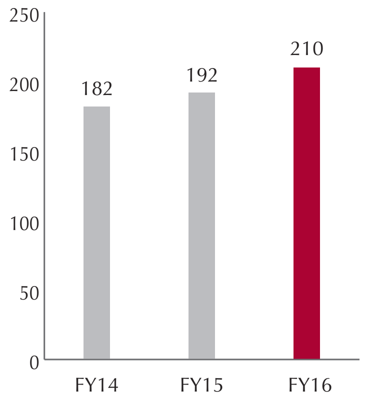
Average Daily Toll Revenue^
(RMB thousand)



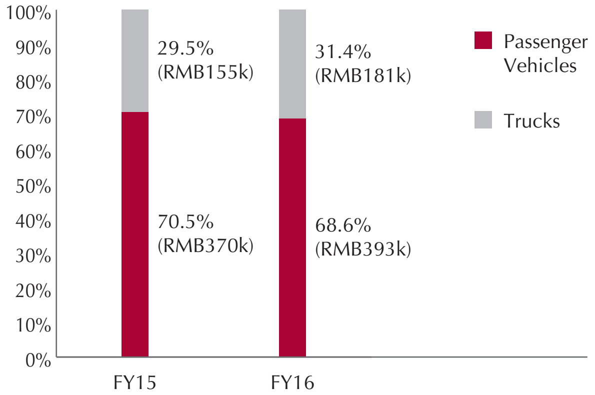
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



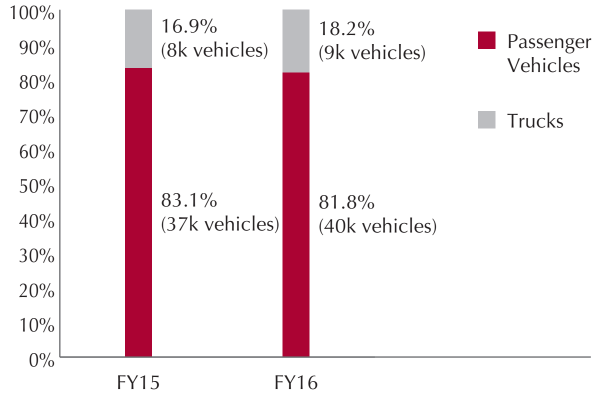
Annual Toll Revenue^
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



^ Including tax

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

Phase II of the Western Delta Route

Project Summary

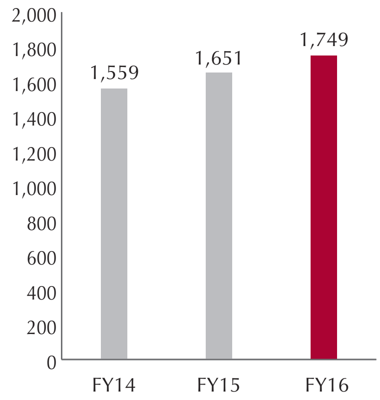
Location	Shunde to Zhongshan, Guangdong, PRC
Length	45.5 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	June 2010 – June 2035
Profit Sharing Ratio	50%

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

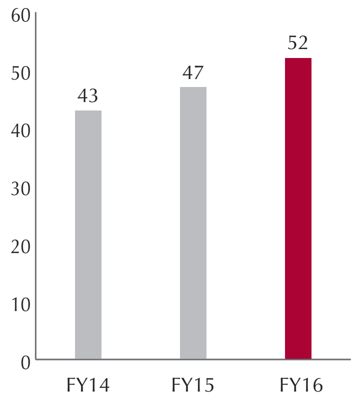
The toll revenue and traffic volume of Phase II West posted a stable growth during the year under review. Its average daily toll revenue rose by 6% year-on-year to RMB1,749,000, and average daily full-length equivalent traffic grew by 11% to 52,000 vehicles. Total toll revenue for the year amounted to RMB640 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 69.4% and 81.9% of Phase II West's toll revenue and full-length equivalent traffic volume respectively.

In October 2014, the upgrading works on Shunde to Zhongshan section of National Highway 105, which runs parallel to Ronggui to Zhongshanxi section of Phase II West, were completed. The traffic on National Highway 105 became smoother and it caused a diversion on the traffic of Phase II West. One year after the completion of the upgrading of the above parallel section, the traffic and toll revenue growth of Phase II West rebounded since November 2015. Supported by the on-going economic development in Shunde and Zhongshan, it is expected that the traffic volume will continue to grow steadily.

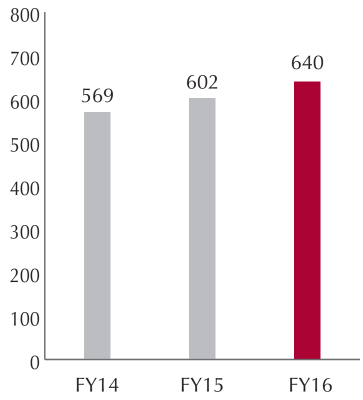
Average Daily Toll Revenue^
(RMB thousand)



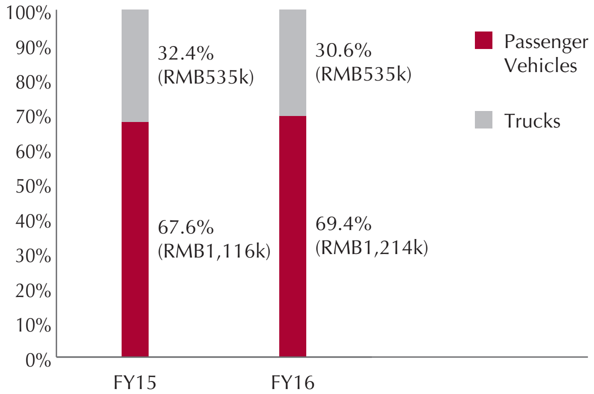
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



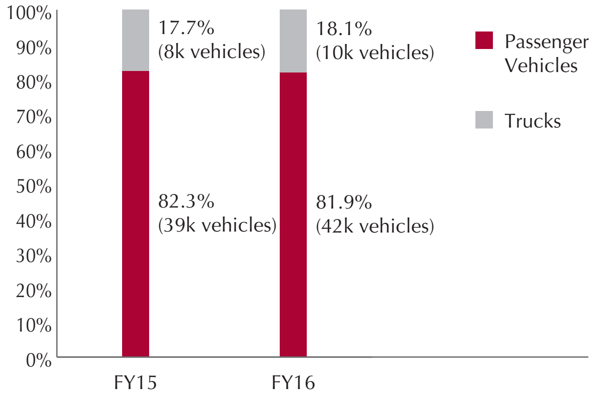
Annual Toll Revenue^
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



^ Including tax

Phase III of the Western Delta Route

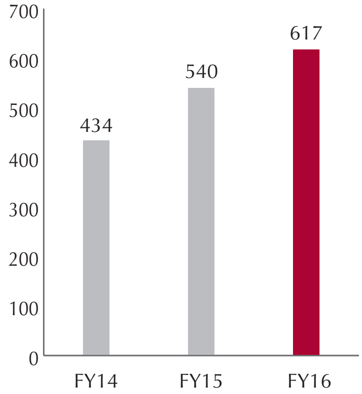
Project Summary

Location	Zhongshan to Zhuhai, Guangdong, PRC
Length	37.7 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	January 2013 – January 2038
Profit Sharing Ratio	50%

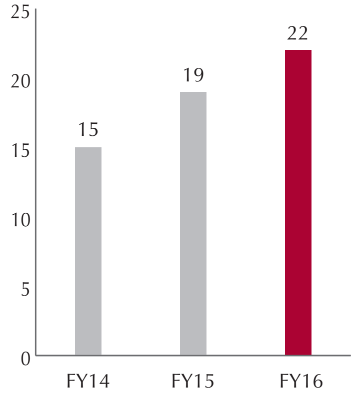
Phase III West is connected to Phase II West at Zhongshan to the north. It extends southwards to link with the Zhuhai expressway network, thus providing a direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai, Macau and the HZM Bridge which is currently under construction. It provides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

The traffic volume and toll revenue of Phase III West continues to record healthy growth. During the year under review, its average daily toll revenue and average daily full-length equivalent traffic amounted to RMB617,000 and 22,000 vehicles, up by 14% and 19% respectively. Its total toll revenue for the year amounted to RMB226 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 73.3% and 84.7% of Phase III West's toll revenue and full-length equivalent traffic volume respectively.

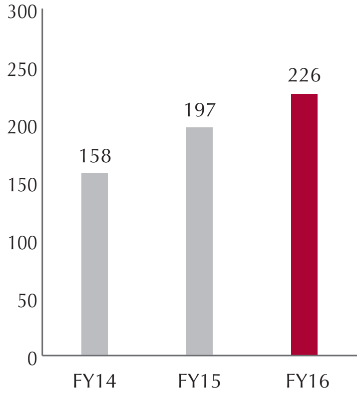
Average Daily Toll Revenue^
(RMB thousand)



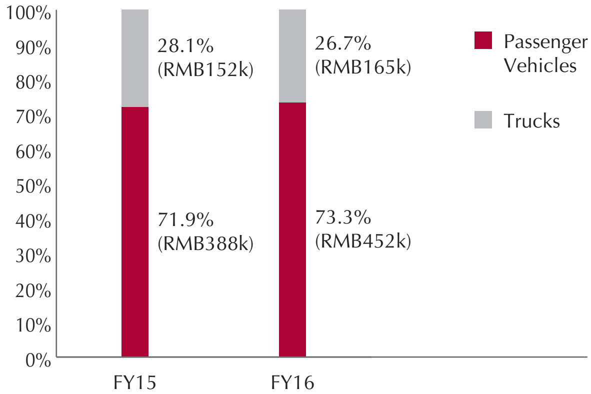
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



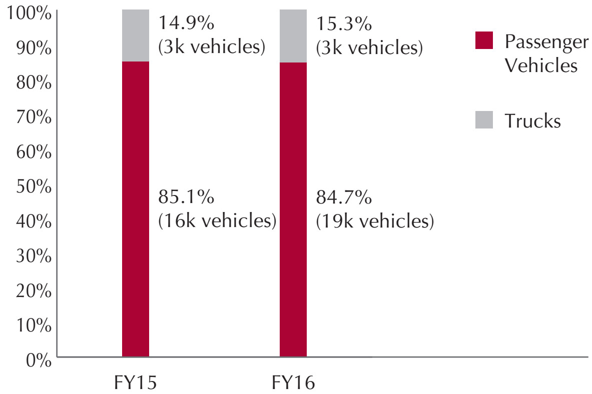
Annual Toll Revenue^
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



^ Including tax

The Second Hengqin Bridge was opened to traffic on 30 December 2015 and is linked with the southern end of the Western Delta Route via local road into Hengqin temporarily. By the end of 2016, it will be connected with the Zhuhai expressway network and a direct expressway link from Guangzhou to Zhuhai's Hengqin which includes the Western Delta Route will be formed. It can further facilitate traffic to and fro Hengqin through Phase III West. It is believed that good connectivity will provide continuous and stable traffic flow to the Western Delta Route.

B. Power

Heyuan Power Plant Phase I

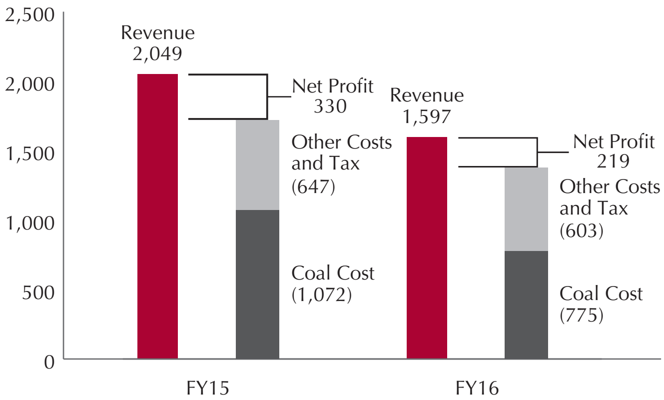
Project Description	
Location	Heyuan City, Guangdong Province, PRC
Installed Capacity	2 x 600MW
HHL's stake	35%
JV partner	Shenzhen Energy Group Company Limited
Total investment	RMB4.7 billion
Status	In operation

Key operating data	*FY15*	***FY16***
Gross generation	5,100GWh	**4,300GWh**
Utilisation rate N1 (hours)	49%	**41%**
	(4,283 hours)	**(3,592 hours)**
Availability factor N2	80%	**66%**
Average on-grid tariff (with desulphurization, denitrification and dust removal) (excluding VAT) (RMB/MWh)	424.4	**394.4**
Approximate cost of coal (5,500 kcal/kg) (including transportation cost and excluding VAT) (RMB/ton)	559	**475**

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

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

P&L Highlight — JV Level 100%
(RMB in million)



The Heyuan JV's net profit decreased from RMB330 million to RMB219 million due to decrease in utilization rate and tariff rate. Net profit margin decreased from 16% to 14%. The Heyuan JV will continue to endeavor to formulate and implement suitable cost-control strategies and measures.

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

Heyuan Power Plant Phase II

The Heyuan JV is studying the development of a second phase which will consist of 2 x 1,000MW coal-fired generating units. A feasibility study has already been submitted to the relevant PRC authorities, and the Heyuan JV is currently applying for approvals for the project.

Financial Review

Group Results

Overview

The Group's revenue for the year ended 30 June 2016 ("the year under review") significantly increased by 48% from the figure for the previous year. The increase was mainly due to the property sales recognition of The Avenue Phase 2. The revenue from the Group's investment properties business continued to grow healthily. These positive factors were partly offset by decreases in Heyuan Power Plant's sales of electricity, treasury income and hospitality business revenue.

In the absence of redevelopment gain HK$300 million on 155-167 QRE, and completion gain HK$120 million on Lee Tung Avenue recorded in the previous year, the Group's EBIT for the year decreased to HK$1,944 million from HK$2,257 million for 2015.

The Group's EBIT before redevelopment gain and completion gain increased by 6% during the year under review compared to the previous year mainly due to the profit shared from property sales recognition of The Avenue Phase 2. In addition, EBIT of the Group's investment properties business for the year continued to grow solidly. These EBIT increases were partly offset by an exchange loss mainly from the GS Superhighway JV's US Dollar loan and RMB deposit held by HHL corporate level due to RMB depreciation, and decreases in treasury income, profit from Heyuan Power Plant and hospitality businesses.

The Group's revenue and EBIT by activities for the year ended 30 June 2016 were as follows:

	Revenue		***EBIT****	
HK$ million	*2015*	***2016***	*2015*	***2016***
Property letting, agency and management	1,015	**1,119**	632	**739**
Hotel, restaurant and catering operation	484	**451**	132	**100**
Investment properties and hospitality sub-total	1,499	**1,570**	764	**839**
Property development	1,071	**4,364**	185	**463**
Toll road investment	2,406	**2,408**	623	**610**
Power plant	1,028	**774**	164	**105**
Treasury income	231	**119**	231	**119**
Others	–	**–**	(130)	**(192)**
Revenue/EBIT before completion gain and redevelopment gain	6,235	**9,235**	1,837	**1,944**
Completion gain on Lee Tung Avenue	–	**–**	120	**–**
Redevelopment gain on 155-167 QRE**	–	**–**	300	**–**
Revenue/EBIT (Note)	6,235	**9,235**	2,257	**1,944**

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

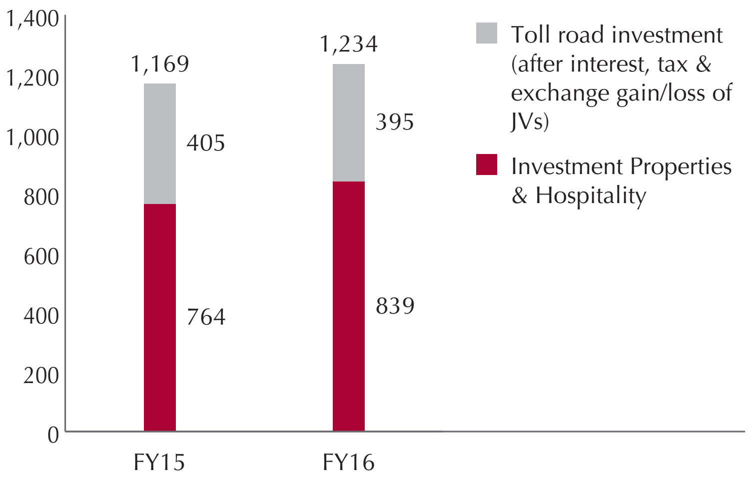
** Refers to the initial fair value gain arising from the commencement of redevelopment of 155-167 QRE

Note:
Reconciliation of Revenue/EBIT with Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Results	
HK$ million	*2015*	***2016***
EBIT	2,257	**1,944**
Finance costs	(90)	**(59)**
Fair value gain of completed investment properties	1,180	**1,345**
Profit before taxation	3,347	**3,230**
Taxation	(267)	**(235)**
Profit for the year	3,080	**2,995**
Attributable to:		
Owners of the Company	2,835	**2,762**
Non-controlling interests	245	**233**
	3,080	**2,995**

	Revenue	
HK$ million	*2015*	***2016***
Revenue per Financial Review	6,235	**9,235**
Less:		
Treasury income	(231)	**(119)**
Share of revenues of JVs engaged in		
— Toll road investment	(2,406)	**(2,408)**
— Power plant	(1,028)	**(774)**
— Property development	(705)	**(4,084)**
Turnover per Consolidated Statement of Profit or Loss and Other Comprehensive Income	1,865	**1,850**

Operating Profit* from Prime-Earning Businesses (HK$'M)



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

Revenue
The Group's revenue for the year under review totalled HK$9,235 million, a 48% increase over the HK$6,235 million recorded for the previous year. This revenue included treasury income and the Group's share of revenues of JVs engaged in toll road, power plant operations and property development.

The significant increase was mainly due to the property sales recognition of The Avenue Phase 2. The Group's investment properties business continued to achieve healthy growth for the year under review. These positive factors were, however, partly offset by decreases in Heyuan Power Plant's sales of electricity, treasury income and hospitality business' revenue.

Earnings before Interest and Tax
In the absence of redevelopment gain HK$300 million on 155-167 QRE, and completion gain HK$120 million on Lee Tung Avenue which were recorded in the previous year, the Group's EBIT for the year decreased to HK$1,944 million from HK$2,257 million for 2015.

The Group's EBIT before redevelopment gain and completion gain increased during the year under review by 6% to HK$1,944 million from HK$1,837 million recorded for the previous year. The increase was mainly due to the profit shared from property sales recognition of The Avenue Phase 2. EBIT of the Group's investment properties business for the year continued to grow solidly. These EBIT increases were partly offset by an exchange loss mainly from the GS Superhighway JV's US Dollar loan and RMB deposit held by HHL corporate level due to RMB depreciation, and decreases in treasury income, profit from Heyuan Power Plant and hospitality businesses.

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

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

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

Profit Attributable to Owners of the Company

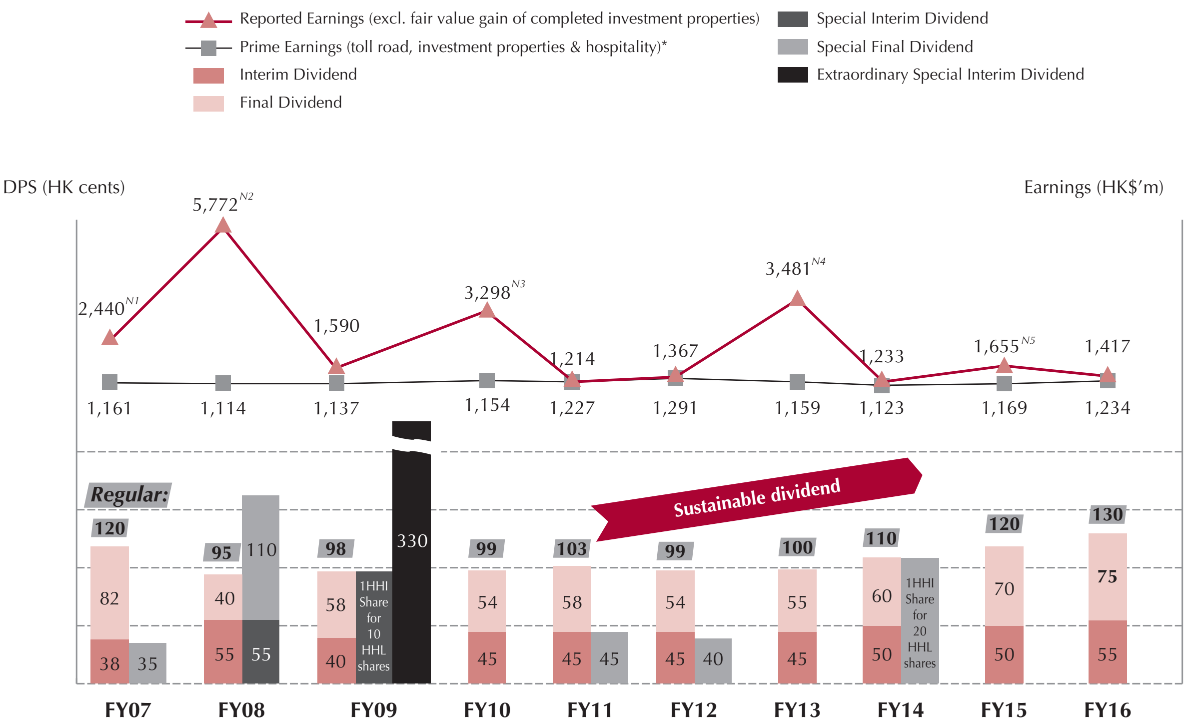
The profit attributable to owners of the Company decreased during the year under review to HK$2,762 million or HK$3.17 per share from HK$2,835 million for the previous year. Profit attributable to owners of the Company before exchange gain/loss increased 2% to HK$2,887 million for the year.

Excluding the fair value gain of the Group's completed investment properties, core profit attributable to owners of the Company during this year fell 14% to HK$1,417 million or HK$1.63 per share, mainly because the profit for the last year included redevelopment and completion gains of HK$420 million. The core profit included exchange loss attributable to owners of the Company of HK$125 million due to RMB depreciation, which consist of exchange loss of HK$60 million shared from the GS Superhighway JV's US Dollar loan and exchange loss of HK$65 million arising from RMB deposit held by HHL corporate level. During the year under review, the Group reduced its RMB exposure by converting RMB deposit into HKD mainly for loan repayments. As a result, if RMB against HK$/US Dollars depreciated by 1%, the exchange loss attributable to owners of the Company would increase by approximately HK$8 million, mainly based on the GS Superhighway JV's US Dollar loan of USD188 million (HHI's share) as of 30 June 2016.

Dividend

The Board has proposed a final cash dividend of HK75 cents per share for the year ended 30 June 2016. Together with the interim cash dividend, the total cash dividends for the year will amount to HK130 cents per share. This represents an increase of 8% on the last financial year's total cash dividends of HK120 cents per share.

HHL's Dividend & Earnings History



* EBIT net of proportional share by non-controlling interests
N1: Including Nova City property sales
N2: Including disposal gain of Nova City HK$3,948 million and Ring Road HK$793 million
N3: Including BW12 completion gain HK$2,238 million
N4: Including HCII land conversion gain HK$2,249 million
N5: Including Lee Tung Avenue completion gain HK$120 million & 155–167 QRE redevelopment gain HK$300 million

Major Assets in Balance Sheet (Adjusted Shareholders' Equity)

In order to reflect the underlying economic value of the Group's hotel properties and HHI business (which are stated on a cost basis), the following chart regarding the Group shareholders' equity ("Adjusted Shareholders' Equity") is presented on the basis that the hotel properties and HHI business were stated at market valuations as at 30 June 2016.

Valuation upside from recognising hotels' and HHI business' market values:

Balance Sheet Highlights

As at 30 June 2016 (HK$ million)	HHI Business	HHL-Other Businesses	HHL Group Total
Completed investment properties	–	29,639	29,639
Panda Hotel	–	346	346
Properties under development			
Hopewell Centre II			
– Commercial portion	–	4,549	4,549
– Hotel portion	–	2,409	2,409
155-167 Queen's Road East	–	770	770
Properties for development	–	799	799
Interests in JVs (Toll Roads, Power Plant & The Avenue/Lee Tung Avenue)	7,415	1,744	9,159
Other assets/liabilities	633	1,049	1,682
Non-controlling interests	(2,675)	(166)	(2,841)
Shareholders' equity	5,373	41,139	**46,512** *(HK$53.5/share)**
Total hidden value			**7,113** *(HK$8.2/share)**
Adjusted shareholders' equity (unaudited)			**53,625** *(HK$61.7/share)**

As at 30 June 2016 (HK$)	Panda Hotel	HC II hotel portion	HHI Business
Market value	**$3,075m** $3.4m/room *DTZ valuation report*	**$4,234m** $4.1m/room under development *DTZ valuation report*	**$7,932m** *2,055m shares (HHL's 66.7% stake) x HHI's market price @HK$3.86 as of 30.6.2016*
Book value	**$346m** $0.4m/room *at cost less depreciation*	**$2,409m** $2.4m/room under development *at cost*	**$5,373m** *at cost less depreciation*
Hidden value	**$2,729m** *$3.2/share**	**$1,825m** *$2.1/share**	**$2,559m** *$2.9/share**

Total: $7,113m
*$8.2/share**

* No. of HHL shares in issue: 869.8 million (as of 30 June 2016)

Liquidity and Financial Resources

As at 30 June 2016, the cash position and available banking facilities of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	*30.6.2015*	***30.6.2016***
Cash	3,768	**2,886**
Available Banking Facilities (Note 1)	910	**3,590**
Cash and Available Banking Facilities	4,678	**6,476**

Note 1: As at 30 June 2016, available banking facilities included undrawn bank overdrafts and uncommitted banking facilities amounting to HK$440 million.

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

HK$ million	*30.6.2015*	***30.6.2016***
Total debt	4,360	**2,550**
Net debt (cash) (Note 2)	592	**(336)**
Total assets	45,415	**45,640**
Shareholders' equity (excluding equity shared from HHI Group)	39,293	**41,139**
Total debt/total assets ratio	9.6%	**5.6%**
Net gearing ratio (Note 3)	1.5%	**Net Cash**

Note 2: "Net debt (cash)" is defined as total debt less bank balances and cash
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$2,886 million included RMB1,545 million (equivalent to HK$1,803 million) and HK$1,083 million. The net cash position of HK$336 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	*30.6.2015*		***30.6.2016***	
Repayable:				
Within 1 year	–		**200**	**8%**
Between 1 and 5 years	4,360	100%	**2,350**	**92%**
	4,360		**2,550**	

During the year under review, the Group successfully arranged a 5-year HK$3.2 billion loan facility to refinance its existing HK$2.0 billion loan facility expiring in 2018. The newly arranged facility extends the group's debt maturity profile with lower interest rate and increases HHL's financial flexibility.

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

Major Projects Plan

Projects	Target Completion	Total Investment[N1] HK$'M	Interest %	HHL's Injection FY17 to FY19[N1] HK$'M
Hong Kong				
Hopewell Centre II	2019	9,000–10,000	100%	4,320 (FY17: 550; FY18: 2,530; FY19: 1,240)
Wan Chai projects[N2]	Development plan under study			260
Total				**4,580**

N1: Present planning, subject to change
N2: Including 155-167 QRE and Hill Side Terrace Cluster

As at 30 June 2016, the HHI Group (consisting of HHI and its subsidiaries but excluding its JVs) maintained a net cash position of RMB652 million (equivalent to HK$761 million) at corporate level and it had no outstanding loan balance.

Furthermore, by the end of the year under review, West Route JV has repaid all outstanding shareholders' loan to HHI (2015: RMB788 million, equivalent to HK$985 million). HHI had available banking facilities amounting to HK$500 million as at 30 June 2016.

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

Treasury Policies

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

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

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

Charges on Assets

As at 30 June 2016, none of the Group's assets had been pledged to secure any loans or banking facilities.

Project Commitments

Details of the project commitment are set out in Note 34 to the consolidated financial statement.

Contingent Liabilities

Details of the contingent liabilities are set out in Note 36 to the consolidated financial statement.

Material Acquisition or Disposal

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

Others

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 recognize 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 30 June 2016, the Group, excluding its JV companies, had 1,120 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family-friendly employment policies and practices. The Group arranged birthday parties, BBQ parties, Christmas party, Annual Dinners and Employees Assistance Program 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 programmes 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 2015, the Group continues to hire 3 graduates with potential under a 24-month Management Trainee Program. The graduates acquired essential business knowledge and management skills through well planned job rotations within the Group's core business units and corporate offices. Besides, 8 trainees have been recruited under our Group's brand new "Master Serve — Hospitality Trainee Program" (Formerly known as Hotel Service Elites Selection Scheme). The 24-month program is tailored to develop talents with interests and passion to serve in the hospitality industry. In addition, the Group continues to hire summer interns that provides university students with the opportunities to gain working experience in the Group.

The Group's training programmes 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 programmes, 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.

Highlights of Sustainability Report 2015/16

Managing Director's Message

Since our establishment in the 1970s, we have been striving to create shared value by developing and managing building clusters and infrastructure that foster economic development and supporting initiatives that promote sustainability. Our performance demonstrates our continuous efforts to sustain our business growth whilst maintaining longstanding partnerships with stakeholders in the communities where we operate.

We see the importance of running our business in a pragmatic way that meets the bottom line, addresses the needs of our stakeholders and fulfils our environmental responsibility. All our core businesses — properties, highways and power plant — begin with sustainable design and construction and continue during their operations to enhance their environmental efficiency.

The Group's major project, Hopewell Centre II, is expected to be one of the largest hotels in Hong Kong with comprehensive conference facilities once completed. Site formation work of Hopewell Centre II is in progress and the hotel is targeted to commence operation in 2019. A road improvement scheme and a green park which will be open to the public will be completed alongside this project. The road improvement scheme will improve the area's traffic flow and enhance pedestrian safety, while the green park will provide a venue for public recreation and amenity.

The ongoing district redevelopment is expected to bring significant changes to Wan Chai. Demolition of 155-167 QRE was completed and construction works are underway. It is envisioned to commence operation in 2019 with a development similar to that of QRE Plaza in scale. The Group proposed that the Grade I 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 of Hill Side Terrace Cluster to Town Planning Board is pending.

I would like to thank our employees for their outstanding efforts and our stakeholders for providing feedback and support to help us improve. Our Sustainability Report will further elaborate on our work and plans for the future, reflecting our stakeholders' expectations and what is important to us as a responsible corporation.

Our commitment to corporate sustainability guides our business decisions every day. Over the years we have strengthened our effort to build a solid foundation by integrating ESG into our key business practices. Our ultimate goal as we move forward is to sustain our business growth whilst achieving economic, environmental and social development on a long-term basis.

Thomas Jefferson WU
Managing Director, Hopewell Holdings Limited

Sustainability Vision and Focus

At Hopewell, we take an integrated approach to sustainability, incorporating environmental and social considerations into our decision-making and actions. We focus on minimising the impact of our operations on the environment and creating positive impact in the community through our business. In doing so, we are guided by a set of core sustainability values and an effective governance structure.

We work closely with various stakeholders on four key areas (1) Environmental Protection, (2) Community Engagement, (3) Youth Development, and (4) Sports, Arts and Culture. All subsidiaries also follow the group-wide direction and incorporate relevant market best practices into their operations.

Our core sustainability values:

- We regard the promotion of sustainable community growth to be as important as achieving long-term business growth
- We believe a thriving community facilitates our continuing business success
- We consider ongoing communication with our stakeholders as vitally important to upholding the well-being of the community
- We will continue to engage with our stakeholders' views and work together with them to achieve a win-win scenario

Stakeholder Engagement

Stakeholder engagement is an integral part of our business development and commitment to corporate sustainability. We develop long-term relationships with stakeholders and consider their views on our business development through various formal and informal, independent and internal stakeholder engagement exercises.

Through our annual stakeholder engagement exercise for the Sustainability Report and regular engagement activities, we are able to keep an ongoing dialogue with our stakeholders, enabling us to make more informed decisions, and better assess and manage any resulting impact.

Investors and shareholders
- Annual General Meeting
- Investor briefings and press conferences
- Face-to-face meetings
- Conference calls
- Corporate website

Customers and tenants
- Annual customer satisfaction survey
- Organising public events
- Commuter satisfaction survey for highway users
- Up-to-date traffic condition mobile application and website for highway users
- Month-long campaign to raise service standards and maintain customer satisfaction
- Guest comment card and client feedback survey at our venues
- Designated customer hotline
- Corporate website
- Social media (e.g. Facebook)

Business partners
- Face-to-face meetings
- Independent interviews
- Briefing sessions and seminars

Stakeholder Group & Engagement

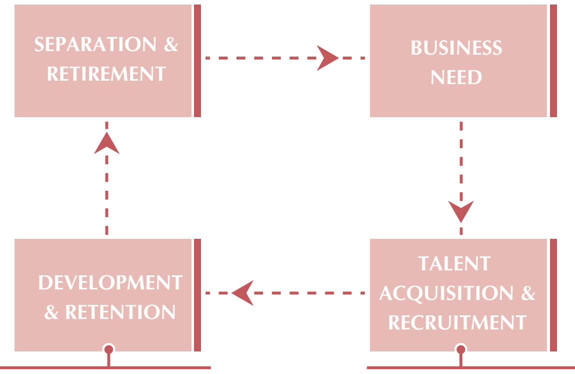
Suppliers
- Face-to-face meetings
- Daily work review
- Supplier assessment
- Independent interviews

Employees
- Training, seminars, briefing sessions
- HH Social Club activities
- 24-hour Employee Assistance Programme Hotline
- Face-to-face meetings
- Independent focus groups and interviews
- Recreational and volunteering activities

Communities & NGOs
- Employee volunteering activities
- Participation in programmes initiated by NGOs
- Organising public events
- Independent interviews

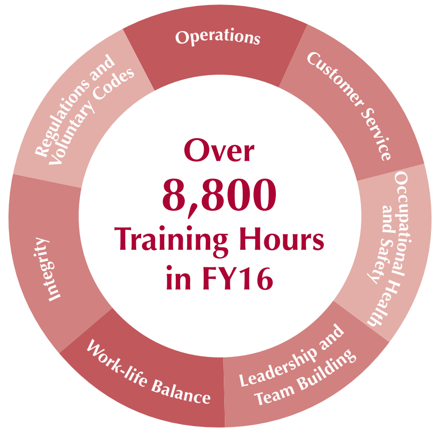
Our People

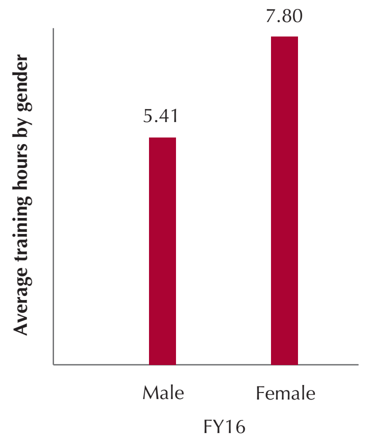
We aim to recruit the best talent who fit our business needs. We create an environment where employees can develop their full potential and contribute their skills and experiences to the long-term development of the company.

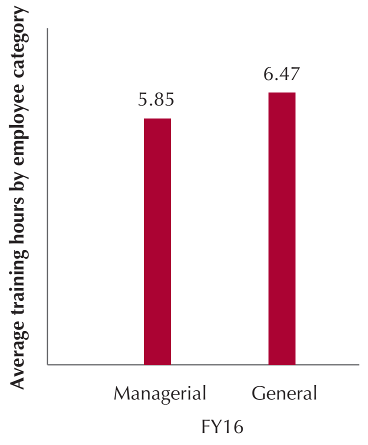


- Organised in-house and external training courses and seminars for staff
- Emphasised health and safety
- HH Social Club encouraged work-life balance
- Employee Assistance Programme offered stress management and wellness-related training and counselling services

- Developed a structured Management Trainee Programme with all-round support
- Expanded recruitment coverage to non-degree graduates by launching Master Serve - Hospitality Trainee Programme
- Created a new internship programme to provide job training and career coaching opportunities
- Recruited Hong Kong athletes since 2008





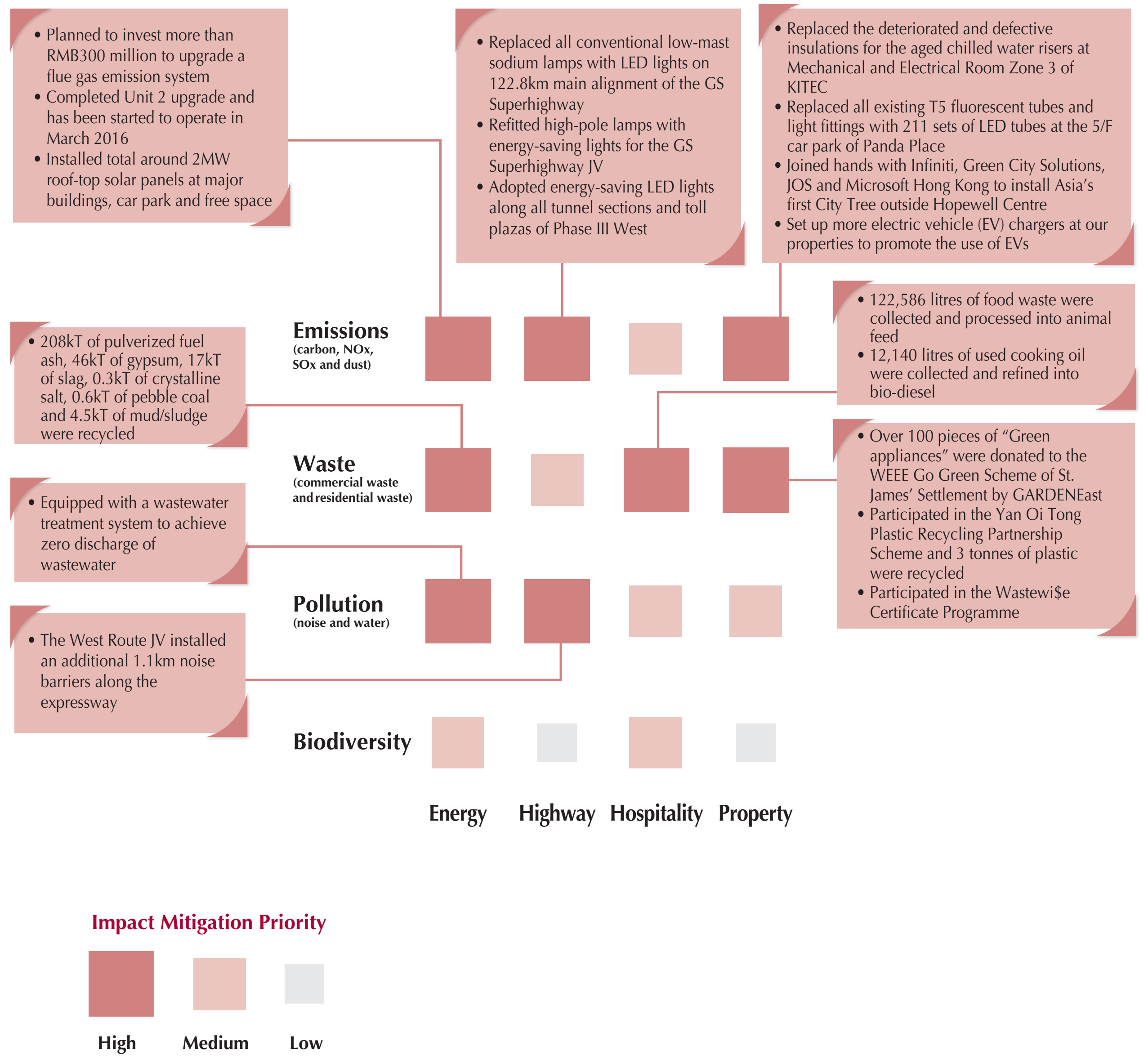


Our Environmental Performance

We are committed to protecting the environment and environmental considerations are taken into account very seriously during our decision-making process. Our Sustainability Steering Committee has overall responsibility for environmental considerations across the Group while each business unit has its own responsibility to implement appropriate environmental measures.

We strive to minimise the environmental impact of our business by implementing a variety of green measures, including responsible use of resources, reducing carbon emissions, energy saving, waste management and pollution prevention.

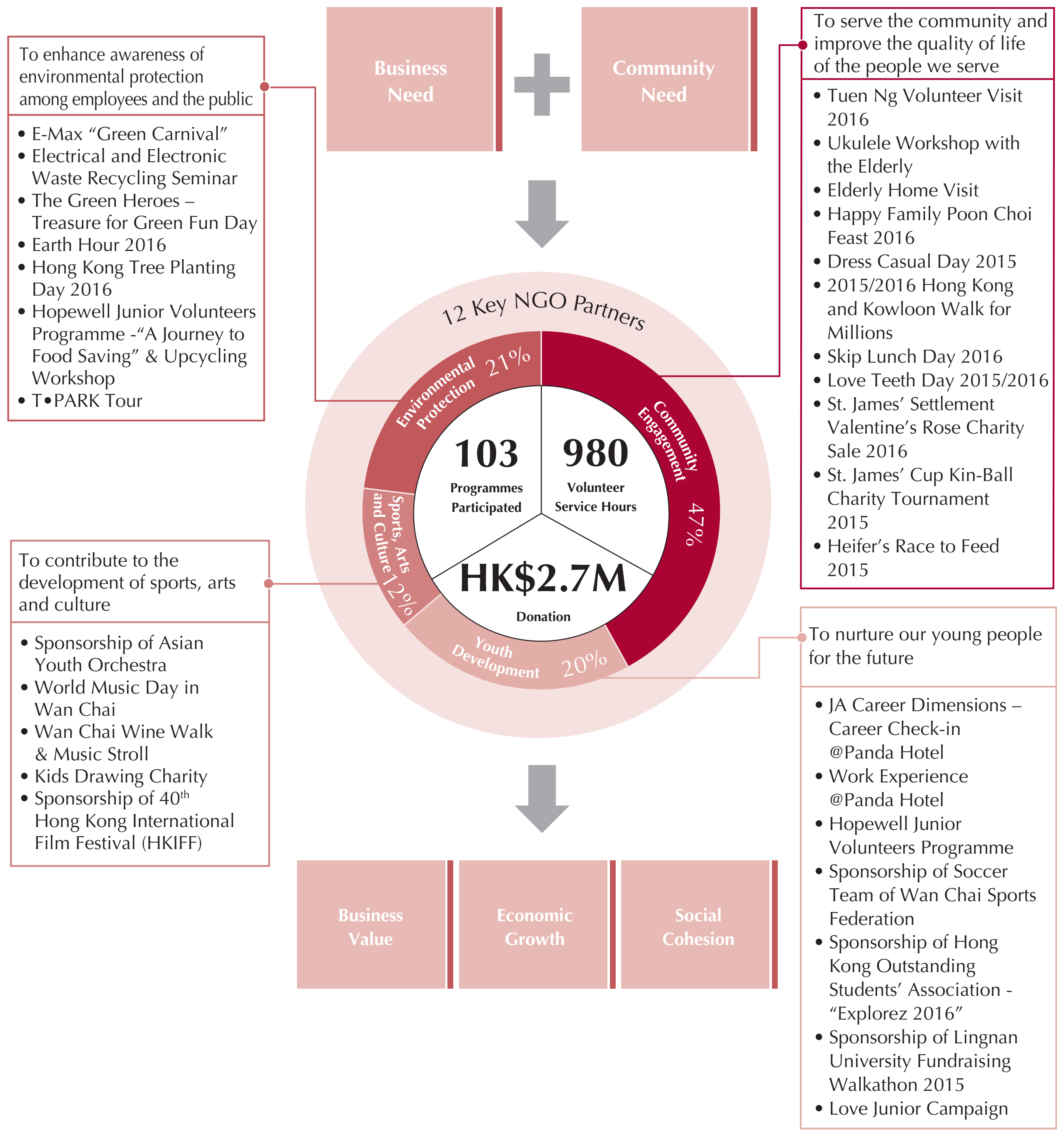
Environmental Initiatives



Our Communities

We strive to build a sustainable community by leveraging our business resources, engaging our employees and partnering with NGOs. We have established four core sustainability areas, including Environmental Protection, Community Engagement, Youth Development and Sports, Arts and Culture to guide our community initiatives.

Community Engagement Strategy Chart



Our Customers

Service quality is imperative to the success of our business. The Group is committed to delivering outstanding service to our customers through quality management, well-maintained facilities, customer engagement and performance review.

	Property	Hospitality	Highway	Power
Types of customer	Tenants, Residents, Shoppers	Hotel guests, Diners, Audiences	Road users	Electricity grid
Focus	• Facility enhancement • Improve service quality • Customer privacy • Customer satisfaction • Maintaining relationship	• Food safety • Customer privacy • Customer satisfaction • Facility enhancement • Maintaining relationship	• Smooth traffic • Traffic safety • Traffic efficiency • Customer satisfaction	• Power plant operation safety • Power quality • Customer satisfaction

Highlights of Customer Initiatives in 2015/16

Customer Satisfaction

- We conducted "Management Service Survey" with tenants of Hopewell Centre, QRE Plaza, KITEC and Panda Place, achieving an average satisfaction rate of 94% on the overall performance of property management service
- In Mainland China, the GS Superhighway JV and the West Route JV have held a month-long campaign every year in June or July to ensure service standards and customer satisfaction

Health and Safety Responsibility

- We conducted monthly laboratory tests on high risk food products at Panda Hotel, Xi Shan and MENU to ensure food quality
- The GS Superhighway is fully monitored by surveillance cameras and covered by a patrol and rescue team of well-trained professionals

Customer Engagement

- Elite Club has been established at Hopewell Centre and KITEC to enhance communication with tenants and offer exclusive privileges
- Through The East Club, E-Max Fun Club and Panda Club, we closely connect with our members at The East, E-Max and Panda Place and provide a range of dining, shopping and parking privileges

For the full Sustainability Report, please visit:
http://www.hopewellholdings.com/eng/hhl_sustainability_report.htm

The Report is prepared in accordance with the core option of GRI G4 Guidelines as well as The Environmental, Social and Governance Reporting Guide from Hong Kong Exchanges and Clearing Limited. The report was verified by the Hong Kong Quality Assurance Agency.

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.

Throughout the year ended 30 June 2016, 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.

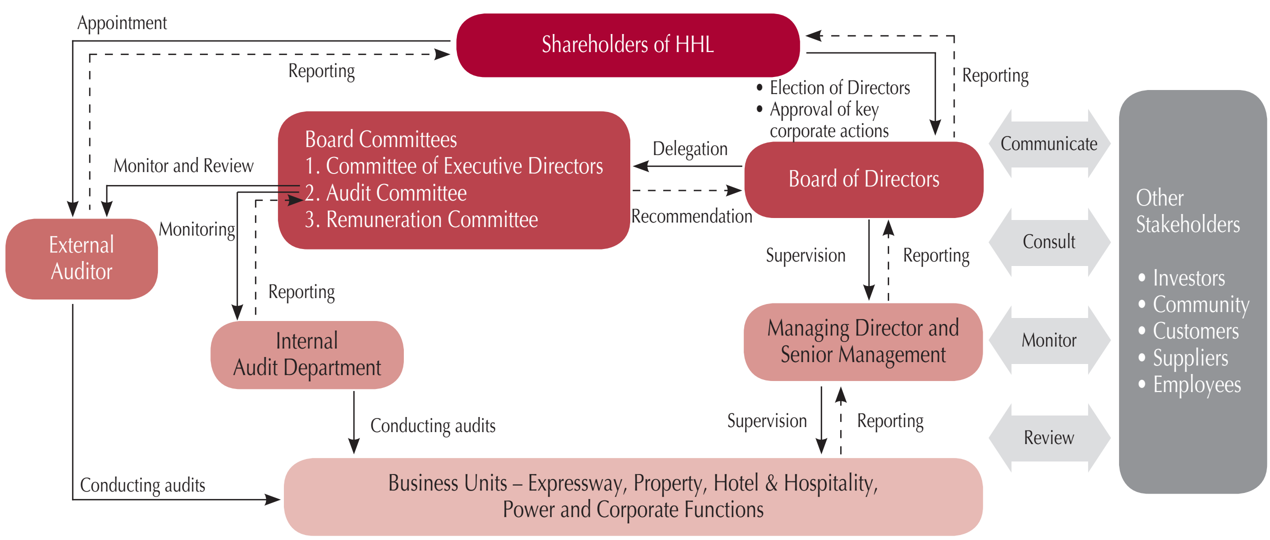
Code provision A.5.1

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.

Corporate Governance Structure



Board of Directors

The Board

The Company is managed through the Board which currently comprises seven Executive Directors (including the Chairman), two Non-executive Directors and six Independent Non-executive Directors. That is, more than one-third of the Board are Independent Non-executive Directors. The names and biographical details of the Directors, and the relationship amongst them, if any, are set out on pages 12 to 20 of this Annual Report. The remuneration of the Executive Directors of the Company, who are regarded as senior management of the Company, are disclosed in note 14 to the consolidated financial statements.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and internal control system are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Managing Director.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

Non-executive Directors and Independent Non-executive Directors are selected with the necessary skills and experience to provide a strong independent element on the Board and to exercise independent judgement. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-executive Director a written annual confirmation of independence. The Board considers that all of the Independent Non-executive Directors are independent. Although Mr. Guy Man Guy WU is the cousin of Mr. Thomas Jefferson WU, the Managing Director of the Company, and the nephew of Sir Gordon WU, the Chairman and a substantial shareholder of the Company and Lady WU, a Non-executive Director and a substantial shareholder of the Company, the Board still considers that Mr. Guy Man Guy WU is independent as he has not carried out any managerial functions for the Company, is not financially dependent on the Company and does not have any material business dealings with the Company or with any core connected persons of the Company.

All Directors have given sufficient time and attention to the affairs of the Company during the year and have disclosed to the Company the major offices they held in public companies or organizations and other significant commitments.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

Chairman and Managing Director

Sir Gordon WU served as the Chairman of the Board throughout the year and is responsible for providing leadership and management of the Board. The role of the Chairman is separate from that of the Managing Director. Mr. Thomas Jefferson WU (a son of Sir Gordon WU), the Managing Director, is responsible for the day-to-day management of the business of the Company. The division of the responsibilities between the Chairman and the Managing Director has been established and set out clearly in writing.

Appointment, Re-election and Removal

All Non-executive Directors and Independent Non-executive Directors are appointed for a specific term of three years and are subject to retirement from office and re-election at least once every three years.

In accordance with the Company's Articles of Association, all newly appointed Directors shall hold office until the next following general meeting of the Company after their appointment and shall then be eligible for re-election. Every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his/her (i) last appointment by the Board, (ii) last election or (iii) last re-election, and shall be eligible for re-election subject to the provisions of the Company's Articles of Association.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws.

Board Committees

The Board established the Committee of Executive Directors since September 1991 with delegated authority for reviewing and approving the day-to-day business operations and ordinary and usual course of business of the Company. This committee comprises all the Executive Directors.

The Company also established the Audit Committee and the Remuneration Committee to deal with the specific matters as set out below in the interest of all shareholders in an objective manner. Save that one member of the Remuneration Committee is a Non-executive Director, members of these two committees currently comprise Independent Non-executive Directors.

Audit Committee

The Audit Committee comprises four Independent Non-executive Directors, namely Mr. Sunny TAN (Chairman), Ms. Linda Lai Chuen LOKE, Mr. Guy Man Guy WU and Mr. Yuk Keung IP. The company secretary of the Company, or in his absence, his representative, serves as the secretary of the Audit Committee and minutes of the meetings are sent to the members of the Audit Committee within a reasonable time after the meetings.

At least one of the members of the Audit Committee has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

The Board expects the members of the Audit Committee to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the Audit Committee in order to comply with the requirement of the CG Code. Under the terms of reference of the Audit Committee, the corporate governance functions of the Board has been delegated to the Audit Committee to monitor, procure and manage corporate compliance within the Group.

Major roles and functions of the Audit Committee include:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor
- to approve the remuneration and terms of engagement of the external auditor
- to review and monitor the external auditor's independence and objectivity
- to review the Group's financial controls, risk management and internal control systems on ongoing basis
- to review the interim and annual financial statements before submission to the Board
- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board
- to review and monitor the training and continuous professional development of Directors and senior management
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements
- to develop, review and monitor the code of conduct applicable to employees and Directors
- to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report
- to review arrangements for raising concerns about possible improprieties in financial reporting, internal control or other matters

Principal works performed during the year under review included:

- to consider and approve the remuneration and terms of engagement of the external auditor
- to review the annual financial statements for the year ended 30 June 2015 and the interim financial statements for the six months ended 31 December 2015
- to review the work performed by Internal Audit Department and the Group's internal control system
- to review the Company's policies and practices on corporate governance

The terms of reference setting out the Audit Committee's authority and its duties are available on the HHL Website and the HKEx Website.

Remuneration Committee

The Remuneration Committee comprises three Independent Non-executive Directors namely, Dr. Gordon YEN (Chairman), Ms. Linda Lai Chuen LOKE and Mr. Guy Man Guy WU and a Non-executive Director, Mr. Carmelo Ka Sze LEE. The head of Group Human Resources Department of the Company, or in his/her absence, his/her representative, serves as the secretary of the Remuneration Committee and minutes of the meetings are sent to the members of the Remuneration Committee within a reasonable time after the meetings.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Major roles and functions of the Remuneration Committee include:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration; and the establishment of a formal and transparent procedure for developing remuneration policy
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives
- to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management
- to make recommendations to the Board on the remuneration of Non-executive Directors

Principal works performed during the year under review included:

- to review the level of Directors' fees and make recommendations to the Board on the Directors' fees for the year ended 30 June 2016
- to review and recommend on the remuneration packages of all Executive Directors for the year of 2016 and bonus payment for the year of 2015

The terms of reference setting out the Remuneration Committee's authority and its duties are available on the HHL Website and the HKEx Website.

Attendance at Meetings

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings and the 2015 Annual General Meeting are as follows:

Name of Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	2015 Annual General Meeting
	Number of meetings attended/held			
Executive Directors				
Sir Gordon WU KCMG, FICE				
Chairman	3/4#	N/A	N/A	1/1
(Mr. Thomas Jefferson WU JP as alternate)	(1/1)	N/A	N/A	N/A
Mr. Eddie Ping Chang HO				
Vice Chairman	4/4	N/A	N/A	1/1
Mr. Thomas Jefferson WU JP				
Managing Director	4/4	N/A	N/A	1/1
Mr. Josiah Chin Lai KWOK				
Deputy Managing Director	4/4	N/A	N/A	1/1
Mr. Albert Kam Yin YEUNG	4/4	N/A	N/A	1/1
Mr. William Wing Lam WONG	4/4	N/A	N/A	1/1
Ir. Dr. Leo Kwok Kee LEUNG	4/4	N/A	N/A	1/1
Non-executive Directors				
Lady WU JP	4/4	N/A	N/A	1/1
Mr. Carmelo Ka Sze LEE JP	4/4	N/A	2/2	1/1
Independent Non-executive Directors				
Mr. Guy Man Guy WU	4/4	4/4	2/2	1/1
Ms. Linda Lai Chuen LOKE	4/4	4/4	2/2	1/1
Mr. Sunny TAN	4/4	4/4	N/A	1/1
Dr. Gordon YEN	4/4	N/A	2/2	1/1
Mr. Ahito NAKAMURA	4/4	N/A	N/A	1/1
Mr. Yuk Keung IP	4/4	4/4	N/A	1/1

Excluding attendance by alternate director

In addition, the Chairman of the Board held a meeting with the Non-executive Directors and the Independent Non-executive Directors without the presence of the Executive Directors in May 2016.

Induction Programme and Training for Board Members

A comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company is given to newly appointed Board members by the management of the Company. A Guide on Directors' Duties published by the Companies Registry and/or a Guide for Independent Non-executive Directors published by The Hong Kong Institute of Directors (in case of Independent Non-executive Director(s)) has/have been sent to each Director for his/her information and ready reference.

During the year under review, Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities.

Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses to enrich their knowledge in discharging their duties as a director.

To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the year under review:

Name of Directors	Corporate Governance	Legal and Regulatory	Group's Businesses
Executive Directors			
Sir Gordon WU KCMG, FICE	✓	✓	✓
Mr. Eddie Ping Chang HO	✓	✓	✓
Mr. Thomas Jefferson WU JP	✓	✓	✓
Mr. Josiah Chin Lai KWOK	✓	✓	✓
Mr. Albert Kam Yin YEUNG	✓	✓	✓
Mr. William Wing Lam WONG	✓	✓	✓
Ir. Dr. Leo Kwok Kee LEUNG	✓	✓	✓
Non-executive Directors			
Lady WU JP	✓	✓	✓
Mr. Carmelo Ka Sze LEE JP	✓	✓	✓
Independent Non-executive Directors			
Mr. Guy Man Guy WU	✓	✓	✓
Ms. Linda Lai Chuen LOKE	✓	✓	✓
Mr. Sunny TAN	✓	✓	✓
Dr. Gordon YEN	✓	✓	✓
Mr. Ahito NAKAMURA	✓	✓	✓
Mr. Yuk Keung IP	✓	✓	✓

Company Secretary

The Company Secretary is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Managing Director, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During the year under review, Mr. Po Wah HUEN of Fair Wind Secretarial Services Limited, an external service provider, has been engaged by the Company as its Company Secretary. The primary contact person of the Company with Mr. HUEN is Mr. Josiah Chin Lai KWOK, the Deputy Managing Director. Mr. HUEN attended no less than 15 hours of relevant professional training during the year under review.

Accountability and Audit

Financial Reporting

The Directors recognise the responsibility for preparing the consolidated financial statements of the Group. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

During the year under review, all Directors have been provided, on a monthly basis, with the Group's updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under the relevant requirements of the Listing Rules.

External Auditor and their Remuneration

The Company's external auditor is DTT. The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 111 to 112 of this Annual Report. The independence of the external auditor is monitored by the Audit Committee which is primarily responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration. Apart from the statutory audit of the Group's consolidated financial statements, DTT was also engaged to perform a review on the interim financial information of the Company for the six months ended 31 December 2015.

During the year ended 30 June 2016, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	HK$'000
Audit services	**5,502**
Non-audit services:	
Interim review	**921**
Others	**30**
Total	**6,453**

Internal Controls

The Board is of the opinion that a sound internal control system will help achieve the Group's business objectives, safeguard the Group's assets, and contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

The Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the Executive Directors. During the processes, the management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. These plans and budgets are then reviewed periodically against actual performance for validity and adjustments. Various guidelines and procedures have been established for the approval and control of operating expenses, capital expenditures, project investments, unbudgeted items and acquisitions.

The Executive Directors review monthly management reports and hold periodical meetings with the senior operational and finance management to discuss business performance, budget variances, forecasts, market outlooks, and to address any accounting and finance related matters.

The Board acknowledges its responsibility for the Group's the internal control system and for reviewing its effectiveness through the Audit Committee. Evaluation of the Group's internal control, including its effectiveness, proper functioning and compliance with internal policies and external regulations, is independently conducted by the Internal Audit Department on an on-going basis for principal operations. Audit findings and risk concerns are raised to responsible management for rectification with significant items reported to the Audit Committee at least four times every year. Implementation status of audit findings would also be followed up by the Internal Audit Department and reported to the Audit Committee.

During the year under review, the Board, through the Audit Committee, has consistently reviewed the effectiveness and proper functioning of the Group's internal control system. No major exception was noted.

Business Ethics

The Company considers ethical corporate culture and employees' honesty and integrity to be important assets and endeavours to comply with the laws and regulations of the countries in which we operate. All Directors and employees are required to act responsibly to ensure that the reputation of the Company is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, the Company adopts a Code of Conduct which provides employees with a set of defined ethical standards for adherence. The Code of Conduct is posted on the Company's intranet for observance by all staff. The heads of Business Units, through the Human Resources Department, are charged with the responsibility of disseminating the Code of Conduct to the employees concerned.

Remuneration Policy

The Company recognises the need to implement a competitive remuneration policy in order to attract, retain and motivate the Directors and senior management to achieve the corporate targets. The remuneration package of the Executive Directors comprises some fixed elements: basic salary, mandatory provident fund contribution and other benefits including medical cover, as well as discretionary bonus, share options and/or share awards which are performance related elements. No Director is allowed to approve his/her own remuneration.

The fixed elements of the Executive Directors' remuneration are reviewed annually by reference to the job nature, responsibilities, experience and performance of the individual as well as prevailing market salary practices. Directors' fees for the current financial year were approved by the shareholders at the 2015 Annual General Meeting.

Inside Information Policy

The Company has adopted the Inside Information Policy setting out the guidelines to the Directors and all employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

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 year under review.

Shareholders

Communication with Shareholders

The Company recognises the importance of communication with shareholders of the Company, both individual and institutional, as well as potential investors. The Board has adopted the Shareholders Communication Policy setting out the provisions with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and potential investors to engage actively with the Company. The Shareholders Communication Policy is posted on the HHL Website.

Disclosure of Information on HHL Website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and as timely as possible. The Company maintains a corporate website at www.hopewellholdings.com where important and updated information about the Group's activities and corporate matters such as annual and interim reports, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders. When announcements are made through the Stock Exchange, the same information is made available on the HHL Website.

Annual General Meeting

The Company's annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for all the Directors (including the Chairman) and the chairmen of the Audit Committee and the Remuneration Committee together with the external auditor of the Company to attend the annual general meetings to answer shareholders' questions. The 2015 Annual General Meeting was held at Rotunda 3, 6/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on 26 October 2015. The 2016 Annual General Meeting has been scheduled to be held on 26 October 2016.

Investor Relations

Maintaining sound corporate governance with high level of transparency is one of the key goals of the Company. Not only can this enhance the market's understanding in the Company's businesses, but it can also gain stakeholders' confidence and loyalty.

Recognizing the importance of open and effective communications with market participants, the Company continued to implement proactive investor relations program during the year under review. Conference calls were held subsequent to results announcements during which the senior management team answered enquiries from the investment community. To facilitate the exchange of opinions with investors, the Company participated in investor meetings and investor conferences in Hong Kong and overseas regularly. Moreover, essential corporate information including company announcements, press releases and financial reports are disseminated through the Company's website on a timely and accurate basis. In so doing, investors are ensured to be notified of the latest updates of the Company's business and financial performance.

Going onwards, the Company will continue to maintain a high level of corporate governance with an aim to enhance market confidence and create shareholders' value. Investors can direct any comment or enquiry to the Company's investor relations team at ir@hopewellholdings.com.

During the year under review, there was no significant change in the Company's constitutional documents.

Shareholders' Rights

The Company recognises the significance and importance of having a governance framework that protects shareholders' rights.

Voting by poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the HHL Website and HKEx Website on the same day of the poll.

Convening of an extraordinary general meeting on requisition by shareholders

In accordance with Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may request the Directors to convene an extraordinary general meeting. The written requisition must state the object of the meeting, and must be authenticated by the shareholder(s) concerned. The requisition may consist of several documents in like form, and each must be authenticated by the shareholder(s) concerned, which must be deposited at the registered office of the Company at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for the attention of the Company Secretary.

If the Directors do not within 21 days after the date on which they become subject to the requirement call a general meeting to be held on a date not more than 28 days after the date of the notice convening the meeting, the shareholder(s) concerned or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting, provided that such general meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a meeting.

The meeting convened by the shareholder(s) shall be called in the same manner, as nearly as possible, as that in which that general meeting is required to be called by the Directors.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department whose contact details are as follows:

Investor Relations Department
Hopewell Holdings Limited
64th Floor, Hopewell Centre,
183 Queen's Road East,
Wan Chai, Hong Kong
Email: ir@hopewellholdings.com
Tel No.: (852) 2528 4975
Fax No.: (852) 2529 8602

Company Secretarial Department, Corporate Communications Department and Investor Relations Department of the Company handle both telephone and written enquiries from shareholders from time to time.

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow sections 580 and 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for putting forward proposals at general meetings. Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders having a right to vote at the general meeting, or at least 50 shareholders of the Company having a right to vote at the general meeting, may request in writing the Company to circulate resolutions which may properly be moved and is intended to be moved at the general meeting; and to circulate statements regarding resolutions proposed at the general meeting. The requisition must be authenticated by the shareholder(s) concerned and should be deposited at the registered office of the Company at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for the attention of the Company Secretary where, (i) in the case of a requisition for the circulation of resolutions to be moved at an annual general meeting, the requisition must be received by the Company not later than 6 weeks before the annual general meeting; or (ii) in the case of a requisition for the circulation of statements regarding resolutions proposed at a general meeting, such requisition must be received by the Company not later than 7 days before the general meeting.

Pursuant to Article 107 of the Company's Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless (a) he/she is recommended by the Board for election; or (b) a shareholder of the Company shall have given notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as Director is posted on the HHL Website.

The Board of Directors have pleasure in presenting their report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30 June 2016.

Principal Activities

The Company is an investment holding Company. The Group is engaged in investments in toll roads and power plants, property development and investment, property agency and management, hotel ownership and management, restaurant operations and food catering. The principal activities of the principal subsidiaries and the joint ventures are set out in notes 41 and 20 to the Consolidated Financial Statements respectively.

Business Review

A review of the business of the Group during the year, a discussion on the Group's future business development and description of the principal risks and uncertainties the Company may be facing are provided in the Chairman's Statement on pages 4 to 9 and the Management Discussion and Analysis on pages 21 to 75 of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 40 to the Consolidated Financial Statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 30 June 2016, if applicable, are provided in the Chairman's Statement on pages 4 to 9 and Management Discussion and Analysis on pages 21 to 75 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 2 and the 5-Year Financial Summary on page 3 of this Annual Report.

In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement, the Management Discussion and Analysis, Highlights of Sustainability Report, the Corporate Governance Report and this Report of the Directors on pages 4 to 9, pages 21 to 75, pages 76 to 77, pages 78 to 92 and pages 93 to 110 of this Annual Report respectively and in the Sustainability Report available on the Company's corporate website www.hopewellholdings.com.

Results

The results of the Group for the year ended 30 June 2016 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 113.

Dividends

The Directors recommend the payment of a final cash dividend of HK75 cents (2015: HK70 cents) per share in respect of the year ended 30 June 2016.

Together with the interim cash dividend of HK55 cents (2015: HK50 cents) per share paid on 22 March 2016, the total cash dividends for the year will amount to HK130 cents (2015: HK120 cents) per share.

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section headed "Business Review" as set out on pages 21 to 65.

Shares Issued

Details of the shares of the Company issued during the year are set out in note 31 to the consolidated financial statements.

Distributable Reserve

The Company's distributable reserve at 30 June 2016 amounted to approximately HK$13,249 million (2015: HK$10,697 million) which represented retained profits of the Company as at that date.

Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK$969,000 (2015: HK$1,696,000).

Principal Properties

Particulars regarding the major properties and property interests of the Group are set out on pages 183 to 185.

Major Customers and Suppliers

During the year, both the aggregate amount of purchases attributable to the Group's 5 largest suppliers and the aggregate amount of turnover attributable to the Group's 5 largest customers were less than 30% of total purchases and turnover of the Group respectively.

Directors and Senior Management

The Directors and their profiles as at the date of this report are set out on pages 12 to 20.

In accordance with the Company's Articles of Association, every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his/her last election/re-election and shall be eligible for re-election subject to the provisions of the Articles of Association of the Company. Sir Gordon WU, Mr. Thomas Jefferson WU, Mr. William Wing Lam WONG, Mr. Carmelo Ka Sze LEE and Mr. Ahito NAKAMURA shall retire from office at the 2016 Annual General Meeting and, being eligible, offered themselves for re-election.

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

Directors of Subsidiaries

The persons who have served on the boards of the subsidiaries of the Company during the year ended 30 June 2016 and up to the date of this report included Mr. Alan Chi Hung CHAN, Ms. Siu Hung CHONG, Mr. Eddie Ping Cheng HO, Mr. Po Wah HUEN, Mr. Yuk Keung IP, Mr. Cheng Hui JIA*, Mr. Josiah Chin Lai KWOK, Ir. Dr. Leo Kwok Kee LEUNG, Ms. Josephine Wai Fun LAM, Ms. Edith Tak Ching LEE*, Mr. Chi Fai LEUNG, Mr. Pei Sai LEUNG, Mr. Brian David Man Bun LI, Mr. Alexander Lanson LIN, Mr. Tai On LO, Mr. Chi Choi POON, Professor Chung Kwong POON, Mr. Ontowirjo SOEWARNO, Mr. Daniel Chun Ho WONG, Mr. William Wing Lam WONG, Ms. Carol Ann WU, Sir Gordon WU, Mr. Thomas Jefferson WU, Mr. Mike Hon Cheung YAU and Mr. Albert Kam Yin YEUNG.

* no longer directors of the subsidiaries of the Company as at 23 August 2016

Permitted Indemnity Provision

Pursuant to the Company's Articles of Association, subject to the statutes, every Director shall be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

Directors' Material Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party or were parties and in which a Director or any entities connected with him/her had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests and short positions of the Directors and the chief executives of the Company in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) the Company

	Shares(i)					
Directors	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests(ii) (interests of controlled corporation)	Other interests	Total interests	Approximate % of total number of issued shares
Sir Gordon WU	75,083,240	26,972,800(iii)	111,450,000(iv)	30,680,000(v)	244,186,040(viii)	28.07
Eddie Ping Chang HO	27,691,500	–	70,000	–	27,761,500	3.19
Thomas Jefferson WU	28,900,000	–	–	–	28,900,000	3.32
Josiah Chin Lai KWOK	1,275,000	–	–	–	1,275,000	0.14
Guy Man Guy WU	2,645,650	–	–	–	2,645,650	0.30
Lady WU	26,972,800	125,343,240(vi)	61,190,000(vii)	30,680,000(v)	244,186,040(viii)	28.07
Linda Lai Chuen LOKE	–	1,308,981	–	–	1,308,981	0.15
Albert Kam Yin YEUNG	10,000	–	–	–	10,000	0.00
William Wing Lam WONG	338,000	–	–	–	338,000	0.03

Notes:

(i) All interests in the shares of the Company were long positions.

(ii) The corporate interests were beneficially owned by companies in which the relevant Directors were deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.

(iii) The family interests in 26,972,800 shares represented the interests of his wife Lady WU.

(iv) The corporate interests in 111,450,000 shares held by Sir Gordon WU included the corporate interests in 61,190,000 shares referred to in Note (vii).

(v) The other interests in 30,680,000 shares represented the interests held by Sir Gordon WU jointly with Lady WU.

(vi) The family interests in 125,343,240 shares represented the interests of Sir Gordon WU. This figure included 50,260,000 shares held by Sir Gordon WU through corporations.

(vii) The corporate interests in 61,190,000 shares were held through corporations owned by Sir Gordon WU and Lady WU as to 50% each.

(viii) Sir Gordon WU and Lady WU were deemed under the SFO to have same interests with each other.

(B) Associated Corporation — HHI

Directors	HHI Shares[i]					Approximate % of total number of issued HHI Shares
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests[ii] (interests of controlled corporation)	Other interests	Total interests	
Sir Gordon WU	17,471,884	6,815,920[iii]	27,051,498[iv]	7,670,000[v]	59,009,302[viii]	1.91
Eddie Ping Chang HO	6,274,075	–	17,500	–	6,291,575	0.20
Thomas Jefferson WU	18,000,000	–	–	–	18,000,000	0.58
Josiah Chin Lai KWOK	191,250	–	–	–	191,250	0.00
Guy Man Guy WU	396,847	–	–	–	396,847	0.01
Lady WU	6,815,920	29,225,885[vi]	15,297,497[vii]	7,670,000[v]	59,009,302[viii]	1.91
Linda Lai Chuen LOKE	–	196,347	–	–	196,347	0.00
Albert Kam Yin YEUNG	33,500	–	–	–	33,500	0.00
William Wing Lam WONG	31,900	–	–	–	31,900	0.00
Leo Kwok Kee LEUNG	200,000	–	–	–	200,000	0.00

Notes:

(i) All interests in HHI Shares were long positions.

(ii) The corporate interests were beneficially owned by companies in which the relevant Directors were deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.

(iii) The family interests in 6,815,920 HHI Shares represented the interests held by Lady WU.

(iv) The corporate interests in 27,051,498 HHI Shares held by Sir Gordon WU included the corporate interests in 15,297,497 HHI Shares referred to in Note (vii).

(v) The other interests in 7,670,000 HHI Shares represented the interests held by Sir Gordon WU jointly with his wife Lady WU.

(vi) The family interests in 29,225,885 HHI Shares represented the interests of Sir Gordon WU. This figure included 11,754,001 HHI Shares held by Sir Gordon WU through corporations.

(vii) The corporate interests in 15,297,497 HHI Shares were held through corporations owned by Sir Gordon WU and Lady WU as to 50% each.

(viii) Sir Gordon WU and Lady WU were deemed under the SFO to have same interests with each other.

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executives of the Company had any other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange under the Model Code.

Share Options of the Company

2003 HHL Share Option Scheme

(A) A share option scheme was approved by the shareholders of the Company effective on 1 November 2003 (the "2003 HHL Share Option Scheme") and terminated with effect from the adoption of the new share option scheme of the Company by the shareholders on 21 October 2013. No further options will be granted but in all other respects the provisions of the 2003 HHL Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under the 2003 HHL Share Option Scheme prior to its termination, or otherwise as may be required in accordance with the provisions of the 2003 HHL Share Option Scheme. A summary of some of the principal terms of the 2003 HHL Share Option Scheme is set out in (B) below.

(B) The 2003 HHL Share Option Scheme is designated to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any eligible persons (including substantial shareholders of the Company, directors or employees or consultants, professionals or advisers of/to each member of the Group) and for such other purposes as the Board may approve from time to time.

The maximum entitlement of each participant under the 2003 HHL Share Option Scheme in any 12-month period must not exceed 1% of the total number of issued shares of the Company. As at the date of this report, there were no options granted and outstanding under the 2003 HHL Share Option Scheme.

The period within which an option may be exercised will be determined by the Board in its discretion, save that an option shall expire not later than 10 years after the date of grant. Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 14 days from the date of offer. The amount payable on acceptance of an option is HK$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall be at least the higher of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (deemed to be the date of offer), which must be a business day; and (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.

(C) Details of the movements of share options under the 2003 HHL Share Option Scheme during the year ended 30 June 2016 were as follows:

			Number of share options						
	Date of grant	Exercise price per share *HK$*	Outstanding at 01/07/2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30/06/2016	Exercise period	Closing price before date of grant falling within the year *HK$*
Employees	24/07/2008	26.35	278,000	–	(40,000)	(238,000)	–	01/08/2009–31/07/2015	N/A
Employees	11/03/2009	21.45	163,000	–	(163,000)	–	–	18/03/2010–17/03/2016	N/A
Total			**441,000**	**–**	**(203,000)**	**(238,000)**	**–**		

No options were cancelled during the year.

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$24.87.

The exercise period of the options granted on 24 July 2008 and 11 March 2009 is set out below:

Maximum options exercisable	Exercise period
Granted on 24 July 2008	
20% of options granted	01/08/2009–31/07/2010
40%* of options granted	01/08/2010–31/07/2011
60%* of options granted	01/08/2011–31/07/2012
80%* of options granted	01/08/2012–31/07/2013
100%* of options granted	01/08/2013–31/07/2015
Granted on 11 March 2009	
20% of options granted	18/03/2010–17/03/2011
40%* of options granted	18/03/2011–17/03/2012
60%* of options granted	18/03/2012–17/03/2013
80%* of options granted	18/03/2013–17/03/2014
100%* of options granted	18/03/2014–17/03/2016

* including those not previously exercised

2013 HHL Share Option Scheme

(A) The shareholders of the Company approved the adoption of a new share option scheme effective on 22 October 2013 ("2013 HHL Share Option Scheme"). The 2013 HHL Share Option Scheme will expire on 21 October 2023, but any options then outstanding will continue to be exercisable. A summary of some of the principal terms of the 2013 HHL Share Option Scheme is set out in (B) below.

(B) The 2013 HHL Share Option Scheme is designated to provide the Company with an alternative means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any eligible persons (including substantial shareholders of the Company, directors or employees or consultants, professionals or advisers of/to each member of the Group) and for such other purposes as the Board may approve from time to time.

The maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding excluding options lapsed from time to time in accordance with the 2013 HHL Share Option Scheme) under the 2013 HHL Share Option Scheme and any other share option schemes of the Company will not exceed 10% in aggregate the total number of issued shares as at the date of adoption of the 2013 HHL Share Option Scheme, unless a fresh approval from the shareholders is obtained. The maximum entitlement of each participant under the 2013 HHL Share Option Scheme in any 12-month period must not exceed 1% of the total number of issued shares of the Company. As at the date of this report, no options were granted under the 2013 HHL Share Option Scheme and 87,205,492 shares were issuable under the 2013 HHL Share Option Scheme, representing approximately 10% of the total number of issued shares of the Company.

The period within which an option may be exercised will be determined by the Board in its discretion, save that an option shall expire not later than 10 years after the date of grant. Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for such time to be determined by the Board and specified in the offer letter. The amount payable on acceptance of an option is HK$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall be at least the higher of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (deemed to be the date of offer), which must be a business day; and (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.

Share Options of HHI

2003 HHI Share Option Scheme

(A) A share option scheme of HHI was approved by the written resolutions of the then sole shareholder of HHI passed on 16 July 2003 and approved by the shareholders of the Company at an extraordinary general meeting held on 16 July 2003 (the "2003 HHI Share Option Scheme"). The 2003 HHI Share Option Scheme expired on 15 July 2013. No further options will be granted but in all other respects the provisions of the 2003 HHI Share Options Scheme shall remain in full force and effect, and options which were granted during the life of the 2003 HHI Share Option Scheme may continue to be exercisable in accordance with their respective terms of issue. A summary of some of the principal terms of the 2003 HHI Share Option Scheme is set out in (B) below.

(B) The purpose of the 2003 HHI Share Option Scheme is to provide HHI with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any eligible persons (including substantial shareholders of HHI, directors or employees or consultants, professionals or advisers of/to each member of the HHI Group) and for such other purposes as the HHI Board may approve from time to time.

The maximum entitlement of each participant under the 2003 HHI Share Option Scheme in any 12-month period must not exceed 1% of the total number of issued HHI Shares. As at the date of this report, there were no options granted and outstanding under the 2003 HHI Share Option Scheme.

The period within which an option may be exercised will be determined by the HHI Board at its absolute discretion, save that an option shall expire not later than 10 years after the date of grant. Unless otherwise determined by the HHI Board and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the HHI Board may in its absolute discretion determine and notified to a participant. The exercise price shall be at least the highest of (a) the closing price of the HHI Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant (or, if such date is not a business day, the next following business day ("Grant Date")); (b) the average closing price of HHI Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Grant Date; and (c) the nominal value of HHI Share.

(C) Details of the movement of share options under the 2003 HHI Share Option Scheme during the year ended 30 June 2016 were as follows:

	Date of grant	Exercise price per HHI Share *HK$*	Number of HHI Share options: Outstanding at 01/07/2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30/06/2016	Exercise period	Closing price before date of grant falling within the year *HK$*
Employees of HHI	24/07/2008	5.800	400,000	–	–	(400,000)	–	01/08/2009–31/07/2015	N/A
Total			**400,000**	**–**	**–**	**(400,000)**	**–**		

No options were cancelled during the year.

The exercise period of the options granted on 24 July 2008 is set out below:

Maximum options exercisable	Exercise period
Granted on 24 July 2008	
20% of options granted	01/08/2009–31/07/2010
40%* of options granted	01/08/2010–31/07/2011
60%* of options granted	01/08/2011–31/07/2012
80%* of options granted	01/08/2012–31/07/2013
100%* of options granted	01/08/2013–31/07/2015

* including those not previously exercised

2013 HHI Share Option Scheme

(A) A new share option scheme was approved by both the shareholders of the Company and HHI effective on 22 October 2013 (the "2013 HHI Share Option Scheme"). The 2013 HHI Share Option Scheme will expire on 21 October 2023, but any options then outstanding will continue to be exercisable. A summary of some of the principal terms of the 2013 HHI Share Option Scheme is set out in (B) below.

(B) The 2013 HHI Share Option Scheme is designated to provide HHI with an alternative means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any eligible persons (including substantial shareholders of HHI, directors or employees or consultants, professionals or advisers of/to each member of the HHI Group) and for such other purposes as the HHI Board may approve from time to time.

The maximum number of HHI Shares in respect of which options may be granted (together with HHI Shares issued pursuant to options exercised and HHI Shares in respect of which any option remains outstanding excluding options lapsed from time to time in accordance with 2013 HHI Share Options Scheme) under the 2013 HHI Share Option Scheme and any other share option schemes of HHI will not exceed 10% in aggregate of the total number of issued HHI Shares as at the date of adoption of the 2013 HHI Share Option Scheme, unless a fresh approval from the shareholders is obtained. The maximum entitlement of each participant under the 2013 HHI Share Option Scheme in any 12-month period must not exceed 1% of the total number of issued HHI Shares. As at the date of this report, no options were granted under the 2013 HHI Share Option Scheme and 308,169,028 HHI Shares were issuable under the 2013 HHI Share Option Scheme, representing approximately 10% of the total number of issued HHI Shares.

The period within which an option may be exercised will be determined by the HHI Board in its discretion, save that an option shall expire not later than 10 years after the date of grant. Unless otherwise determined by the HHI Board and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for such time to be determined by the HHI Board and specified in the offer letter. The amount payable on acceptance of an option is HK$1. The full amount of exercise price for the subscription of HHI Shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the board of HHI may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall be at least the highest of (a) the closing price of HHI Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (deemed to be the date of offer), which must be a business day; (b) the average closing price of the HHI Shares as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of grant; and (c) the nominal value of HHI Share.

Share Awards of the Company

(A) The HHL Share Award Scheme was adopted by the Board on 25 January 2007 ("HHL Adoption Date"). Unless terminated earlier by the Board, the HHL Share Award Scheme shall be valid and effective for a period of 15 years commencing on the HHL Adoption Date, provided that no new award shall be granted on or after the 10th anniversary of the HHL Adoption Date. A summary of some of the principal terms of the HHL Share Award Scheme is set out in (B) below.

(B) The purpose of the HHL Share Award Scheme is to recognise the contributions by certain employees (including without limitation employees who are also Directors) of the Group and to give incentive in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Under the HHL Share Award Scheme, the Board (or where the relevant selected employee is a Director, the Remuneration Committee) may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the HHL Share Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the number of shares which are the subject of awards granted by the Board under the HHL Share Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the total number of issued shares of the Company as at the date of such grant.

(C) During the year under review, cash dividend income amounting to HK$94,528 (2015: HK$81,082 and 3,600 HHI Shares)) were received in respect of the shares held upon the trust for the HHL Share Award Scheme and shall form part of the trust fund of such trust. The trustee may apply such cash or shares for the purchase of shares which shall become returned shares for the purpose of the HHL Share Award Scheme, or apply such cash or shares to defray the fees, costs and expenses in relation to the establishment and administration of such scheme, or return such cash or shares to the Company, as the trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the remuneration committee of the Board.

(D) There were no awarded shares granted, forfeited, vested or outstanding during the year ended 30 June 2016.

Share Awards of HHI

(A) The HHI Share Award Scheme was adopted by the HHI Board on 25 January 2007 ("HHI Adoption Date"). Unless terminated earlier by HHI Board, the HHI Share Award Scheme shall be valid and effective for a period of 15 years commencing on the HHI Adoption Date, provided that no new award shall be granted on or after the 10th anniversary of the HHI Adoption Date. A summary of some of the principal terms of the HHI Share Award Scheme is set out in (B) below.

(B) The purpose of the HHI Share Award Scheme is to recognise the contributions by certain employees (including without limitation employees who are also directors) of HHI Group and to give incentive in order to retain them for the continual operation and development of HHI Group and to attract suitable personnel for further development of HHI Group.

Under the HHI Share Award Scheme, the HHI Board (or where the relevant selected employee is a director of HHI, the remuneration committee of HHI) may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the HHI Share Award Scheme and determine the number of shares to be awarded. The HHI Board shall not grant any award of shares which would result in the total number of issued HHI Shares which are the subject of awards granted by the HHI Board under the HHI Share Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the total number of issued HHI Shares as at the date of such grant.

(C) There were no awarded shares granted, forfeited, vested or outstanding during the year ended 30 June 2016 and accordingly no dividend income was received in respect of shares held upon the trust for the HHI Share Award Scheme (2015: Nil) during the year under review.

Equity-Linked Agreements

Save as disclosed in the sections headed "Share Options of the Company" and "Share Awards of the Company", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous sections headed "Share Options of the Company", "Share Options of HHI", "Share Awards of the Company" and "Share Awards of HHI", at no time during the year ended 30 June 2016 was the Company or any of its subsidiaries, fellow subsidiaries or its parent company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

Directors' Remuneration

The Directors' fees are approved by shareholders at the annual general meeting and the other emoluments payable to Executive Directors are determined by the Board based on the recommendation of the Remuneration Committee with reference to the prevailing market practice, the Company's remuneration policy, the Directors' duties and responsibilities within the Group and contribution to the Group.

Directors' Service Contracts

No Directors proposed for re-election at the 2016 Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation). All the Non-executive Directors and Independent Non-executive Directors are appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), the Group has set up the MPF Schemes. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK$30,000. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. During the year, the Group made contributions to the MPF Schemes amounted to HK$13,359,000 (2015: HK$12,589,000).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2016, so far as is known to the Directors, the interests or short positions of substantial shareholders and other persons of the Company (other than the Directors and the chief executives of the Company disclosed above) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name	Capacity	Number of shares[i]	Approximate % of total number of issued shares
Longleaf Partners Small Cap Fund	Beneficial owner	53,463,500	6.14%
Southeastern Asset Management, Inc.	Investment manager	73,823,500[ii]	8.48%

Notes:

(i) All interests in the shares of the Company were long positions.

(ii) Southeastern Asset Management, Inc. is the investment manager of Longleaf Partners Small Cap Fund and is therefore deemed to be interested in the shares owned by Longleaf Partners Small Cap Fund under the SFO. The interests of Southeastern Asset Management, Inc. in 73,823,500 shares included the block of shares beneficially owned by Longleaf Partners Small Cap Fund.

Save as disclosed above, as at 30 June 2016, the Company had not been notified of any other interests or short positions representing 5% or more of the total number of issued shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Securities

During the year ended 30 June 2016, the Company bought back a total of 2,000,500 shares of the Company on the Stock Exchange at an aggregate consideration (excluding transaction costs) of HK$50,667,925. All the bought back shares were subsequently cancelled. Details of the buy-backs are as follows:

Month of the buy-backs	Total number of shares bought back	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (excluding transaction costs)
		HK$	*HK$*	*HK$*
August 2015	25,500	24.90	24.60	630,550
December 2015	108,000	26.50	26.15	2,838,900
January 2016	1,266,500	27.55	24.50	32,853,175
February 2016	450,000	23.90	23.55	10,726,675
March 2016	150,500	25.15	23.95	3,618,625
Total	**2,000,500**			**50,667,925**

Average price per share: HK$25.33

The buy-backs were made for the benefit of the shareholders with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2016.

Disclosures under Chapter 13 of the Listing Rules

The Sino-foreign co-operative joint ventures jointly controlled by the HHI Group and the PRC joint venture partners which operate toll expressways and infrastructure projects have, following the listing of HHI on the Stock Exchange in 2003, been deemed as subsidiaries of the Company for the purpose of the disclosure requirements under Chapter 13 of the Listing Rules. Accordingly, information on advances and financial assistance to such joint ventures are no longer required under Rules 13.13, 13.16, 13.20 and 13.22 of the Listing Rules to be specifically disclosed in this Annual Report.

Connected Transactions and Continuing Connected Transactions

During the year under review, there were no connected transactions and continuing connected transactions which are required to be disclosed in accordance with the requirements of the Listing Rules. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, none of the related party transactions as disclosed in note 38 to the Consolidated Financial Statements constitutes a connected transaction under Chapter 14A of the Listing Rules.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

Auditor

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the 2016 Annual General Meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU KCMG, FICE
Chairman

Hong Kong, 23 August 2016

Deloitte.
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TO THE MEMBERS OF HOPEWELL HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hopewell Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 113 to 182, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	NOTES	2015 HK$'000	**2016** **HK$'000**
Turnover	5	1,865,233	**1,850,252**
Cost of sales and services		(773,507)	**(770,970)**
		1,091,726	**1,079,282**
Other income	6	263,959	**155,005**
Other gains and losses	7	2,533	**(61,843)**
Selling and distribution costs		(86,928)	**(72,573)**
Administrative expenses		(345,781)	**(343,287)**
Fair value gain of:			
Completed investment properties	15	1,179,345	**1,344,740**
155-167 QRE (investment properties under development)	19	300,507	**–**
Finance costs	8	(89,875)	**(59,411)**
Share of results of joint ventures:	9		
Expressway projects		669,652	**654,518**
Power plant project		165,385	**106,483**
Property development project (The Avenue and Lee Tung Avenue)			
Sales and leasing of properties		74,000	**424,905**
Fair value gain of investment properties upon completion		120,000	**–**
Share of profit of an associate		2,230	**2,060**
Profit before taxation	10	3,346,753	**3,229,879**
Income tax expense	11	(267,233)	**(234,985)**
Profit for the year		3,079,520	**2,994,894**
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of subsidiaries and joint ventures		5,931	**(865,525)**
Total comprehensive income for the year		3,085,451	**2,129,369**
Profit for the year attributable to:			
Owners of the Company		2,834,735	**2,762,145**
Non-controlling interests		244,785	**232,749**
		3,079,520	**2,994,894**
Total comprehensive income attributable to:			
Owners of the Company		2,836,171	**2,116,624**
Non-controlling interests		249,280	**12,745**
		3,085,451	**2,129,369**
		HK$	***HK$***
Earnings per share	13		
Basic		3.25	**3.17**
Diluted		3.25	**3.17**

Consolidated Statement of Financial Position

At 30 June 2016

	NOTES	2015 HK$'000	**2016 HK$'000**
ASSETS			
Non-current Assets			
Completed investment properties	15	28,196,188	**29,639,276**
Property, plant and equipment ("PPE")	16	689,590	**660,394**
Properties under development	19		
Commercial portion of HCII (investment properties)		4,476,413	**4,548,835**
Hotel portion of HCII (PPE)		2,314,751	**2,409,525**
155-167 QRE (investment properties)		756,000	**769,571**
Properties for development	19	832,810	**799,443**
Interests in joint ventures	20		
Expressway projects		7,976,455	**7,415,200**
Power plant project		1,170,256	**1,124,815**
Property development project		194,000	**618,905**
Interest in an associate	21	38,636	**38,895**
Available-for-sale investments	22	8,982	**8,585**
		46,654,081	**48,033,444**
Current Assets			
Inventories	23	7,099	**7,879**
Stock of properties	24		
Under development		434,605	**418,320**
Completed		551,004	**368,822**
Trade and other receivables	25	259,471	**58,987**
Deposits and prepayments		145,745	**143,550**
Amounts due from joint ventures	26	2,070,036	**528,806**
Bank balances and cash held by:	27		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		3,767,975	**2,885,757**
HHI Group		717,514	**761,392**
		7,953,449	**5,173,513**
Assets classified as held for sale (Broadwood Twelve)	15(b)	634,350	**638,000**
		8,587,799	**5,811,513**
Total Assets		55,241,880	**53,844,957**
Time deposits with original maturity over three months held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		*398,536*	*–*
Cash and cash equivalents held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		*3,369,439*	***2,885,757***
HHI Group		*717,514*	***761,392***
		4,086,953	***3,647,149***
Total bank balances and cash		*4,485,489*	***3,647,149***

	NOTES	2015 HK$'000	**2016** **HK$'000**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	31	11,192,132	**11,197,829**
Reserves	32	34,337,385	**35,313,723**
Equity attributable to owners of the Company		45,529,517	**46,511,552**
Non-controlling interests		3,275,728	**2,840,949**
Total Equity		48,805,245	**49,352,501**
Non-current Liabilities			
Deferred tax liabilities	33	499,742	**541,670**
Other liabilities		53,966	**53,966**
Bank borrowings of Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)	30	4,360,000	**2,350,000**
		4,913,708	**2,945,636**
Current Liabilities			
Trade and other payables	28	586,786	**543,471**
Rental and other deposits		350,165	**542,774**
Tax liabilities		290,276	**260,575**
Bank borrowings of:	30		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		–	**200,000**
HHI Group		295,700	**–**
		1,522,927	**1,546,820**
Total Liabilities		6,436,635	**4,492,456**
Total Equity and Liabilities		55,241,880	**53,844,957**

Thomas Jefferson WU
Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Attributable to owners of the Company									*Attributable to non-controlling interests*			
	Share capital HK$'000	*Capital reserve* HK$'000	*Translation reserve* HK$'000	*PRC statutory reserves* HK$'000	*Property revaluation reserve* HK$'000	*Share option reserve* HK$'000	*Shares held for share award scheme* HK$'000	*Retained profits* HK$'000	*Sub-total* HK$'000	*Share option reserve of HHI* HK$'000	*Share of net assets of subsidiaries* HK$'000	*Sub-total* HK$'000	*Total* HK$'000
At 1 July 2014	11,179,498	10,010	1,102,545	138,597	452,391	33,162	(2,178)	30,860,918	43,774,943	374	3,116,408	3,116,782	46,891,725
Profit for the year	–	–	–	–	–	–	–	2,834,735	2,834,735	–	244,785	244,785	3,079,520
Other comprehensive income for the year	–	–	1,436	–	–	–	–	–	1,436	–	4,495	4,495	5,931
Total comprehensive income for the year	–	–	1,436	–	–	–	–	2,834,735	2,836,171	–	249,280	249,280	3,085,451
Shares issued	12,634	–	–	–	–	(2,780)	–	–	9,854	–	–	–	9,854
Lapse of vested share options	–	–	–	–	–	(27,425)	–	27,648	223	(223)	–	(223)	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(222,106)	(222,106)	(222,106)
Net effect of dividends recognised as distribution during the year (note 12)	–	–	–	–	–	–	–	(1,122,555)	(1,122,555)	–	131,995	131,995	(990,560)
Increase in net assets value attributable to the Group upon distribution in specie of HHI shares (note 12)	–	–	–	–	–	–	–	30,881	30,881	–	–	–	30,881
Transfers between reserves	–	–	–	13,282	–	–	–	(13,282)	–	–	–	–	–
At 30 June 2015	11,192,132	10,010	1,103,981	151,879	452,391	2,957	(2,178)	32,618,345	45,529,517	151	3,275,577	3,275,728	48,805,245
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,762,145**	**2,762,145**	**–**	**232,749**	**232,749**	**2,994,894**
Other comprehensive expense for the year	**–**	**–**	**(645,521)**	**–**	**–**	**–**	**–**	**–**	**(645,521)**	**–**	**(220,004)**	**(220,004)**	**(865,525)**
Total comprehensive (expense) income for the year	**–**	**–**	**(645,521)**	**–**	**–**	**–**	**–**	**2,762,145**	**2,116,624**	**–**	**12,745**	**12,745**	**2,129,369**
Shares issued	**5,697**	**–**	**–**	**–**	**–**	**(1,147)**	**–**	**–**	**4,550**	**–**	**–**	**–**	**4,550**
Shares bought back and cancelled (note 31)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(50,803)**	**(50,803)**	**–**	**–**	**–**	**(50,803)**
Lapse of vested share options	**–**	**–**	**–**	**–**	**–**	**(1,810)**	**–**	**1,961**	**151**	**(151)**	**–**	**(151)**	**–**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(447,373)**	**(447,373)**	**(447,373)**
Dividends recognised as distribution during the year (note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,088,487)**	**(1,088,487)**	**–**	**–**	**–**	**(1,088,487)**
At 30 June 2016	**11,197,829**	**10,010**	**458,460**	**151,879**	**452,391**	**–**	**(2,178)**	**34,243,161**	**46,511,552**	**–**	**2,840,949**	**2,840,949**	**49,352,501**

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	2015 HK$'000	**2016** **HK$'000**
OPERATING ACTIVITIES		
Profit before taxation	3,346,753	**3,229,879**
Adjustments for:		
Depreciation of property, plant and equipment	73,528	**68,452**
Finance costs	89,875	**59,411**
Exchange (gain) loss, net	(2,533)	**61,843**
Fair value gain of:		
Completed investment properties	(1,179,345)	**(1,344,740)**
155-167 QRE (investment properties under development)	(300,507)	**–**
Interest income	(231,620)	**(118,813)**
Loss on disposal of property, plant and equipment	68	**162**
Share of results of joint ventures:		
Expressway projects	(669,652)	**(654,518)**
Power plant project	(165,385)	**(106,483)**
Property development project (The Avenue and Lee Tung Avenue)		
Sales and leasing of properties	(74,000)	**(424,905)**
Fair value gain of investment properties upon completion	(120,000)	**–**
Share of profit of an associate	(2,230)	**(2,060)**
Operating cash flows before movements in working capital	764,952	**768,228**
Decrease (increase) in inventories	385	**(780)**
(Increase) decrease in stock of properties	(134,149)	**132,789**
(Increase) decrease trade and other receivables, and deposits and prepayments	(94,660)	**127,689**
Increase in trade and other payables, and rental and other deposits	76,237	**194,388**
Cash generated from operations	612,765	**1,222,314**
Tax paid		
Hong Kong Profits Tax	(65,576)	**(71,411)**
Taxation elsewhere	(74,618)	**(67,324)**
NET CASH FROM OPERATING ACTIVITIES	472,571	**1,083,579**

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	2015 HK$'000	**2016** **HK$'000**
INVESTING ACTIVITIES		
Placement of time deposits with original maturity over three months	(1,289,704)	**(719,534)**
Withdrawal of time deposits with original maturity over three months	2,050,589	**1,083,409**
Interest received	202,086	**139,901**
Dividends received from joint ventures and an associate (net of PRC withholding tax)	936,879	**1,064,576**
Additions to completed investment properties	(183,803)	**(87,473)**
Additions to property, plant and equipment	(25,604)	**(39,547)**
Net proceeds from disposal of property, plant and equipment	109	**123**
Investment in a joint venture	(131,122)	**(261,502)**
Additions to properties for/under development	(188,195)	**(190,688)**
Repayment from joint ventures:		
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV")	262,244	**965,288**
Property development project	510,000	**224,000**
Power plant project	200,920	**290,600**
Other investing cash flows	(23,057)	**(7,689)**
NET CASH FROM INVESTING ACTIVITIES	2,321,342	**2,461,464**
FINANCING ACTIVITIES		
New bank borrowings raised	2,827,800	**2,995,000**
Repayment of bank borrowings	(4,295,000)	**(5,088,300)**
Dividends and distributions paid to:		
Owners of the Company	(958,323)	**(1,088,487)**
Non-controlling interests	(222,106)	**(447,373)**
Net proceeds from issue of shares by the Company	9,854	**4,550**
Buy-back of shares	–	**(50,803)**
Repayment to a minority shareholder of a subsidiary	(17,544)	**(8,378)**
Advance from an associate	1,462	**–**
Repayment to an associate	(2,040)	**–**
Finance costs paid	(107,159)	**(93,599)**
NET CASH USED IN FINANCING ACTIVITIES	(2,763,056)	**(3,777,390)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,857	**(232,347)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,061,265	**4,086,953**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(5,169)	**(207,457)**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4,086,953	**3,647,149**
TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS	398,536	**–**
TOTAL BANK BALANCES AND CASH	4,485,489	**3,647,149**

Company's Statement of Financial Position

At 30 June 2016

	NOTES	2015 HK$'000	2016 HK$'000
ASSETS			
Non-current Assets			
Investments in subsidiaries	17	1,163,455	**1,171,256**
Amounts due from subsidiaries	18	36,974,086	**36,120,648**
Investment in an associate	21	–	**–**
Available-for-sale investments	22	3,000	**3,000**
		38,140,541	**37,294,904**
Current Assets			
Other receivables		1,701	**117**
Deposits and prepayments		337	**337**
Amounts due from subsidiaries	29	75,009	**76,589**
Bank balances and cash	27	1,648,012	**668,937**
		1,725,059	**745,980**
Total Assets		39,865,600	**38,040,884**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	31	11,192,132	**11,197,829**
Reserves	32	10,708,150	**13,256,529**
Total Equity		21,900,282	**24,454,358**
Current Liabilities			
Other payables		9,224	**8,810**
Amounts due to subsidiaries	29	17,956,094	**13,577,716**
Total Liabilities		17,965,318	**13,586,526**
Total Equity and Liabilities		39,865,600	**38,040,884**

Thomas Jefferson WU
Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

1. General

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activities of the Group are investments in toll roads and power plant, property development and investment, property agency and management, hotel ownership and management, restaurant operations and food catering.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

Application of new and revised HKFRSs

There is no new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") effective for the first time in the current year.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after 1 January 2017

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain simple debt instruments.

HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2018 and the application of HKFRS 9 is not expected to have significant impact on amounts reported in the consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 specifies how and when the Group will recognise revenue as well as requiring the Group to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Under HKFRS 15, revenue is recognised in accordance with the core principle by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognising revenue when (or as) the performance obligation is satisfied. HKFRS 15 also includes a cohesive set of disclosure requirements that would result in providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers.

HKFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2018 and the application of HKFRS 15 is not expected to have significant impact on amounts reported in the consolidated financial statements.

Amendments to HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 38 introduce a rebuttable presumption that the revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively in the Group's consolidated financial statements for annual periods beginning on 1 July 2016. The amendments are not expected to have any material impact on the financial position or performance of the Group upon adoption on 1 July 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 16 *Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

Other than disclosed above, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

3. Significant Accounting Policies (continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. Significant Accounting Policies (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i. e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in an associate and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint ventures exceeds the Group's interest in that associate or joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group has incurred additional development expenditure for the construction and development of the toll expressways operated by the joint ventures, which were not accounted for by those entities. Such costs are included in additional cost of investments in joint ventures and are amortised over the joint venture period on the same basis as that adopted by the relevant joint venture in respect of amortisation of its project cost, commencing from the date of operation of the project undertaken. On disposal of a joint venture, the attributable amount of the unamortised additional cost of investments is included in the determination of the profit or loss on disposal.

3. Significant Accounting Policies (continued)

Investments in an associate and joint ventures (continued)

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Properties for development in which their future use have not been determined are regarded as held for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. In circumstances where the fair value of an investment property under development is not reliably measurable, such investment properties under development are measured at cost less impairment, if any, until its fair value becomes reliably determinable or construction is completed, whichever is the earlier. Properties for development in which the fair value cannot be reliably measured are measured under cost model. Once the fair value of an investment property under development that has previously been measured at cost is able to be measured reliably, the property is measured at fair value. Any difference between the fair value of the property at that time and its previous carrying amount is recognised in profit or loss. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs, development expenditure, other direct attributable expenses incurred and, where appropriate, borrowing cost capitalised for investment properties for/under development are capitalised as part of the carrying amount of the investment properties for/under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an investment property becomes a property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, any difference between the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the changes, the property is stated at deemed cost, equivalent to the fair value at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.

If an investment property becomes a stock of properties because its use has changed as evidenced by the commencement of development with a view to sale, any difference between the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the changes, the property is stated at the lower of deemed cost, equivalent to the fair value at the date of transfer, and net realisable value.

3. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost or deemed cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or deemed cost of assets over their estimated useful lives, using the straight-line method, from the date on which they become fully operational and after taking into account of their estimated residual value. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties under development in the course of construction for production or for administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. Significant Accounting Policies (continued)

Impairment losses on assets (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as in profit or loss immediately.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. An extension of the period required to complete the sale does not preclude the assets from being classified as held for sale when the delay is caused by events or circumstances beyond the Group's control and the Group remains committed to its plan to sell the assets. Such assets continue to be classified as held for sale if the criteria for held for sale classification are still met.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal, except for investment properties which are measured at fair value.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. Significant Accounting Policies (continued)

Financial instruments (continued)
Financial assets (continued)
Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from joint ventures, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 15 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Buy-back of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Where the shares of the Company are acquired under the share award schemes by the share award scheme trust, the consideration paid, including any directly attributable incremental costs, is presented as "shares held for share award scheme" and deducted from total equity.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

Financial liabilities (including bank borrowings and trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Stock of properties

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, determined by management based on prevailing market conditions.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Significant Accounting Policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. The aggregate cost of incentives is recognised as a reduction of rental income on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

For interest in leasehold land that is accounted for an operating lease whilst the building element is classified as finance lease, interest in leasehold land is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment or properties under development.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiary, interest in an associate and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

3. Significant Accounting Policies (continued)

Taxation (continued)

Other than deferred liabilities related to investment properties which are presumed to be recovered from sale, the measurement of other deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

For share option schemes that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Lease of properties

Rental income in respect of properties under operating leases is recognised on a straight-line basis over the respective lease term.

Property agency and management

Revenue from the provision of property agency and management services is recognised when the relevant services are provided.

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Property development

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed at which the relevant completion certificates are issued by the respective government authorities and the significant risks and rewards of ownership of the properties are transferred to the purchasers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Hotel ownership and management

Revenue from hotel ownership and management is recognised when the relevant services are provided.

Restaurant operations and food catering

Revenue from restaurant operations and food catering services is recognised when goods are delivered and services are provided.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation of uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The board of Directors has appointed accounting officers to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The accounting officers work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The accounting officers report the findings to the board of Directors to explain the cause of fluctuations in the fair value of the assets.

4. Key Sources of Estimation Uncertainty (continued)

Fair value measurements and valuation processes (continued)

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value. Notes 15 and 19 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value.

Completed investment properties (including assets classified as held for sale) of HK$30,277 million (2015: HK$28,831 million) and investment properties under development of HK$5,318 million (2015: HK$5,232 million) are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss.

Amortisation of concession intangible assets held by joint ventures and amortisation of additional cost of investments in joint ventures

Amortisation of concession intangible assets held by joint ventures and amortisation of the Group's additional cost of investments in joint ventures are calculated based on the ratio of the actual traffic volume of the underlying toll expressways compared to the total expected traffic volume of the underlying toll expressways over the remaining concession periods of the service concession agreements of the respective joint ventures.

Adjustments may need to be made to the carrying amounts of the Group's interests in joint ventures and share of results of joint ventures should there be a material difference between the total expected traffic volume and the actual results.

Resurfacing obligations related to toll expressways operated by joint ventures

Certain joint ventures of the Group have contractual obligations under the contractual service arrangements to maintain the toll expressways to a specified level of serviceability over the respective concession periods. These obligations to maintain or restore the toll expressways, except for upgrade services, are recognised and measured as resurfacing obligations.

The amount expected to be required to settle the obligations at the end of the reporting period is determined based on the number of major resurfacing works to be undertaken over the concession periods under the service concession agreements and the expected costs to be incurred for each event. The costs are then discounted to the present value based on a pre-tax discount rate.

Adjustments may need to be made to the carrying amount of the Group's interests in joint ventures and share of results of joint ventures should there be a material change in the expected expenditures, resurfacing plan and discount rate.

5. Turnover and Segment Information

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

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

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

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

Information regarding the above segments is reported below.

Segment revenue

	2015			**2016**		
	External HK$'000	*Inter-segment HK$'000*	*Combined HK$'000*	***External HK$'000***	***Inter-segment HK$'000***	***Combined HK$'000***
Property investment	1,014,873	47,768	1,062,641	**1,119,330**	**68,017**	**1,187,347**
Hotel, restaurant and catering operation	483,930	213	484,143	**451,045**	**194**	**451,239**
Property development	1,071,417	–	1,071,417	**4,364,393**	**–**	**4,364,393**
Toll road investment	2,405,606	–	2,405,606	**2,407,450**	**–**	**2,407,450**
Power plant	1,027,571	–	1,027,571	**773,873**	**–**	**773,873**
Treasury income	231,620	–	231,620	**118,813**	**–**	**118,813**
Other operations	–	124,300	124,300	**–**	**126,800**	**126,800**
Total segment revenue	6,235,017	172,281	6,407,298	**9,234,904**	**195,011**	**9,429,915**

Segment revenue includes the turnover as presented in consolidated statement of profit or loss and other comprehensive income, treasury income of the Group, and the Group's attributable share of revenue of joint ventures engaged in toll road investment, power plant and property development.

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

5. Turnover and Segment Information (continued)

Segment revenue (continued)

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

	2015 HK$'000	2016 HK$'000
Total segment revenue from external customers	6,235,017	**9,234,904**
Less:		
Treasury income	(231,620)	**(118,813)**
Share of revenue of joint ventures engaged in:		
Property development	(704,987)	**(4,084,516)**
Toll road investment	(2,405,606)	**(2,407,450)**
Power plant	(1,027,571)	**(773,873)**
Turnover as presented in consolidated statement of profit or loss and other comprehensive income	1,865,233	**1,850,252**

Segment results

	2015				**2016**			
	The Company and subsidiaries HK$'000	Joint ventures HK$'000	Associate HK$'000	Total HK$'000	**The Company and subsidiaries HK$'000**	**Joint ventures HK$'000**	**Associate HK$'000**	**Total HK$'000**
Property investment	629,795	–	2,230	632,025	**739,168**	**(2,095)**	**2,060**	**739,133**
Hotel, restaurant and catering operation	131,809	–	–	131,809	**100,190**	**–**	**–**	**100,190**
Property development	411,607	194,000	–	605,607	**36,223**	**427,000**	**–**	**463,223**
Toll road investment	(47,251)	669,652	–	622,401	**(44,444)**	**654,518**	**–**	**610,074**
Power plant	(1,749)	165,385	–	163,636	**(1,588)**	**106,483**	**–**	**104,895**
Treasury income	231,620	–	–	231,620	**118,813**	**–**	**–**	**118,813**
Other operations	(129,815)	–	–	(129,815)	**(191,778)**	**–**	**–**	**(191,778)**
Total segment results	1,226,016	1,029,037	2,230	2,257,283	**756,584**	**1,185,906**	**2,060**	**1,944,550**

For the year ended 30 June 2015, share of fair value gain of investment properties upon completion (Lee Tung Avenue) attributable to a joint venture amounting to HK$120 million and the Group's fair value gain of investment properties under development (155-167 QRE) of HK$300 million formed part of the segment results of property development, which are separately presented in the consolidated statement of profit or loss and other comprehensive income.

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

	2015 HK$'000	2016 HK$'000
Segment results	2,257,283	**1,944,550**
Fair value gain of completed investment properties	1,179,345	**1,344,740**
Finance costs	(89,875)	**(59,411)**
Profit before taxation	3,346,753	**3,229,879**

5. Turnover and Segment Information (continued)

Segment assets and liabilities

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

Geographical information

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

	Revenue from external customers *(Note a)*		***Non-current assets*** *(Note b)*	
	2015 HK$'000	***2016 HK$'000***	*2015 HK$'000*	***2016 HK$'000***
Hong Kong	2,268,045	**5,677,319**	37,177,706	**38,778,609**
The PRC	3,966,972	**3,557,585**	88,046	**48,435**
	6,235,017	**9,234,904**	37,265,752	**38,827,044**

Notes:

(a) Revenue from external customers include treasury income, and the Group's share of revenue of joint ventures amounting to HK$4,118,393,000 (2015: HK$769,745,000) and HK$3,266,259,000 (2015: HK$3,600,039,000) from Hong Kong and the PRC respectively, which are excluded from the turnover as presented in consolidated statement of profit or loss and other comprehensive income.

(b) Non-current assets exclude financial instruments, interests in joint ventures and interest in an associate.

6. Other Income

	2015 HK$'000	***2016 HK$'000***
Included in other income are:		
Interest income from bank deposits	138,213	**101,433**
Interest income from amounts due from joint ventures	93,407	**17,380**

7. Other Gains and Losses

	2015 HK$'000	***2016 HK$'000***
Exchange gain (loss), net (not including exchange difference of joint ventures)	2,533	**(61,843)**

8. Finance Costs

	2015 HK$'000	**2016** **HK$'000**
Interests on bank borrowings	96,185	**56,445**
Loan commitment fees and others	22,663	**33,579**
	118,848	**90,024**
Less: Finance costs capitalised in properties under development	(28,973)	**(30,613)**
	89,875	**59,411**

The capitalisation rate on funds borrowed generally is 1.3% (2015: 1.3%) per annum.

9. Share of Results of Joint Ventures

	2015 HK$'000	**2016** **HK$'000**
Expressway projects in the PRC		
Share of results of joint ventures before amortisation of additional cost of investments in joint ventures	781,328	**766,064**
Amortisation of additional cost of investments in joint ventures	(111,676)	**(111,546)**
	669,652	**654,518**
Power plant project		
Share of profit of a joint venture	165,385	**106,483**
Property development project (The Avenue and Lee Tung Avenue)		
Share of profits of joint ventures from sales and leasing of properties	74,000	**424,905**
Share of fair value gain of investment properties upon completion	120,000	**–**
	194,000	**424,905**
	1,029,037	**1,185,906**

10. Profit before Taxation

	2015 HK$'000	**2016** **HK$'000**
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	5,502	**5,502**
Depreciation of property, plant and equipment	73,528	**68,452**
Loss on disposal of property, plant and equipment	68	**162**
Rental expense in respect of properties under operating leases	711	**652**
Rental and other related income from investment properties, less direct attributable outgoings of HK$297,885,000 (2015: HK$298,357,000)	(681,289)	**(759,531)**
Charitable donations	1,696	**969**
Share of tax of an associate (included in share of profit of an associate)	435	**396**
Share of tax of joint ventures (included in share of results of joint ventures)	361,419	**333,545**
Staff costs (including Directors' emoluments)	459,482	**471,324**

11. Income Tax Expense

	2015 HK$'000	2016 HK$'000
Hong Kong Profits Tax		
Current year	69,637	**68,077**
Overprovision in respect of prior years	(319)	**(4,191)**
	69,318	**63,886**
Taxation elsewhere — current year		
PRC EIT	88,842	**79,377**
PRC Land Appreciation Tax ("LAT")	41,364	**39,072**
	130,206	**118,449**
Deferred tax (note 33)	67,709	**52,650**
	267,233	**234,985**

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

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

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

PRC EIT for the year includes PRC withholding tax on dividends declared during the year by the Group's joint ventures amounting to approximately HK$52 million (2015: HK$40 million).

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.

Details of deferred taxation are set out in note 33.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2016 HK$'000
Profit before taxation	3,346,753	**3,229,879**
Tax at Hong Kong Profits Tax rate of 16.5%	552,214	**532,930**
PRC LAT (net of tax effect on deduction of EIT)	31,023	**29,304**
Tax effect of expenses not deductible for tax purposes	36,027	**52,028**
Tax effect of income not taxable for tax purposes	(265,659)	**(238,925)**
Tax effect of tax losses not recognised	9,005	**5,047**
Tax effect of utilisation of tax losses not previously recognised	(547)	**(3,136)**
Tax effect of share of results of joint ventures and profit of an associate	(170,159)	**(196,014)**
Overprovision in respect of prior years	(319)	**(4,191)**
Effect of different tax rates of subsidiaries operating in other jurisdictions	23,156	**13,460**
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	53,112	**43,741**
Others	(620)	**741**
Income tax expense for the year	267,233	**234,985**

12. Dividends

	2015 HK$'000	**2016 HK$'000**
Dividends recognised as distribution during the year:		
Final cash dividend for the year ended 30 June 2015 of HK70 cents per share (2015: for the year ended 30 June 2014 of HK60 cents per share)	522,753	**610,155**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust (note 31)	(43)	**(50)**
	522,710	**610,105**
Special final dividend for the year ended 30 June 2014 by way of a distribution in specie (Note)	164,232	**–**
	686,942	**610,105**
Interim cash dividend for the year ended 30 June 2016 of HK55 cents per share (2015: for the year ended 30 June 2015 of HK50 cents per share)	435,649	**478,422**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust (note 31)	(36)	**(40)**
	435,613	**478,382**
	1,122,555	**1,088,487**
Dividends proposed:		
Final cash dividend for the year ended 30 June 2016 of HK75 cents per share (2015: for the year ended 30 June 2015 of HK70 cents per share)	610,174	**652,379**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust (note 31)	(50)	**(54)**
	610,124	**652,325**

Note: During the year ended 30 June 2015, a special final dividend for the year ended 30 June 2014 was effected by way of a distribution in specie of shares in HHI. Eligible shareholders received one ordinary share in HHI for every multiple of 20 ordinary shares in the Company held by them. A total of 43,562,761 HHI shares with aggregate market value of HK$164,232,000 were recognised as distribution during that year.

The difference between the market value and the carrying amount of the relevant interest in HHI distributed has resulted in an increase in net assets value attributable to the Group amounting to HK$30,881,000, which was recognised in equity in the consolidated financial statements during the year ended 30 June 2015.

The proposed final cash dividend of HK75 cents per share has been proposed by the Board and is subject to approval by the shareholders of the Company at the 2016 Annual General Meeting.

The proposed final cash dividend is calculated based on the total number of issued shares, less the dividends for shares held by HHL Employees' Share Award Scheme Trust, at the date of approval of these consolidated financial statements.

13. Earnings Per Share

	2015 HK$'000	**2016 HK$'000**
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic and diluted earnings per share	2,834,735	**2,762,145**

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	871,234,719	**870,893,736**
Effect of dilutive potential ordinary shares in respect of share options	209,279	**20,962**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	871,443,998	**870,914,698**

14. Emoluments of Directors and Highest Paid Employees

(a) Directors' emoluments

The emoluments paid or payable by the Group, other than by the HHI Group, to the Company's directors are as follows:

	Year ended 30 June 2016				
	Directors' fees HK$'000	*Salaries, bonus and other benefits HK$'000*	*Discretionary bonus HK$'000*	*Contributions to provident fund schemes HK$'000*	*Total HK$'000*
Sir Gordon Ying Sheung WU*	**300**	**3,657**	**–**	**–**	**3,957**
Mr. Eddie Ping Chang HO*	**250**	**2,926**	**926**	**–**	**4,102**
Mr. Thomas Jefferson WU*	**200**	**4,312**	**1,261**	**18**	**5,791**
Mr. Josiah Chin Lai KWOK*	**200**	**3,657**	**1,158**	**18**	**5,033**
Mr. Guy Man Guy WU	**390**	**–**	**–**	**–**	**390**
Lady WU Ivy Sau Ping KWOK	**350**	**–**	**–**	**–**	**350**
Ms. Linda Lai Chuen LOKE	**390**	**–**	**–**	**–**	**390**
Mr. Albert Kam Yin YEUNG*	**200**	**3,803**	**1,112**	**15**	**5,130**
Mr. Sunny TAN	**400**	**–**	**–**	**–**	**400**
Mr. Carmelo Ka Sze LEE	**370**	**–**	**–**	**–**	**370**
Mr. William Wing Lam WONG*	**200**	**3,486**	**1,019**	**18**	**4,723**
Ir. Dr. Leo Kwok Kee LEUNG*	**200**	**3,486**	**1,019**	**18**	**4,723**
Dr. Gordon YEN	**400**	**–**	**–**	**–**	**400**
Mr. Ahito NAKAMURA	**350**	**–**	**–**	**–**	**350**
Mr. Yuk Keung IP	**370**	**–**	**–**	**–**	**370**
	4,570	**25,327**	**6,495**	**87**	**36,479**

14. Emoluments of Directors and Highest Paid Employees (continued)

(a) Directors' emoluments (continued)

	Year ended 30 June 2015				
	Directors' fees HK$'000	Salaries, bonus and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Sir Gordon Ying Sheung WU*	300	2,624	–	–	2,924
Mr. Eddie Ping Chang HO*	250	2,099	572	–	2,921
Mr. Thomas Jefferson WU*	200	4,414	2,025	18	6,657
Mr. Josiah Chin Lai KWOK*	200	3,418	1,145	18	4,781
Mr. Guy Man Guy WU	300	–	–	–	300
Lady WU Ivy Sau Ping KWOK	300	–	–	–	300
Ms. Linda Lai Chuen LOKE	300	–	–	–	300
Mr. Albert Kam Yin YEUNG*	200	3,536	1,042	18	4,796
Mr. Sunny TAN	300	–	–	–	300
Mr. Carmelo Ka Sze LEE	300	–	–	–	300
Mr. William Wing Lam WONG*	200	3,241	902	18	4,361
Ir. Dr. Leo Kwok Kee LEUNG*	200	3,241	1,008	18	4,467
Dr. Gordon YEN	300	–	–	–	300
Mr. Ahito NAKAMURA	300	–	–	–	300
Mr. Yuk Keung IP	67	–	–	–	67
	3,717	22,573	6,694	90	33,074

Certain Directors are also directors of HHI. The emoluments paid or payable by HHI Group to those directors are as follows:

	Year ended 30 June 2016				
	Directors' fees HK$'000	**Salaries, bonus and other benefits HK$'000**	**Discretionary bonus HK$'000**	**Contributions to provident fund schemes HK$'000**	**Total HK$'000**
Sir Gordon Ying Sheung WU*	**300**	**1,828**	**–**	**–**	**2,128**
Mr. Eddie Ping Chang HO*	**250**	**1,463**	**475**	**–**	**2,188**
Mr. Thomas Jefferson WU*	**200**	**4,313**	**1,327**	**18**	**5,858**
Mr. Yuk Keung IP	**420**	**–**	**–**	**–**	**420**
	1,170	**7,604**	**1,802**	**18**	**10,594**

14. Emoluments of Directors and Highest Paid Employees (continued)

(a) Directors' emoluments (continued)

	Year ended 30 June 2015				
	Directors' fees HK\$'000	Salaries, bonus and other benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to provident fund schemes HK\$'000	Total HK\$'000
Sir Gordon Ying Sheung WU*	300	2,504	–	–	2,804
Mr. Eddie Ping Chang HO*	250	2,003	1,145	–	3,398
Mr. Thomas Jefferson WU*	200	3,606	1,350	18	5,174
Mr. Yuk Keung IP	300	–	–	–	300
	1,050	8,113	2,495	18	11,676

The emoluments paid or payable by the Group, including the HHI Group, to the Company's directors are as follows:

	Year ended 30 June 2016				
	Directors' fees HK\$'000	**Salaries, bonus and other benefits HK\$'000**	**Discretionary bonus HK\$'000**	**Contributions to provident fund schemes HK\$'000**	**Total HK\$'000**
Sir Gordon Ying Sheung WU*	**600**	**5,485**	**–**	**–**	**6,085**
Mr. Eddie Ping Chang HO*	**500**	**4,389**	**1,401**	**–**	**6,290**
Mr. Thomas Jefferson WU*	**400**	**8,625**	**2,588**	**36**	**11,649**
Mr. Josiah Chin Lai KWOK*	**200**	**3,657**	**1,158**	**18**	**5,033**
Mr. Guy Man Guy WU	**390**	**–**	**–**	**–**	**390**
Lady WU Ivy Sau Ping KWOK	**350**	**–**	**–**	**–**	**350**
Ms. Linda Lai Chuen LOKE	**390**	**–**	**–**	**–**	**390**
Mr. Albert Kam Yin YEUNG*	**200**	**3,803**	**1,112**	**15**	**5,130**
Mr. Sunny TAN	**400**	**–**	**–**	**–**	**400**
Mr. Carmelo Ka Sze LEE	**370**	**–**	**–**	**–**	**370**
Mr. William Wing Lam WONG*	**200**	**3,486**	**1,019**	**18**	**4,723**
Ir. Dr. Leo Kwok Kee LEUNG*	**200**	**3,486**	**1,019**	**18**	**4,723**
Dr. Gordon YEN	**400**	**–**	**–**	**–**	**400**
Mr. Ahito NAKAMURA	**350**	**–**	**–**	**–**	**350**
Mr. Yuk Keung IP	**790**	**–**	**–**	**–**	**790**
	5,740	**32,931**	**8,297**	**105**	**47,073**

14. Emoluments of Directors and Highest Paid Employees (continued)

(a) Directors' emoluments (continued)

	Year ended 30 June 2015				
	Directors' fees HK$'000	Salaries, bonus and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Sir Gordon Ying Sheung WU*	600	5,128	–	–	5,728
Mr. Eddie Ping Chang HO*	500	4,102	1,717	–	6,319
Mr. Thomas Jefferson WU*	400	8,020	3,375	36	11,831
Mr. Josiah Chin Lai KWOK*	200	3,418	1,145	18	4,781
Mr. Guy Man Guy WU	300	–	–	–	300
Lady WU Ivy Sau Ping KWOK	300	–	–	–	300
Ms. Linda Lai Chuen LOKE	300	–	–	–	300
Mr. Albert Kam Yin YEUNG*	200	3,536	1,042	18	4,796
Mr. Sunny TAN	300	–	–	–	300
Mr. Carmelo Ka Sze LEE	300	–	–	–	300
Mr. William Wing Lam WONG*	200	3,241	902	18	4,361
Ir. Dr. Leo Kwok Kee LEUNG*	200	3,241	1,008	18	4,467
Dr. Gordon YEN	300	–	–	–	300
Mr. Ahito NAKAMURA	300	–	–	–	300
Mr. Yuk Keung IP	367	–	–	–	367
	4,767	30,686	9,189	108	44,750

* Executive director of the Company

Mr. Yuk Keung IP was appointed as an independent non-executive director of the Company with effect from 10 April 2015.

Other than fees and emoluments of HK$2,720,000 (2015: HK$1,867,000) paid or payable to the independent non-executive directors which have been included above, no other remuneration was paid or is payable to such directors.

14. Emoluments of Directors and Highest Paid Employees (continued)

(b) Highest paid employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2015: three) were directors whose emoluments are disclosed above.

The emoluments of the remaining one individual (2015: two fell within the band from HK$4,500,001 to HK$5,000,000) was director of HHI whose emolument was as follows:

	2015 HK$'000	2016 HK$'000
Directors' fees	400	**133**
Salaries, bonus and other benefits	7,095	**4,843**
Discretionary bonus	2,264	**2,900**
Contributions to retirement benefits plans	18	**–**
	9,777	**7,876**

15. Completed Investment Properties

	2015 HK$'000	2016 HK$'000
Completed investment properties at fair value:		
At beginning of the year	27,472,709	**28,830,538**
Additions on subsequent expenditure	178,484	**101,998**
Fair value gain of completed investment properties	1,179,345	**1,344,740**
At end of the year	28,830,538	**30,277,276**
Included in assets classified as held for sale (Note b)	(634,350)	**(638,000)**
	28,196,188	**29,639,276**

Notes:

(a) All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(b) On 24 May 2010, the Group decided to sell Broadwood Twelve instead of holding them for rental as originally planned. The Group had initiated active marketing plan for sale of such properties. Accordingly, the Group had reclassified Broadwood Twelve as "Assets classified as held for sale" for the compliance of the relevant accounting standard, namely HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. After the reclassification, the measurement of Broadwood Twelve will continue to follow the fair value model in accordance with HKAS 40 *Investment Property*.

There is no disposal of assets classified as held for sale and no deposits have been received in both years.

The Group remains committed to its plan to sell those units but it depends on the market situation. The management considers the sale is highly probable.

15. Completed Investment Properties (continued)

Fair value measurement of investment properties

The fair value of the Group's investment properties at the end of each reporting period have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited (''DTZ''), an independent firm of professional property valuers, registered professional surveyor not connected to the Group. For office premises, serviced apartments, car parks and retail outlets, the valuation is arrived at by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties or, where appropriate, by using direct comparison method by making reference to comparable sales transactions as available in the relevant market. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Significant unobservable inputs used to determine fair value of the Group's investment properties, which are categorised in Level 3 throughout the year, include capitalisation rate, that ranges from 3% to 4% (2015: 3% to 4%). The fair value measurement of completed investment properties is negatively correlated to the capitalisation rate.

16. Property, Plant and Equipment

	Land and buildings in Hong Kong				
	Hotel property *HK$'000*	***Other properties*** *HK$'000*	***Other hotel assets*** *HK$'000*	***Other assets*** *HK$'000*	***Total*** *HK$'000*
COST					
At 1 July 2014	474,872	344,391	284,867	433,252	1,537,382
Additions	–	5,880	6,093	11,594	23,567
Disposals	–	–	(1,157)	(2,199)	(3,356)
At 30 June 2015	474,872	350,271	289,803	442,647	1,557,593
Additions	–	154	28,965	10,422	39,541
Disposals	–	–	(340)	(23,172)	(23,512)
At 30 June 2016	**474,872**	**350,425**	**318,428**	**429,897**	**1,573,622**
DEPRECIATION					
At 1 July 2014	213,253	86,868	176,060	321,473	797,654
Provided for the year	9,272	14,110	20,036	30,110	73,528
Eliminated on disposals	–	–	(1,128)	(2,051)	(3,179)
At 30 June 2015	222,525	100,978	194,968	349,532	868,003
Provided for the year	9,272	13,657	20,581	24,942	68,452
Eliminated on disposals	–	–	(239)	(22,988)	(23,227)
At 30 June 2016	**231,797**	**114,635**	**215,310**	**351,486**	**913,228**
CARRYING VALUES					
At 30 June 2016	**243,075**	**235,790**	**103,118**	**78,411**	**660,394**
At 30 June 2015	252,347	249,293	94,835	93,115	689,590

Other assets include leasehold improvements and furniture, fixtures and equipment.

16. Property, Plant and Equipment (continued)

The above items of property, plant and equipment are depreciated over their estimated useful lives from the date on which they become available for their intended use using the straight-line method, as follows:

Category of assets	Estimated useful lives
Land	Over the remaining term of the lease
Buildings	50 years or the remaining term of the lease of the land on which the buildings are located, whichever is shorter
Others	3 to 10 years

17. Investments in Subsidiaries

	The Company	
	2015 HK$'000	**2016** **HK$'000**
Unlisted shares, at cost less impairment	126	**126**
Deemed capital contribution	1,163,329	**1,171,130**
	1,163,455	**1,171,256**

Particulars of the principal subsidiaries are set out in note 41.

18. Amounts due from Subsidiaries

The amounts due from subsidiaries classified under non-current assets are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, based on their assessment as at the end of the reporting period of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repayable within one year from the end of the reporting period, accordingly these amounts are classified as non-current. The effective interest rate on the amounts due from subsidiaries in respect of the year is 2.2% (2015: 2.2%) per annum, representing the borrowing rates of the relevant subsidiaries.

19. Properties for Development and Properties under Development

Properties for development

	2015 HK$'000	**2016** **HK$'000**
COST		
At beginning of the year	1,233,124	**832,810**
Additions	55,179	**15,928**
Disposal	–	**(49,295)**
Transfer to properties under development	(455,493)	**–**
At end of the year	832,810	**799,443**

Properties for development represents properties acquired for future development of which the development plan is yet to be fixed. The development cost cannot be determined at the end of the reporting period. Properties for which the fair value cannot be reliably measured due to inactive transaction for comparable properties and alternative measurement of fair value are not available are measured at cost less impairment.

Properties under development

	Commercial portion of HCII (investment properties) HK$'000	*Hotel portion of HCII (PPE)* HK$'000	*155-167 QRE (investment properties)* HK$'000	*Total* HK$'000
At 1 July 2014	4,411,300	2,232,829	–	6,644,129
Transfer from properties for development	–	–	455,493	455,493
Additions	65,113	81,922	–	147,035
Fair value gain recognised	–	–	300,507	300,507
At 30 June 2015	4,476,413	2,314,751	756,000	7,547,164
Additions	72,422	94,774	13,571	180,767
At 30 June 2016	**4,548,835**	**2,409,525**	**769,571**	**7,727,931**

During the year ended 30 June 2015, the Group acquired the last unit of 161-167 Queen's Road East, attaining 100% ownership of 155-167 QRE. Subsequent to the approval of a planning application by the Town Planning Board during the year ended 30 June 2015 for building a commercial property on the 155-167 QRE site, the Group transferred the 155-167 QRE to properties under development. Based on the information of the approved planning application, the directors considered that the fair value of 155-167 QRE can be reliably measured. Accordingly, fair value gain of approximately HK$300 million was recognised in profit or loss during the year ended 30 June 2015.

Included in the carrying amount of properties under development is interest capitalised totalling HK$152 million (2015: HK$121 million).

19. Properties for Development and Properties under Development (continued)

Fair value measurement of investment properties under development

The fair value of the Group's investment properties under development at the end of the reporting period has been arrived at on the basis of a valuation carried out on that date by DTZ. The valuation is arrived at by direct comparison approach by making reference to comparable sales transactions as available in the relevant market and have allowed for construction cost to be expended on the proposed development. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Estimated costs to complete construction and development profit are estimated by valuers based on market conditions at the end of the reporting period. The estimates are largely consistent with the development budgets prepared by the Group based on management's experience and knowledge of market conditions. The fair value measurement of investment properties under development, which are categorised in Level 3 throughout the year, is correlated to the construction cost and the development profit.

20. Interests in Joint Ventures

Details of the Group's investments in joint ventures are as follows:

	2015 *HK$'000*	***2016*** ***HK$'000***
Expressway projects in the PRC		
Unlisted investments, at cost		
Registered capital contribution	2,504,998	**2,766,500**
Additional cost of investments	2,764,528	**2,764,528**
	5,269,526	**5,531,028**
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,784,177	**3,072,966**
Less: Accumulated amortisation	(1,077,248)	**(1,188,794)**
	7,976,455	**7,415,200**
Power plant project in the PRC		
Unlisted investment, at cost		
Registered capital contribution	631,867	**631,867**
Share of post-acquisition profits and other comprehensive income, net of dividends received	538,389	**492,948**
	1,170,256	**1,124,815**
Property development project		
Share of post-acquisition profits and other comprehensive income	194,000	**618,905**
	9,340,711	**9,158,920**

20. Interests in Joint Ventures (continued)

Particulars of the Group's principal joint ventures at 30 June 2015 and 30 June 2016 are as follows:

Name of company	*Fully paid registered capital*	*Proportion of issued/ registered capital held by the Group*		*Principal activities*
		2015	***2016***	
Incorporated in Hong Kong:				
Grand Site Development Limited ("Grand Site")	HK$2	50%	**50%**	Development and property investment
Established in the PRC:				
Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV")	Nil (Note (a))	Not applicable	**Not applicable**	Development, operation and management of an expressway
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") (Note (b))	RMB4,899,000,000 (2015: RMB4,475,000,000)	50%	**50%**	Development, operation and management of an expressway
Shenzhen Energy Hopewell Power (Heyuan) Co., Ltd. ("Heyuan JV") (Note (c))	RMB1,560,000,000	40%	**40%**	Development and operation of a power plant

Details of the principal joint ventures at the end of the reporting period are as follows:

(a) GS Superhighway JV

GS Superhighway JV is established to undertake the development, operation and management of an expressway in Guangdong Province of the PRC running between Shenzhen and Guangzhou ("GS Superhighway"). The operation period is 30 years from the official opening date on 1 July 1997. At the end of the operation period, all the immovable assets and facilities of GS Superhighway JV will revert to the PRC joint venture partner without compensation.

The Group's entitlement to the profit of the toll operations of GS Superhighway JV is 50% for the initial 10 years of operation period, 48% for the next 10 years and 45% for the last 10 years of the operation period.

The registered capital amounting to HK$702 million previously injected by the Group to GS Superhighway JV had been repaid to the Group by GS Superhighway JV during the year ended 30 June 2008.

20. Interests in Joint Ventures (continued)

(b) West Route JV

West Route JV is established to undertake the development, operation and management of an expressway linking Guangzhou, Zhongshan and Zhuhai ("Western Delta Route") and was built in three phases.

Phase I West

The total investment for the Phase I West is RMB1,680 million, 35% of which was funded by the registered capital of West Route JV amounting to RMB588 million which had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB294 million). The operation period for Phase I West is 30 years commencing from 17 September 2003.

Phase II West

The toll collection period for Phase II West in 25 years commencing from 25 June 2010. The initial estimated total investment for the Phase II West was RMB4,900 million, 35% of which was funded by an increase in the registered capital of West Route JV by RMB1,715 million in total which had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB858 million).

During the year ended 30 June 2015, the Group entered into the two amendment agreements with the PRC joint venture partner of West Route JV to increase the total investment of Phase II West by RMB1,210 million in aggregate to RMB6,110 million. 35% of the increase in total investment was funded by additional registered capital of West Route JV by RMB424 million in total. The additional registered capital contribution was divided into two tranches. The first tranche of the additional capital contribution had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB106 million (approximately HK$131 million)) during the year ended 30 June 2015. The second tranche of the additional capital contribution had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB106 million (approximately HK$132 million)) during the year ended 30 June 2016.

During the year ended 30 June 2016, the Group entered into the third amendment agreement with the PRC joint venture partner of West Route JV to increase the total investment of Phase II West by RMB605 million to RMB6,715 million. 35% of the increase in total investment was funded by additional registered capital of West Route JV amounting to RMB212 million which had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB106 million (approximately HK$129 million)).

20. Interests in Joint Ventures (continued)

(b) West Route JV (continued)

Phase III West

The total investment for the Phase III West is RMB5,600 million, 35% of which was funded by an increase in the registered capital of West Route JV by RMB1,960 million in total which had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB980 million). The toll collection period for Phase III West is 25 years commencing from 25 January 2013.

As at 30 June 2016, the fully paid registered capital of West Route JV was RMB4,899 million (2015: RMB4,475 million).

The Group is entitled to 50% of the distributable profits from operation of West Route JV. At the end of the respective operation/toll collection periods of Phase I West, Phase II West and Phase III West, all the immovable assets and facilities of each phase will be reverted to relevant PRC governmental authority which regulates transportation without compensation. The registered capital contributions are required to be repaid to both the Group and the PRC joint venture partner. The repayments are required to be approved by the board of directors of West Route JV.

(c) Power plant project in Heyuan City of Guangdong Province, the PRC

Pursuant to a co-operation agreement entered into between the Group and a PRC enterprise, a joint venture company, Heyuan JV, was established in the PRC during the year ended 30 June 2008 for the joint development of a 2X600 MW power plant in Heyuan City of Guangdong Province, the PRC. The operation period of Heyuan JV is 30 years from 14 September 2007, the date of its establishment, and the Group is entitled to 40% of the results from the operation of the power plant. For future development plan, please refer to note 34(d).

Summarised financial information of material joint ventures (Expressway projects in PRC)

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

20. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (Expressway projects in PRC) (continued)

	2015			**2016**		
	GS Superhighway JV HK$'000	West Route JV HK$'000	Total HK$'000	**GS Superhighway JV HK$'000**	**West Route JV HK$'000**	**Total HK$'000**
Non-current assets	12,118,044	16,943,453	29,061,497	**10,654,900**	**15,425,118**	**26,080,018**
Current assets	561,092	379,120	940,212	**604,767**	**152,265**	**757,032**
Non-current liabilities	(3,556,635)	(10,006,432)	(13,563,067)	**(4,021,259)**	**(9,597,064)**	**(13,618,323)**
Current liabilities	(1,745,514)	(1,963,184)	(3,708,698)	**(809,973)**	**(393,825)**	**(1,203,798)**
Net assets of the joint ventures	7,376,987	5,352,957	12,729,944	**6,428,435**	**5,586,494**	**12,014,929**
Proportion of the Group's ownership interest	48%	50%		**48%**	**50%**	
Net assets shared by HHI Group	3,540,954	2,676,479	6,217,433	**3,085,649**	**2,793,247**	**5,878,896**
Effect for change in profit-sharing ratio of a joint venture over the operation period	(31,082)	–	(31,082)	**(41,022)**	**–**	**(41,022)**
Net assets contributable to HHI Group	3,509,872	2,676,479	6,186,351	**3,044,627**	**2,793,247**	**5,837,874**
Carrying amount of additional cost of investments and related exchange realignment	1,519,992	47,591	1,567,583	**1,325,604**	**43,943**	**1,369,547**
Carrying amount of the HHI Group's interests in the joint ventures	5,029,864	2,724,070	7,753,934	**4,370,231**	**2,837,190**	**7,207,421**
Carrying amount of other additional cost of investments	204,357	18,164	222,521	**190,132**	**17,647**	**207,779**
Carrying amount of the Group's interests in the joint ventures	5,234,221	2,742,234	7,976,455	**4,560,363**	**2,854,837**	**7,415,200**
Revenue	3,866,733	1,325,269	5,192,002	**3,750,222**	**1,259,246**	**5,009,468**
Interest income	5,650	3,278	8,928	**6,471**	**3,278**	**9,749**
Depreciation and amortisation charges	(825,309)	(383,401)	(1,208,710)	**(837,254)**	**(435,127)**	**(1,272,381)**
Finance costs	(33,991)	(701,695)	(735,686)	**(40,535)**	**(532,857)**	**(573,392)**
Income tax expenses	(584,334)	–	(584,334)	**(507,855)**	**–**	**(507,855)**
Profit (loss) for the year	1,730,171	(98,308)	1,631,863	**1,494,656**	**97,258**	**1,591,914**
Other comprehensive (expense) income	(3,415)	(5,255)	(8,670)	**457,151**	**270,125**	**727,276**
Total comprehensive income (expense)	1,726,756	(103,563)	1,623,193	**1,951,807**	**367,383**	**2,319,190**
Cash and cash equivalents	309,318	324,121	633,439	**456,352**	**116,875**	**573,227**

20. Interests in Joint Ventures (continued)

Aggregate information of joint ventures that are not individually material

	2015 HK$'000	**2016 HK$'000**
The Group's share of profit for the year	359,385	**531,388**
The Group's share of other comprehensive income (expense)	278	**(81,125)**
The Group's share of total comprehensive income	359,663	**450,263**

Currency risk and interest rate risk exposures associated with the joint ventures of the Group

As at 30 June 2016 and 30 June 2015, certain joint ventures of the Group had outstanding bank loans denominated in Hong Kong dollars (''HK$") and United States dollars (''US dollars") that are not the functional currency of those joint ventures (i.e. RMB). The foreign currency risk associated with foreign currency borrowings exposed by the joint ventures is reflected in the share of results of joint ventures. Therefore, if exchange rate of RMB against HK$/US dollars had been strengthened/weakened by 5%, the profit attributable to owners of the Company for the current year would increase/decrease by HK$39.1 million (2015: increase/decrease by HK$40.0 million).

As at 30 June 2016 and 30 June 2015, certain joint ventures of the Group are exposed to interest rate risk in relation to the variable rate bank loans, bank balances and deposits of these joint ventures. If interest rate had been 100 (2015: 100) basis points higher/lower, the profit attributable to owners of the Company for the current year would decrease/increase by HK$34.2 million (2015: decrease/increase by HK$36.4 million).

The above sensitivity analyses assumed the amounts outstanding at the end of the reporting period were outstanding for the whole year and held constant throughout the financial year.

21. Interest in an Associate

	The Group	
	2015 HK$'000	**2016 HK$'000**
Cost of investments, unlisted	–	**–**
Share of post-acquisition profit and other comprehensive income, net of dividends received	38,636	**38,895**
	38,636	**38,895**

	The Company	
	2015 HK$'000	**2016 HK$'000**
Unlisted shares, at cost	–	**–**

21. Interest in an Associate (continued)

Particulars regarding the associate at 30 June 2015 and 30 June 2016, which is incorporated and operating in Hong Kong and is not material to the Group, are as follows:

Name of company	Proportion of nominal value of issued capital held by the Group		Principal activities
	2015 %	2016 %	
Granlai Company Limited	46	**46**	Property investment

The associate is accounted for using the equity method in these consolidated financial statements.

22. Available-For-Sale Investments

	The Group	
	2015 HK$'000	**2016** **HK$'000**
Unlisted equity investments, at cost	8,982	**8,585**

	The Company	
	2015 HK$'000	**2016** **HK$'000**
Unlisted equity investments, at cost	3,000	**3,000**

The unlisted equity investments are measured at cost because the Directors are of the opinion that their fair value cannot be measured reliably.

23. Inventories

	2015 HK$'000	**2016** **HK$'000**
Hotel and restaurant inventories	7,099	**7,879**

The cost of inventories recognised as an expense during the year amounted to HK$75,951,000 (2015: HK$76,940,000).

24. Stock of Properties

The cost of properties recognised as an expense during the year amounted to HK$149,532,000 (2015: HK$198,506,000).

At 30 June 2016, the stock of properties under development of HK$304 million (2015: HK$435 million) included in the consolidated statement of financial position are expected to be realised beyond one year from the end of the reporting period.

25. 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:

	2015 *HK$'000*	***2016*** ***HK$'000***
Receivables aged		
0 to 30 days	118,644	**16,150**
31 to 60 days	4,885	**3,484**
Over 60 days	13,625	**11,080**
	137,154	**30,714**
Less: Allowance for doubtful debts	(818)	**(2,253)**
	136,336	**28,461**
Interest receivable on bank deposits	15,135	**8,120**
Dividend receivable from joint ventures	108,000	**22,406**
	259,471	**58,987**

The Group has provided for all trade receivables where, based on historical experience, it is not probable that such receivables are recoverable.

Included in the Group's trade receivable balance are debtors with carrying amount of HK$14,611,000 (2015: HK$16,048,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2015 *HK$'000*	***2016*** ***HK$'000***
0 to 30 days	10,928	**7,997**
31 to 60 days	1,939	**1,878**
Over 60 days	3,181	**4,736**
Total	16,048	**14,611**

Movement in the allowance for doubtful debts:

	2015 *HK$'000*	***2016*** ***HK$'000***
Balance at beginning of the year	669	**818**
Recognition of impairment losses	149	**1,435**
Balance at end of the year	818	**2,253**

26. Amounts due from Joint Ventures

	Contractual interest rate	2015 HK$'000	2016 HK$'000
Grand Site	–	752,806	**528,806**
West Route JV (2015: RMB788 million)	6.2%	985,000	**–**
Heyuan JV (2015: RMB240 million)	5.4%	300,000	**–**
Interest receivable on amounts due from joint ventures	–	32,230	**–**
		2,070,036	**528,806**

The amounts due from joint ventures are unsecured and repayable on demand.

27. Bank Balances and Cash

The Group

Bank balances and cash comprise cash held by the Group and bank balances which carry interest at market rates ranged from 0.005% to 6.07% (2015: 0.001% to 4.9%) per annum.

Included in the bank balances and cash are restricted bank balances of HK$315 million (2015: HK$1,182 million) which can be applied in the construction and tax payments of designated property development projects in the ordinary course of business.

Included in bank balances and cash are bank balances amounting to approximately RMB10 million (2015: RMB1,154 million), and HK$353 million (2015: HK$353 million) which are denominated in currencies other than the functional currencies of the respective group companies.

The Company

Bank balances and cash comprise cash held by the Company and bank balances with maturity of three months or less which carry interest at market rates ranged from 0.005% to 6.07% (2015: 0.001% to 4.9%) per annum.

Included in bank balances and cash are bank deposit amounting to approximately RMB7 million (2015: RMB1,150 million) which is denominated in currency other than the functional currency of the Company.

28. Trade and Other Payables

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

	2015 *HK$'000*	***2016*** ***HK$'000***
Payables aged		
0 to 30 days	69,225	**69,720**
31 to 60 days	4,444	**2,012**
Over 60 days	16,021	**23,568**
	89,690	**95,300**
Retentions payable	74,029	**37,112**
Amount due to a minority shareholder of a subsidiary (note 42)	36,469	**28,091**
Amount due to an associate (note 42)	782	**612**
Accrued construction and other costs	335,527	**331,011**
Accrued staff costs	48,208	**49,853**
Accrued interest on bank borrowings	2,081	**1,492**
	586,786	**543,471**

The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Of the retentions payable, an amount of HK$17,589,000 (2015: HK$39,224,000) is due beyond twelve months from the end of the reporting period.

The amounts due to a minority shareholder of a subsidiary and an associate are unsecured, interest-free and repayable on demand.

29. Amounts due from/to Subsidiaries

The amounts due from subsidiaries classified under current assets and the amounts due to subsidiaries are both unsecured, interest-free and repayable on demand.

30. Bank Borrowings

	2015 HK$'000	**2016 HK$'000**
Bank borrowings, unsecured	4,655,700	**2,550,000**
Carrying amount repayable:		
Within one year	295,700	**200,000**
More than one year, but not exceeding two years	250,000	**1,150,000**
More than two years, but not more than five years	4,110,000	**1,200,000**
	4,655,700	**2,550,000**
Less: Amounts due for settlement within one year under current liabilities	(295,700)	**(200,000)**
Amounts due for settlement after one year	4,360,000	**2,350,000**

As at 30 June 2016, all bank borrowings (2015: HK$4,406 million) carry interest at floating rates ranging from 1.14% to 1.69% (2015: 1.16% to 1.61%) per annum. As at 30 June 2015, included in bank borrowings were approximately HK$250 million which carry interest at fixed rate of 3.55% per annum.

No bank borrowings (2015: RMB200 million) are denominated in currencies other than the functional currencies of the respective group companies.

31. Share Capital

	Number of shares		*Share capital*	
	2015 '000	**2016 '000**	2015 HK$'000	**2016 HK$'000**
The Group and the Company				
Ordinary shares issued and fully paid				
At beginning of the year	871,255	**871,637**	11,179,498	**11,192,132**
Issued during the year	382	**203**	12,634	**5,697**
Bought back during the year	–	**(2,001)**	–	**–**
At end of the year	871,637	**869,839**	11,192,132	**11,197,829**

During the year ended 30 June 2016, the Company issued a total of 203,000 ordinary shares at the subscription price of HK$21.45 each for 163,000 ordinary shares and HK$26.35 each for 40,000 ordinary shares (2015: 40,000 ordinary shares at HK$21.45 each, 341,400 ordinary shares at HK$26.35 each, totalling 381,400 ordinary shares) for a total cash consideration of approximately HK$4.6 million (2015: HK$9.9 million) upon the exercise of the share options previously granted. These shares rank *pari passu* in all respects with the existing ordinary shares.

31. Share Capital (continued)

During the year ended 30 June 2016, the Company bought back and cancelled a total of 2,000,500 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited for a total consideration of approximately HK$51 million (including transaction costs).

Month	*Number of ordinary shares bought back*	*Purchase price per share*		*Total consideration paid and payable (including transaction costs)*
		Highest	*Lowest*	
	'000	*HK$*	*HK$*	*HK$'000*
August 2015	25	24.90	24.60	632
December 2015	108	26.50	26.15	2,846
January 2016	1,267	27.55	24.50	32,941
February 2016	450	23.90	23.55	10,756
March 2016	151	25.15	23.95	3,628
	2,001			**50,803**
			Average price per share:	**HK$25.33**

These buy-backs were made for the benefit of the shareholders with a view to enhance the earnings per share of the Company.

At 30 June 2016, the Company's 72,000 (2015: 72,000) issued shares were held by HHL Employees' Share Award Scheme Trust (see note on share award scheme below). In accordance with the trust deed of the HHL Employees' Share Award Scheme Trust, the relevant trustee shall not exercise the voting rights attached to such shares.

Share option schemes

(a) The Company

A share option scheme ("HHL 2003 Scheme") was approved by the shareholders of the Company effective on 1 November 2003 and terminated with effect from the adoption of the new share option scheme of the Company by the shareholders on 21 October 2013. The principal purpose of this scheme is to provide incentives to Directors and any eligible persons as the Board may approve from time to time. The Board is authorised under the HHL 2003 Scheme to grant options to executive directors and employees of the Company or any of its subsidiaries and any eligible persons specified in the scheme document to subscribe for shares in the Company.

Under the HHL 2003 Scheme, options granted must be taken up within 14 days from the date of the offer letter upon the payment of HK$1 per each grant of option, payable as consideration on acceptance, which is recognised as income when received.

No further options will be granted under the HHL 2003 Scheme but in all other respects the provisions of the HHL 2003 Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any option granted under the HHL 2003 Scheme prior to its termination, or otherwise as may be required in accordance with the provisions of the HHL 2003 Scheme.

31. Share Capital (continued)

Share option schemes (continued)

(a) The Company (continued)

The following table discloses details of share options which were granted by the Company at nominal consideration and movements in such holdings:

Date of grant	Subscription price per share HK$	Outstanding at 1 July 2014	Movements during the year: Granted	Movements during the year: Exercised	Movements during the year: Lapsed	At 30 June 2015: Outstanding	At 30 June 2015: Exercisable	Weighted average share price at the date of exercise HK$
Employees								
15 November 2007	36.10	3,216,000	–	–	(3,216,000)	–	–	N/A
24 July 2008	26.35	619,400	–	(341,400)	–	278,000	278,000	29.85
11 March 2009	21.45	331,000	–	(40,000)	(128,000)	163,000	163,000	28.50
		4,166,400	–	(381,400)	(3,344,000)	441,000	441,000	
Weighted average exercise price		HK$33.49	N/A	HK$25.84	HK$35.54	HK$24.54	HK$24.54	

(Number of shares under options granted)

Date of grant	Subscription price per share HK$	Outstanding at 1 July 2015	Movements during the year: Granted	Movements during the year: Exercised	Movements during the year: Lapsed	At 30 June 2016: Outstanding	At 30 June 2016: Exercisable	Weighted average share price at the date of exercise HK$
Employees								
24 July 2008	**26.35**	**278,000**	**–**	**(40,000)**	**(238,000)**	**–**	**–**	**26.80**
11 March 2009	**21.45**	**163,000**	**–**	**(163,000)**	**–**	**–**	**–**	**24.33**
		441,000	**–**	**(203,000)**	**(238,000)**	**–**	**–**	
Weighted average exercise price		**HK$24.54**	**N/A**	**HK$22.42**	**HK$26.35**	**N/A**	**N/A**	

(Number of shares under options granted)

The dates of grant of options referred to above represent the dates on which the options were accepted by the grantees.

31. Share Capital (continued)

Share option schemes (continued)

(a) The Company (continued)

The followings are the particulars of share options granted under HHL 2003 Scheme, the exercisable periods of which have not yet expired during the years ended 30 June 2016 and 30 June 2015:

Date of Grant	*Number of share options*	*Vesting period*	*Exercisable period*	*Exercise price per share* *HK$*
15 November 2007	1,049,600	15 November 2007 to 30 November 2008	1 December 2008 to 30 November 2014	36.10
15 November 2007	1,049,600	15 November 2007 to 30 November 2009	1 December 2009 to 30 November 2014	36.10
15 November 2007	1,049,600	15 November 2007 to 30 November 2010	1 December 2010 to 30 November 2014	36.10
15 November 2007	1,049,600	15 November 2007 to 30 November 2011	1 December 2011 to 30 November 2014	36.10
15 November 2007	1,049,600	15 November 2007 to 30 November 2012	1 December 2012 to 30 November 2014	36.10
24 July 2008	357,600	24 July 2008 to 31 July 2009	1 August 2009 to 31 July 2015	26.35
24 July 2008	357,600	24 July 2008 to 31 July 2010	1 August 2010 to 31 July 2015	26.35
24 July 2008	357,600	24 July 2008 to 31 July 2011	1 August 2011 to 31 July 2015	26.35
24 July 2008	357,600	24 July 2008 to 31 July 2012	1 August 2012 to 31 July 2015	26.35
24 July 2008	357,600	24 July 2008 to 31 July 2013	1 August 2013 to 31 July 2015	26.35
11 March 2009	352,000	11 March 2009 to 17 March 2010	18 March 2010 to 17 March 2016	21.45
11 March 2009	352,000	11 March 2009 to 17 March 2011	18 March 2011 to 17 March 2016	21.45
11 March 2009	352,000	11 March 2009 to 17 March 2012	18 March 2012 to 17 March 2016	21.45
11 March 2009	352,000	11 March 2009 to 17 March 2013	18 March 2013 to 17 March 2016	21.45
11 March 2009	352,000	11 March 2009 to 17 March 2014	18 March 2014 to 17 March 2016	21.45

31. Share Capital (continued)

Share option schemes (continued)

(a) The Company (continued)

Share option expenses charged to profit or loss are based on valuation determined using the Binomial model. Share options granted were valued based on the following assumptions:

Date of grant	Number of options granted	Fair value of options granted HK$	Closing share price at date of grant HK$	Exercise price HK$	Expected volatility	Option life	Risk-free rate	Expected dividend yield	Suboptimal exercise factor
15 November 2007	5,248,000	43,669,000	35.10	36.10	33.00%	7 years	3.384%	4.70%	2
24 July 2008	1,788,000	13,475,000	26.25	26.35	33.54%	7 years	3.598%	3.01%	1.61
11 March 2009	1,760,000	9,142,000	21.45	21.45	34.37%	7 years	1.872%	4.53%	2.2

Expected volatility was determined by using the historical volatility of the Company's share price over previous year. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

A new share option scheme ("HHL 2013 Scheme") was approved for adoption by the shareholders of the Company effective on 22 October 2013. The HHL 2013 Scheme shall be valid and effective for a period of 10 years. The principal purpose of this scheme is to provide incentives to the Directors and any eligible persons as the Board may approve from time to time. The Board is authorised under the HHL 2013 Scheme to grant options to executive directors and employees of the Company or any of its subsidiaries and any eligible persons specified in the scheme document to subscribe for shares in the Company. During the years ended 30 June 2015 and 30 June 2016, no options were granted under the HHL 2013 Scheme.

No expense was recognised by the Group in relation to share options granted by the Company in both years presented.

(b) HHI

A share option scheme ("HHI 2003 Scheme") was approved by the written resolutions of the then sole shareholder of HHI passed on 16 July 2003 and approved by the shareholders of the Company at an extraordinary general meeting held on 16 July 2003. The HHI 2003 Scheme expired on 15 July 2013. The principal purpose of this scheme is to provide incentives to HHI directors and any eligible persons as the Board of HHI may approve from time to time. The Board of HHI is authorised under the HHI 2003 Scheme to grant options to executive directors and employees of the Company and HHI or any of its subsidiaries and any eligible persons specified in the scheme document to subscribe for shares in HHI.

Under the HHI 2003 Scheme, options granted must be taken up within 28 days from the date of the offer letter upon the payment of HK$1 per each grant of option, payable as consideration on acceptance, which is recognised as income when received.

31. Share Capital (continued)

Share option schemes (continued)

(b) HHI (continued)

No further options will be granted under the HHI 2003 Scheme but in all other respects the provisions of the HHI 2003 Scheme shall remain in full force and effect, and options which were granted during the life of HHI 2003 Scheme may continue to be exercisable in accordance with their respective term of issue.

The following table discloses the details of share options granted under the HHI 2003 Scheme by HHI to its directors and employees, who are not directors of the Company, at nominal consideration:

		Number of shares under options granted						
			Movements during the year			At 30 June 2015		Weighted average share price at the date of exercise
Date of grant	*Subscription price per share HK$*	*Outstanding at 1 July 2014*	*Granted*	*Exercised*	*Lapsed*	*Outstanding*	*Exercisable*	*HK$*
19 November 2007	6.746	360,000	–	–	(360,000)	–	–	N/A
24 July 2008	5.800	400,000	–	–	–	400,000	400,000	N/A
		760,000	–	–	(360,000)	400,000	400,000	
Weighted average exercise price		HK$6.248	N/A	N/A	HK$6.746	HK$5.800	HK$5.800	

		Number of shares under options granted						
			Movements during the year			At 30 June 2016		Weighted average share price at the date of exercise
Date of grant	**Subscription price per share HK$**	**Outstanding at 1 July 2015**	**Granted**	**Exercised**	**Lapsed**	**Outstanding**	**Exercisable**	**HK$**
24 July 2008	**5.800**	**400,000**	**–**	**–**	**(400,000)**	**–**	**–**	**N/A**
Weighted average exercise price		**HK$5.800**	**N/A**	**N/A**	**HK$5.800**	**N/A**	**N/A**	

31. Share Capital (continued)

Share option schemes (continued)

(b) HHI (continued)

The followings are the particulars of share options granted under HHI 2003 Scheme, the exercisable periods of which have not yet expired during the years ended 30 June 2016 and 30 June 2015:

Date of Grant	*Number of share options*	*Vesting period*	*Exercisable period*	*Exercise price per share HK$*
19 November 2007	152,000	19 November 2007 to 30 November 2008	1 December 2008 to 30 November 2014	6.746
19 November 2007	152,000	19 November 2007 to 30 November 2009	1 December 2009 to 30 November 2014	6.746
19 November 2007	152,000	19 November 2007 to 30 November 2010	1 December 2010 to 30 November 2014	6.746
19 November 2007	152,000	19 November 2007 to 30 November 2011	1 December 2011 to 30 November 2014	6.746
19 November 2007	152,000	19 November 2007 to 30 November 2012	1 December 2012 to 30 November 2014	6.746
24 July 2008	160,000	1 August 2008 to 31 July 2009	1 August 2009 to 31 July 2015	5.800
24 July 2008	160,000	1 August 2008 to 31 July 2010	1 August 2010 to 31 July 2015	5.800
24 July 2008	160,000	1 August 2008 to 31 July 2011	1 August 2011 to 31 July 2015	5.800
24 July 2008	160,000	1 August 2008 to 31 July 2012	1 August 2012 to 31 July 2015	5.800
24 July 2008	160,000	1 August 2008 to 31 July 2013	1 August 2013 to 31 July 2015	5.800

Share option expenses charged to profit or loss are based on valuation determined using the Binomial model. Share options granted were valued based on the following assumptions:

Date of grant	*Number of options granted*	*Fair value of options granted HK$*	*Closing share price at date of grant HK$*	*Exercise price HK$*	*Expected volatility*	*Option life*	*Risk-free rate*	*Expected dividend yield*	*Suboptimal exercise factor*
19 November 2007	760,000	705,000	6.55	6.746	23.83%	7 years	3.330%	5.78%	2
24 July 2008	800,000	843,000	5.80	5.800	25.94%	7 years	3.600%	4.66%	1.31

Expected volatility was determined by using the historical volatility of the HHI's share price over the previous year. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

31. Share Capital (continued)

Share option schemes (continued)

(b) HHI (continued)

A new share option scheme ("HHI 2013 Scheme") was approved for adoption by both the shareholders of the Company and HHI effective on 22 October 2013. The HHI 2013 Scheme shall be valid and effective for a period of 10 years. The principal purpose of this scheme is to provide incentives to HHI directors and any eligible persons as the Board of HHI may approve from time to time. The Board of HHI is authorised under the HHI 2013 Scheme to grant options to executive directors and employees of the Company and HHI or any of its subsidiaries and any eligible persons specified in the scheme document to subscribe for shares in HHI. During the years ended 30 June 2015 and 30 June 2016, no options were granted under the HHI 2013 Scheme.

No expense was recognised by the Group in relation to share options granted by HHI in both years presented.

Share award scheme

(a) The Company

On 25 January 2007, an employees' share award scheme ("HHL Share Award Scheme") was adopted by the Company. The HHL Share Award Scheme is valid and effective for a period of 15 years commencing from 25 January 2007. Pursuant to the rules of the HHL Share Award Scheme, the Group has set up a trust, HHL Employees' Share Award Scheme Trust, for the purpose of administering the HHL Share Award Scheme and holding the awarded shares before they are vested.

For awarded shares granted on 25 January 2007 according to the HHL Share Award Scheme, the awardees shall not dispose of, nor enter into any agreement to dispose of the relevant awarded shares in the 12-month period commencing on the vesting date thereof.

There were no awarded shares granted, forfeited, vested or outstanding in both years presented.

(b) HHI

On 25 January 2007, an employees' share award scheme ("HHI Share Award Scheme") was adopted by HHI. The HHI Share Award Scheme is valid and effective for a period of 15 years commencing from 25 January 2007. Pursuant to the rules of the HHI Share Award Scheme, HHI has set up a trust, HHI Employees' Share Award Scheme Trust, for the purpose of administering the HHI Share Award Scheme and holding the awarded shares before they are vested.

For awarded shares granted on 25 January 2007 according to the HHI Share Award Scheme, the awardees shall not dispose of, nor enter into any agreement to dispose of the relevant awarded shares in the 12-month period commencing on the vesting date thereof.

There were no HHI awarded shares granted, forfeited, vested or outstanding in both years presented.

32. Reserves

The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Translation reserve

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the translation reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in note 3.

PRC statutory reserves

Pursuant to the relevant laws and regulations, a portion of the profits of the Group's subsidiaries and jointly ventures which are established in the PRC are required to be transferred to the PRC statutory reserves.

Property revaluation reserve

Property revaluation reserve arises on the revaluation of office premises included in other properties. Where other properties are reclassified to investment property, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant properties.

Share option reserve

The share option reserve comprises the fair value of share options granted and vested which are yet to be exercised. The reserve is dealt with in accordance with the accounting policy of equity-settled share-based payment transactions set out in note 3.

The Company

	Capital reserve *HK$'000*	***Share option reserve*** *HK$'000*	***Shares held for share award scheme*** *HK$'000*	***Retained profits*** *HK$'000*	***Total*** *HK$'000*
At 1 July 2014	9,872	33,162	(2,178)	8,528,479	8,569,335
Profit for the year and total comprehensive income for the year	–	–	–	3,264,150	3,264,150
Shares issued	–	(2,780)	–	–	(2,780)
Lapse of vested share options	–	(27,425)	–	27,425	–
Dividends recognised as distribution during the year (note 12)	–	–	–	(1,122,555)	(1,122,555)
At 30 June 2015	9,872	2,957	(2,178)	10,697,499	10,708,150
Profit for the year and total comprehensive income for the year	–	–	–	3,688,816	3,688,816
Shares issued	–	(1,147)	–	–	(1,147)
Share bought back and cancelled (note 31)	–	–	–	(50,803)	(50,803)
Lapse of vested share options	–	(1,810)	–	1,810	–
Dividends recognised as distribution during the year (note 12)	–	–	–	(1,088,487)	(1,088,487)
At 30 June 2016	**9,872**	**–**	**(2,178)**	**13,248,835**	**13,256,529**

33. Deferred Tax Liabilities

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Fair value adjustments on investment properties HK$'000	Undistributed earnings of PRC subsidiaries and joint ventures HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 July 2014	360,268	3,581	216,074	(146,396)	(1,573)	431,954
Exchange realignment	–	–	79	–	–	79
Charge (credit) to profit or loss	43,264	–	53,112	11,370	(35)	107,711
Release to profit or loss upon payment of withholding tax	–	–	(40,002)	–	–	(40,002)
At 30 June 2015	403,532	3,581	229,263	(135,026)	(1,608)	499,742
Exchange realignment	–	–	(10,722)	–	–	(10,722)
Charge (credit) to profit or loss	52,246	536	43,741	7,893	(67)	104,349
Release to profit or loss upon payment of withholding tax	–	–	(51,699)	–	–	(51,699)
At 30 June 2016	**455,778**	**4,117**	**210,583**	**(127,133)**	**(1,675)**	**541,670**

The deferred tax assets and liabilities have been offset for the purposes of presentation in the consolidated statement of financial position.

At the end of the reporting period, the Group had available unused tax losses of HK$1,703 million (2015: HK$1,756 million) to offset against future profits. A deferred tax asset of HK$127 million (2015: HK$135 million) in respect of tax losses of HK$771 million (2015: HK$818 million) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$932 million (2015: HK$938 million) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

34. Project Commitments

(a) Hopewell Centre II

Hopewell Centre II is one of the new major property projects of the Group. Under the current plan, the estimated total investment cost (including land premium) for the development will be around HK$9 billion to HK$10 billion, which has taken into account the estimated investment cost for a road improvement scheme and a green park open to the public. As at 30 June 2016, the Group's commitment in respect of development costs of this project, which has been contracted for but not provided, was approximately HK$196 million (2015: HK$203 million).

34. Project Commitments (continued)

(b) Hopewell New Town

	2015 HK$'000	**2016 HK$'000**
Contracted for but not provided	43,503	**34,260**

(c) Expressway projects

During the year ended 30 June 2015, the Group decided to make additional capital contributions to West Route JV in respect of Phase II West by three tranches in aggregate of RMB318 million (equivalent to HK$392 million). The first, second and third tranche of the additional capital of RMB106 million each (equivalent to HK$131 million, HK$132 million and HK$129 million respectively) had been contributed by the Group in February 2015, July 2015 and September 2015 respectively.

Accordingly, as at 30 June 2016, the Group has no outstanding capital commitment to West Route JV and in respect of Expressway projects.

(d) Heyuan Power Plant Project

The Heyuan JV is studying the development of a second phase which will consist of 2 x 1,000MW coal-fired generating units. A feasibility study has already been submitted to the relevant PRC authorities, and the Heyuan JV is currently applying for approvals for the project.

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

	2015 HK$'000	**2016 HK$'000**
Contracted for but not provided	50,433	**55,203**

(e) Property renovation

	2015 HK$'000	**2016 HK$'000**
Contracted for but not provided	11,990	**17,379**

(f) Other property for/under development

	2015 HK$'000	**2016 HK$'000**
Contracted for but not provided	32,373	**41,257**

35. Operating Lease Commitments

The Group as lessor

Rental and other related income from investment properties earned during the year is approximately HK$1,057 million (2015: HK$980 million). These properties have committed tenants for the next one to six years without termination options granted to the tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum payments under non-cancellable operating leases:

	2015 *HK$'000*	***2016*** ***HK$'000***
Within one year	694,465	**651,765**
In the second to fifth years inclusive	926,444	**788,748**
After five years	116,285	**75,597**
	1,737,194	**1,516,110**

36. Contingent Liabilities

A subsidiary of the Company has acted as the guarantor for the repayment of mortgage bank loans amounting to HK$376 million as of 30 June 2016 (2015: HK$635 million) granted to purchasers of the subsidiary's properties.

The Company acted as the guarantor of bank loan facilities of Grand Site, a joint venture, to the extent of HK$2,500 million (2015: HK$2,500 million). In June 2014, Grand Site fully repaid the bank loan and the facilities were terminated accordingly, while the retention period for such guarantee was expired in July 2016. In addition, the Company acted as guarantor of certain performance bonds issued by banks in respect of the project to the extent of HK$119 million as at 30 June 2016 (2015: HK$31 million).

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.

37. Retirement Benefit Scheme

The Group has established a Mandatory Provident Fund Scheme (the "MPF Scheme") for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000 per month.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total costs recognised as expense for the year of HK$13,359,000 (2015: HK$12,589,000) represent contributions paid or payable to the schemes by the Group in respect of the current accounting period. At the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

38. Related Party Transactions

In addition to the balances of the Group and the Company and transactions with related parties disclosed above, the Group has the following transactions with related parties:

The registered capital amounting to HK$702 million previously injected by a subsidiary of the Company to GS Superhighway JV was repaid by GS Superhighway JV during the year ended 30 June 2008. According to the Law 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 the Company, as the foreign joint venture partner, is required to undertake the financial obligations of GS Superhighway JV to the extent of HK$702 million when GS Superhighway JV fails to meet its financial obligations during the joint venture operation period.

Compensation of key management personnel

The remuneration of key management personnel, who are all executive directors of the Company, is disclosed in note 14.

39. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The Directors review the capital structure periodically. As part of this review, the Directors assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the Directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of debts.

40. Financial Instruments

(a) Categories of financial instruments

	2015 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	6,814,996	**4,234,942**
Available-for-sale investments	8,982	**8,585**
	6,823,978	**4,243,527**
Financial liabilities		
Liabilities at amortised cost	4,856,670	**2,711,115**

(b) Financial risk management objectives and policies

The Group's major financial instruments include amounts due from joint ventures, available-for-sale investments, trade and other receivables, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

The main risks arising from the Group's financial instruments are market risks (including currency risk and interest rate risk), credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below:

Market risks

(i) Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets and liabilities are denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") or United States dollars ("US dollars") which are currencies other than the functional currencies of the respective group entities. The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		*Liabilities*	
	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000
HK$	353,205	**352,988**	–	**–**
RMB	1,744,527	**11,427**	250,000	**–**
US dollars	505	**510**	–	**–**

40. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Currency risk (continued)

Currency risk sensitivity analysis

As HK$ are pegged to US dollars, it is assumed that there would be no material currency risk exposure on between these two currencies. The Group's foreign currency risk is mainly concentrated on the fluctuations of RMB against HK$. The sensitivity analysis below includes only currency risk related to RMB and HK$ denominated monetary items of group entities whose functional currencies are HK$ and RMB respectively.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items as disclosed above and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates.

At the end of the reporting period, if the exchange rate of RMB against HK$ had been strengthened/weakened by 5% (2015: 5%), the Group's profit for the year attributable to owners of the Company (excluding the impact on the Group's share of results of joint ventures) would have minimal impact for the year ended 30 June 2016 (2015: increase/decrease by approximately HK$62.1 million).

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank deposits, amounts due from joint ventures, bank borrowings which are interest-free or carry fixed interest rates. It is the Group's policy to keep certain amount of bank deposits and bank borrowings at fixed interest rate.

The Group is exposed to cash flow interest rate risk in relation to certain bank deposits and bank borrowings which are subject to changes in prevailing floating interest rates. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rate.

Interest rate risk sensitivity analysis

As the net cash position of the Group (excluding its joint ventures) was not significant, the Directors are of the opinion that the Group's exposures to cash flow interest rate risk is minimal. Accordingly, no sensitivity analysis is presented.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the statements of financial positions and the amount of financial guarantees issued by the Group as disclosed in note 36.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from joint ventures, bank deposits and bank balances. In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

40. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

The management of the Group considers that the credit quality of the Group's financial assets that are neither past due nor impaired at the end of the reporting period is good.

The management of the Group is responsible to exercise joint control on the financial and operating activities of the joint venture with the joint venture partners to ensure the joint ventures maintaining favourable financial position in order to reduce such credit risk.

Other than the amounts due from joint ventures and dividend receivable from a joint venture, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risks of the Group on liquid funds are limited because the counterparties are banks with good reputation.

Liquidity risk

The Group's total assets less current liabilities and the Group's net current assets at 30 June 2016 amounted to HK$52,298 million (2015: HK$53,719 million) and HK$4,265 million (2015: HK$7,065 million) respectively.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of the available banking facilities and ensures compliance with loan covenants. As at 30 June 2016, the Group has unutilised committed and uncommitted banking facilities of HK$3,150 million (2015: HK$190 million) and HK$440 million (2015: HK$720 million), respectively.

As at 30 June 2015, included in bank borrowings were HK$1,560 million due within one year for which the Group expected, and had discretion, to roll over the amount for at least twelve months after the end of that reporting period under its existing loan facility with the same lenders and on similar terms. Accordingly, the amount was classified as non-current liabilities and presented in the time band of "1-5 years" in the liquidity risk table.

The following tables detail the contractual maturity of the Group for its financial liabilities. Financial guarantee contracts, which represent the maximum amount of the guarantee in which the guarantee could be called, are shown separately. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

40. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity risk tables

	Weighted average interest rate %	Repayable on demand or less than 1 month HK$'000	Over 1 month but not more than 1 year HK$'000	1 - 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30.6.2016 HK$'000
2016							
Trade and other payables	**–**	**125,792**	**17,716**	**16,910**	**697**	**161,115**	**161,115**
Rental and other deposits	**–**	**26,582**	**42,092**	**189,451**	**6,358**	**264,483**	**264,483**
Bank borrowings	**1.4**	**202,693**	**28,944**	**2,383,284**	**–**	**2,614,921**	**2,550,000**
		355,067	**88,752**	**2,589,645**	**7,055**	**3,040,519**	**2,975,598**
2015							
Trade and other payables	–	85,183	77,870	6,916	31,001	200,970	200,970
Rental and other deposits	–	23,837	55,396	174,391	7,976	261,600	261,600
Bank borrowings	1.6	5,109	364,470	4,470,137	–	4,839,716	4,655,700
		114,129	497,736	4,651,444	38,977	5,302,286	5,118,270

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

In addition, as mentioned in note 36, the Group has, at the end of the reporting period, given financial guarantees to banks in respect of banking facilities granted to purchasers of its properties and Grand Site of HK$376 million (2015: HK$635 million) and HK$119 million (2015: HK$31 million), respectively, of which no financial liability was recognised in the consolidated statement of financial position as financial guarantee contracts. In accordance with the guarantee documents, the Company may be required to settle the maximum guaranteed amounts upon demand by the counterparties to the financial guarantee contracts. The management expected that claims from the counterparties to the financial guarantee contracts are not probable.

The Company also acted as the guarantor of bank loan facilities granted to Grand Site to the extent of HK$2,500 million (2015: HK$2,500 million), of which no financial liability was recognised in the consolidated statement of financial position as financial guarantee contracts. In June 2014, Grand Site fully repaid the bank loan and the facilities were terminated accordingly, while the retention period for such guarantee was expired in July 2016.

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

41. Principal Subsidiaries

The following list contains only the details of the subsidiaries at 30 June 2015 and 30 June 2016 which principally affect the results, assets or liabilities of the Group as the Directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. Except as otherwise indicated, all the subsidiaries are private companies incorporated and are operating principally in the place of incorporation and all issued shares are ordinary shares.

Name of company	*Paid up issued/ registered capital*	*Proportion of issued/ registered capital held by the Company*				*Principal activities*
		Directly		*Indirectly*		
		2015 %	***2016*** %	*2015* %	***2016*** %	
Incorporated in Hong Kong:						
Banbury Investments Limited	HK$2	–	**–**	100	**100**	Property investment
Broadwood Twelve Management Limited	HK$1	–	**–**	100	**100**	Property management
Chee Shing Company Limited	HK$968,000	100	**100**	–	**–**	Provision of corporate management services
Cineplex Asia Limited	HK$1	–	**–**	100	**100**	Cinema
Eldridge Investments Limited	HK$1	–	**–**	100	**100**	Property investment
Exgratia Company Limited	HK$2	–	**–**	100	**100**	Property investment
GardenEast Limited	HK$1,000,000	–	**–**	100	**100**	Property investment
GardenEast Management Limited	HK$300,000	–	**–**	100	**100**	Property management
HH Finance Limited	HK$1,000,000	100	**100**	–	**–**	Loan financing
HHI Finance Limited	HK$1	–	**–**	66.69	**66.69**	Loan financing
HHP Finance Limited	HK$1	–	**–**	100	**100**	Loan financing
HHP Management Services Limited	HK$1	–	**–**	100	**100**	Provision of corporate management services
Hopewell Centre Management Limited	HK$20,920,000	–	**–**	100	**100**	Property management
Hopewell China Development (Superhighway) Limited (i)	Ordinary shares HK$2 and non-voting deferred shares HK$4	–	**–**	65.02	**65.02**	Investment in expressway project

41. Principal Subsidiaries (continued)

Name of company	*Paid up issued/ registered capital*	*Proportion of issued/ registered capital held by the Company* Directly 2015 %	**2016 %**	Indirectly 2015 %	**2016 %**	*Principal activities*
Incorporated in Hong Kong: (continued)						
Hopewell Construction Company, Limited	HK$20,000,000	–	**–**	100	**100**	Project management
Hopewell Guangzhou-Zhuhai Superhighway Development Limited (i)	Ordinary shares HK$2 and non-voting deferred shares HK$2	–	**–**	66.69	**66.69**	Investment in expressway project
Hopewell Hotels Management Limited	HK$3,000,000	–	**–**	100	**100**	Hotel management
Hopewell Project Development Limited	HK$1	–	**–**	100	**100**	Project development and investment holding
Hopewell Promotion and Entertainment Limited	HK$600,000	–	**–**	100	**100**	Event organisers
Hopewell Property and Facility Management Limited	HK$1	–	**–**	100	**100**	Property management
Hopewell Property Management Company Limited	HK$200	–	**–**	100	**100**	Property management
Hopewell Real Estate Agency Limited	HK$3,000,000	–	**–**	100	**100**	Leasing and marketing services
H-Power Investor (HK) Limited	HK$1	–	**–**	87.5	**87.5**	Investment in a power station project
International Trademart Company Limited	Ordinary shares HK$2 and non-voting deferred shares of HK$10,000	–	**–**	100	**100**	Property investment and investment holding
IT Catering and Services Limited	HK$2	–	**–**	100	**100**	Restaurant operations and provision of catering and services

41. Principal Subsidiaries (continued)

Name of company	*Paid up issued/ registered capital*	*Proportion of issued/ registered capital held by the Company* Directly		Indirectly		*Principal activities*
		2015 %	***2016*** %	*2015* %	***2016*** %	
Incorporated in Hong Kong: (continued)						
Kingline Enterprise Limited	HK$1	–	**–**	100	**100**	Property investment
KITEC Management Limited	HK$300,000	–	**–**	100	**100**	Property management
Kowloon Panda Hotel Limited	Ordinary shares HK$200 and non-voting deferred shares of HK$2,000,000	–	**–**	100	**100**	Property investment, hotel ownership and operation
Panda Place Management Limited	HK$300,000	–	**–**	100	**100**	Property management
QRE Plaza Limited	HK$100,000	–	**–**	100	**100**	Property investment
QRE Plaza Management Limited	HK$300,000	–	**–**	100	**100**	Property management
Wetherall Investments Limited	Ordinary shares HK$2 and non-voting deferred shares HK$2	–	**–**	100	**100**	Property investment and investment holding
Yuba Company Limited	HK$10,000	–	**–**	100	**100**	Property investment
Established in the PRC:						
廣州市合和(花都)置業發展有限公司 (ii)	RMB124,000,000 (registered capital)	–	**–**	95	**95**	Property development
廣州市冠暉物業管理有限公司 (iii)	RMB3,000,000 (registered capital)	–	**–**	91.84	**91.84**	Property management
廣州誠滿物業管理有限公司 (iv)	RMB950,000,000 (registered capital)	–	**–**	100	**100**	Property management

41. Principal Subsidiaries (continued)

Name of company	Paid up issued/ registered capital	Proportion of issued/ registered capital held by the Company Directly 2015 %	Directly 2016 %	Indirectly 2015 %	Indirectly 2016 %	Principal activities
Incorporated in the British Virgin Islands and operated in Hong Kong:						
Anber Investments Limited	US$1	–	**–**	100	**100**	Investment holding
Boyen Investments Limited	US$1	–	**–**	100	**100**	Investment holding
Hopewell (Huadu) Estate Investment Company Limited	US$1	100	**100**	–	**–**	Investment holding
Procelain Properties Ltd. (v)	US$1	–	**–**	100	**100**	Property investment
Singway (B.V.I.) Company Limited (v)	US$1	–	**–**	100	**100**	Property investment
Incorporated in the Cayman Islands:						
Hopewell Highway Infrastructure Limited (vi)	HK$308,169,028	–	**–**	66.69	**66.69**	Investment holding
Hopewell Hong Kong Properties Limited (v)	HK$100,000,000	–	**–**	100	**100**	Investment holding

Notes:

(i) Operating principally in the PRC
(ii) A co-operative joint venture enterprise operating in the PRC
(iii) An equity joint venture enterprise operating in the PRC
(iv) A wholly foreign owned enterprise operating in the PRC
(v) Operating principally in Hong Kong
(vi) Hopewell Highway Infrastructure Limited, a company listed on the Stock Exchange, is operating in Hong Kong and the PRC through its subsidiaries and joint ventures.

The non-voting deferred shares carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

41. Principal Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of company	*Place of establishment/ operation*	*Proportion of ownership interests and voting rights held by non-controlling interests*		*Profit allocated to non-controlling interests*		*Accumulated non-controlling interests*	
		2015	***2016***	*2015* *HK$'000*	***2016*** ***HK$'000***	*2015* *HK$'000*	***2016*** ***HK$'000***
HHI Group*	PRC	33.31%	**33.31%**	226,498	**216,087**	3,109,056	**2,674,771**
Individually immaterial subsidiaries with non-controlling interests				18,287	**16,662**	166,672	**166,178**
				244,785	**232,749**	3,275,728	**2,840,949**

* include amounts attributable to non-controlling interests of HHI and a subsidiary of HHI

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

HHI Group

	2015 *HK$'000*	***2016*** ***HK$'000***
Current assets	1,846,184	**785,158**
Non-current assets	7,760,242	**7,213,558**
Current liabilities	(310,891)	**(8,750)**
Non-current liabilities	(171,668)	**(148,690)**
	9,123,867	**7,841,276**
Equity attributable to owners of HHI	9,059,121	**7,786,948**
Non-controlling interests attributable to a subsidiary of HHI	64,746	**54,328**
	9,123,867	**7,841,276**

41. Principal Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

HHI Group (continued)

	2015 HK$'000	**2016** **HK$'000**
Profit attributable to owners of HHI	651,686	**615,702**
Profit attributable to the non-controlling interests of a subsidiary of HHI	12,683	**11,017**
Profit for the year	664,369	**626,719**
Total comprehensive income attributable to owners of HHI	662,875	**19,845**
Total comprehensive income attributable to the non-controlling interests of a subsidiary of HHI	12,677	**7,010**
Total comprehensive income for the year	675,552	**26,855**
Net cash used in operating activities	(47,042)	**(49,906)**
Net cash from investing activities	1,948,492	**1,761,421**
Net cash used in financing activities	(1,253,039)	**(1,604,946)**
Net cash inflow	648,411	**106,569**
Dividends paid to non-controlling interests of HHI	(222,106)	**(447,373)**

42. Comparative Figures

Certain amounts in current liabilities contained in the comparative figures in the consolidated statement of financial position have been reclassified to "trade and other payables" to conform with current year's presentation. Details are disclosed in respective notes.

43. Approval of Financial Statements

The financial statements on pages 113 to 182 and the Company's statement of financial position on page 119 were approved and authorised for issue by the Board of Directors on 23 August 2016.

List of Major Properties

A. Completed Properties

1) Investment Properties and Hotel Property (Unless Otherwise Specified, these Properties are Held Under Medium Term Leases):

Properties	*Location*	*Existing Use*	*Site area* (sq.m.)	*Gross floor area* (sq.m.)	*Group's interest* (%)
Kowloonbay International Trade & Exhibition Centre	1 Trademart Drive, Kowloon Bay, Kowloon	Conference, exhibition, restaurant, office, commercial and carparks	22,280	164,860*	100
Hopewell Centre (Long-term lease)	183 Queen's Road East, Wan Chai, Hong Kong	Commercial, office and carparks	5,207	78,102*	100
GardenEast (Long-term lease)	222 Queen's Road East, Wan Chai, Hong Kong	Residential and commercial	1,082	8,972	100
QRE Plaza (Long-term lease)	202 Queen's Road East, Wan Chai, Hong Kong	Commercial	464	7,157	100
Lee Tung Avenue	Lee Tung Street/ McGregor Street, Wan Chai, Hong Kong	Commercial	8,220 (i)	8,148	50(ii)
Four commercial units, one restaurant unit and 80 carparking spaces at Wu Chung House	G/F-5/F, 213 Queen's Road East,Hong Kong	Commercial and carparks	N/A	1,642*	100
Panda Hotel — Hotel property — Shopping arcade	3 Tsuen Wah Street, Tsuen Wan, New Territories	Hotel operation, commercial and carparks	5,750	40,855*	100
				21,337*	100
				62,192*	

* Excluding carparking spaces.

2) Stock of Properties or Investment Property Held for Sale:

Properties	*Location*	*Existing Use*	*Site area* (sq.m.)	*Gross floor area*[iii] (sq.m.)	*Group's interest* (%)
Hopewell New Town	Huadu district, Guangzhou, China	Residential, commercial, logistic and social facilities	610,200 [i]	71,300	95
The Avenue	Lee Tung Street/ McGregor Street, Wan Chai, Hong Kong	Residential	8,220 [i]	1,951 (saleable area)	50[ii]
Broadwood Twelve	12 Broadwood Road, Happy Valley, Hong Kong	Residential	2,116	2,021 (saleable area)	100

B. Properties and Stock of Properties Under Development:

Properties/land	*Location*	*Existing Use*	*Stage of Completion*	*Expected completion date*	*Site area* (sq.m.)	*Gross floor area*[iv] (sq.m.)	*Group's interest* (%)
Hopewell New Town	Huadu district, Guangzhou, China	Residential, commercial, logistic and social facilities	Under planning stage	2020	610,200[i] & [v]	625,000[v]	95
Hopewell Centre II	Ship Street, Kennedy Road, Hau Fung Lane, Wan Chai, Hong Kong	Hotel complex with recreation, shopping, restaurant and other commercial facilities	Under construction	2019	9,840	101,600	100
155-167 Queen's Road East	155-167 Queen's Road East, Wan Chai, Hong Kong	Commercial	Under construction	2019	464	7,000	100

C. Other Properties Held by the Group:

Location	*Existing Use*	*Site area* (sq.m.)	*Existing Total Gross floor area* (sq.m.)	*Attributable to Group* (%)
55 Ship Street, Wan Chai (Nam Koo Terrace)	Vacant old house	685	453	100
1A Hillside Terrace, Wan Chai (St. Luke School)	Vacant school building	585	1,687	100
1-3 Hill Side Terrace, Wan Chai	Vacant land	516	–	100
53 Ship Street and 1-5 Schooner Street, Wan Chai (Miu Kang Terrace)	Commercial and Residential	342	1,476	100
Inland Lot No.9048, Schooner Street, Wan Chai, Hong Kong	Residential	270	1,350	100

Notes:

(i) This site area covers all phases of development.

(ii) This represents 50% interest in joint-venture with Sino.

(iii) This represents gross floor area of unsold completed units.

(iv) This represents approximate gross floor area under present planning.

(v) These site area and gross floor area, being plot ratio gross floor area of the land, are based on land use rights certificates obtained and the latest master layout plan approved by the relevant government authority.

Glossary

"2015 Annual General Meeting"	the annual general meeting of the Company held at Rotunda 3, 6/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Monday, 26 October 2015 at 11:00 a.m.
"2016 Annual General Meeting"	the annual general meeting of the Company to be held at The Glass Pavilion, 3/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 26 October 2016 at 11:00 a.m.
"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 year under review
"Average daily toll revenue"	average daily toll revenue including tax
"Average Occupancy Rate"	the average of the Occupancy Rate as at the end of each month in the relevant period
"Board"	the Board of Directors of the Company
"CAGR"	compound annual growth rate
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Coastal Expressway"	Guangzhou-Shenzhen Coastal Expressway
"Company" or "HHL"	Hopewell Holdings Limited
"CY"	calendar year
"Director(s)"	director(s) of the Company
"DPS"	dividend per share
"DTT"	Deloitte Touche Tohmatsu
"EBIT"	earnings before interest and tax
"F&B"	food and beverage

“FY07”	the financial year ended 30 June 2007
“FY08”	the financial year ended 30 June 2008
“FY09”	the financial year ended 30 June 2009
“FY10”	the financial year ended 30 June 2010
“FY11”	the financial year ended 30 June 2011
“FY12”	the financial year ended 30 June 2012
“FY13”	the financial year ended 30 June 2013
“FY14”	the financial year ended 30 June 2014
“FY15”	the financial year ended 30 June 2015
“FY16”	the financial year ended 30 June 2016
“FY17”	the financial year ending 30 June 2017
“FY18”	the financial year ending 30 June 2018
“FY19”	the financial year ending 30 June 2019
“FY21”	the financial year ending 30 June 2021
“GBP”	Great Britain Pounds, the lawful currency of the United Kingdom
“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

Glossary

"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
"HHI Share Award Scheme"	the share award scheme adopted by HHI on 25 January 2007
"HHI Shares"	ordinary shares of HK$0.10 each in the capital of HHI
"HHL Share Award Scheme"	the share award scheme adopted by the Company on 25 January 2007
"HHL Website"	the website of the Company at www.hopewellholdings.com
"Hill Side Terrace Cluster"	1–3 Hill Side Terrace, 1A Hill Side Terrace, 55 Ship Street (Nam Koo Terrace), 53 Ship Street and 1–5 Schooner Street (Miu Kang Terrace), Inland Lot No. 9048 Schooner Street, Wan Chai
"HK$" or "HKD" or "HK Dollar(s)"	Hong Kong Dollars, the lawful currency of Hong Kong
"HKEx Website"	the website of the Stock Exchange at www.hkexnews.hk
"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
"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
"Lady WU"	Lady WU Ivy Sau Ping KWOK
"Liede Project"	Liede Integrated Commercial (Operating Lease) Project
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Mainland China"	the PRC, excluding Hong Kong and Macau
"MICE"	meeting, incentives, convention and exhibition
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MPF Schemes"	the mandatory provident fund schemes set up by the Group
"MWh"	megawatt hour
"Occupancy Rate"	the percentage of total area comprising those already leased and occupied by tenants, reserved for specific uses and those in respect of which leases have been committed but not yet commenced over total lettable floor area
"Phase I West"	Phase I of Western Delta Route
"Phase II West"	Phase II of Western Delta Route
"Phase III West"	Phase III of Western Delta Route
"PRC" or "China"	the People's Republic of China
"PRD"	Pearl River Delta
"QRE"	Queen's Road East

Glossary

"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Sir Gordon WU"	Sir Gordon Ying Sheung WU
"sq.ft."	square foot
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"The Belt and Road initiative"	The Silk Road Economic Belt and the 21st-Century Maritime Silk Road
"URA"	Urban Renewal Authority
"US" or "United States"	the United States of America
"USD", "US$" or "US Dollar(s)"	US Dollars, the lawful currency of the United States
"VAT"	value added tax
"West Route JV"	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the Western Delta Route
"Western Delta Route"	the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West
"yoy"	year-on-year

Corporate Information

Board of Directors

Sir Gordon Ying Sheung WU[1] KCMG, FICE
Chairman
Mr. Eddie Ping Chang HO
Vice Chairman
Mr. Thomas Jefferson WU[2] JP
Managing Director
Mr. Josiah Chin Lai KWOK
Deputy Managing Director
Mr. Guy Man Guy WU[##]
Lady WU Ivy Sau Ping KWOK[#] JP
Ms. Linda Lai Chuen LOKE[##]
Mr. Albert Kam Yin YEUNG
Mr. Carmelo Ka Sze LEE[#] JP
Mr. William Wing Lam WONG
Ir. Dr. Leo Kwok Kee LEUNG
Mr. Sunny TAN[##]
Dr. Gordon YEN[##]
Mr. Ahito NAKAMURA[##]
Mr. Yuk Keung IP[##]

1 Also as Alternate Director to Mr. Eddie Ping Chang HO
2 Also as Alternate Director to Sir Gordon Ying Sheung WU and Lady WU Ivy Sau Ping KWOK
Non-executive Directors
Independent Non-executive Directors

Audit Committee

Mr. Sunny TAN
Chairman
Ms. Linda Lai Chuen LOKE
Mr. Guy Man Guy WU
Mr. Yuk Keung IP

Remuneration Committee

Dr. Gordon YEN
Chairman
Ms. Linda Lai Chuen LOKE
Mr. Guy Man Guy WU
Mr. Carmelo Ka Sze LEE JP

Company Secretary

Mr. Po Wah HUEN

Registered Office

64th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2528 4975
Fax: (852) 2861 2068

Solicitors

Woo Kwan Lee & Lo

Auditor

Deloitte Touche Tohmatsu

Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (Stock Code: 54)

Principal Bankers[+]

Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited
The Bank of East Asia, Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
BNP Paribas
China Construction Bank Corporation
Chong Hing Bank Limited
Citibank, N.A.
DBS Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Corporate Bank, Limited
Sumitomo Mitsui Banking Corporation

+ names are in alphabetical order

Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2529 6087

American Depositary Receipt

CUSIP No.	439555301
Trading Symbol	HOWWY
ADR to share ratio	1:1
Depositary Bank	Citibank, N.A., U.S.A.

Investor Relations

Tel: (852) 2528 4975
Fax: (852) 2529 8602
Email: ir@hopewellholdings.com

Website

www.hopewellholdings.com

Note: In the case of any inconsistency between the Chinese translation and the English text of this Annual Report, the English text shall prevail.

Financial Calendar

Interim results announcement	24 February 2016
Ex-dividend Date	8 March 2016
Closure of Register of Members	10 March 2016
Interim dividend paid ***(HK55 cents per share)***	22 March 2016
Final results announcement	23 August 2016
Closure of Register of Members for eligibility to attend the 2016 Annual General Meeting	19 October 2016 to 26 October 2016 (both days inclusive)
2016 Annual General Meeting	26 October 2016
Ex-dividend Date	28 October 2016
Closure of Register of Members for entitlement of proposed final cash dividend	1 November 2016
Proposed final cash dividend payable[#] ***(HK75 cents per share)***	8 November 2016

[#] Subject to approval by shareholders at the 2016 Annual General Meeting to be held on 26 October 2016.

HOPEWELL HOLDINGS LIMITED

64th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2528 4975
Fax: (852) 2861 2068
www.hopewellholdings.com