HOPEWELL HOLDINGS LIMITED

Stock Code: 54

Interim 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.

CONTENTS

Group Results

Overview

The Group's revenue for the six months ended 31 December 2015 ("the period under review") significantly increased by 99% from the figure for the corresponding period in 2014. The increase was mainly due to the property sales recognition of The Avenue Phase 2. The revenue from our 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's revenue.

The Group's EBIT increased by 21% during the period under review compared to the corresponding period in 2014. 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 period 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 and hospitality business's profit.

The Group's revenue and EBIT by activities for the six months ended 31 December 2015 were as follows:

	Revenue		***EBIT ****	
HK$ million	*2014*	***2015***	*2014*	***2015***
Property letting, agency and management	474	**550**	296	**371**
Hotel, restaurant and catering operation	240	**216**	72	**51**
Investment properties and hospitality sub-total	714	**766**	368	**422**
Property development (after interest and tax of JVs)	751	**4,131**	71	**453**
Toll road investment (after interest and tax of JVs)	1,244	**1,246**	312	**293**
Power plant (after interest and tax of JV)	505	**414**	70	**62**
Treasury income	120	**83**	120	**83**
Others	–	**–**	(62)	**(108)**
Revenue/EBIT before completion gain	3,334	**6,640**	879	**1,205**
Completion gain on Lee Tung Avenue	–	**–**	120	**–**
Revenue/EBIT (Note)	3,334	**6,640**	999	**1,205**

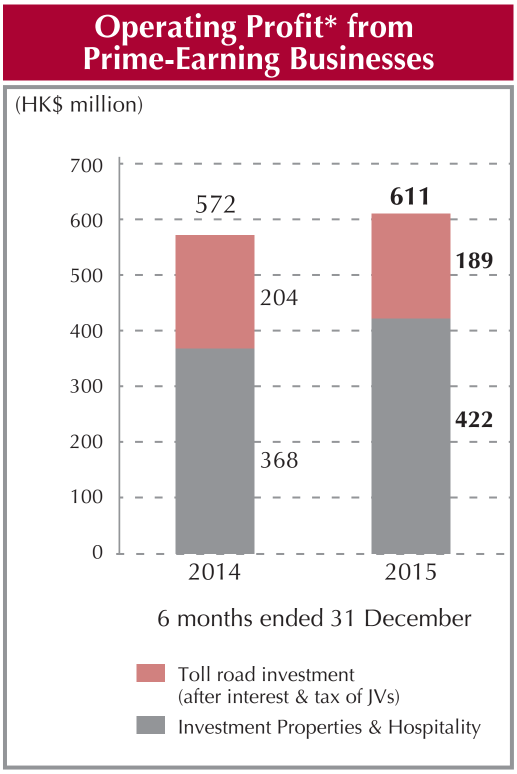
* These figures represent EBIT of the Company and its subsidiaries plus net profits (after interest and tax) shared from JVs

Note:

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

	Results	
HK$ million	*2014*	***2015***
EBIT	999	**1,205**
Finance costs	(46)	**(34)**
Fair value gain of completed investment properties	133	**621**
Profit before taxation	1,086	**1,792**
Taxation	(105)	**(117)**
Profit for the period	981	**1,675**
Attributable to:		
Owners of the Company	860	**1,559**
Non-controlling interests	121	**116**
	981	**1,675**

	Revenue	
HK$ million	*2014*	***2015***
Revenue per Group Results	3,334	**6,640**
Less:		
Treasury income	(120)	**(83)**
Share of revenues of JVs engaged in		
– Toll road investment	(1,244)	**(1,246)**
– Power plant	(505)	**(414)**
– Property development	(694)	**(4,014)**
Turnover per Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	771	**883**



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

Revenue

The Group's revenue for the period under review totalled HK$6,640 million, a 99% increase over the HK$3,334 million recorded for the corresponding period in 2014. 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 period under review. These positive factors were, however, partly offset by decreases in Heyuan Power Plant's sales of electricity, treasury income and hospitality business's revenue.

Earnings before Interest and Tax

The Group's EBIT increased during the period under review by 21% to HK$1,205 million from HK$999 million recorded for the corresponding period in 2014. 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 period 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 and hospitality business's profit.

Our 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 increased during the period under review to HK$1,559 million or HK$1.79 per share from HK$860 million for the corresponding period in 2014. Excluding the fair value gain of the Group's completed investment properties, core profit attributable to owners of the Company during this period was HK$938 million or HK$1.1 per share. This was an increase of 29% when compared with the HK$727 million recorded for the corresponding period in 2014. The core profit included exchange loss attributable to owners of the Company of HK$89 million due to RMB depreciation, which consist of exchange loss of HK$44 million shared from the GS Superhighway JV's US Dollar loan of USD191 million (HHI's share) and exchange loss of HK$45 million arising from RMB deposit of RMB1,413 million held by HHL corporate level. If RMB against HK$/US dollars depreciated by 1%, the exchange loss attributable to owners of the Company would increase by approximately HK$20 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 supplemental information regarding the Group shareholders' equity ("Adjusted Shareholders' Equity") is presented on the basis that the hotel properties and HHI business were stated at market valuations as at 31 December 2015.

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

Balance Sheet Highlights *as at 31 December 2015 (HK$ million)*	**HHI Business**	**HHL-Other Businesses**	***HHL Group Total***
Completed investment properties	–	28,831	**28,831**
Panda Hotel	–	353	**353**
Properties under development			
Hopewell Centre II			
– Commercial portion	–	4,510	**4,510**
– Hotel portion	–	2,367	**2,367**
155-167 Queen's Road East	–	763	**763**
Properties for development	–	836	**836**
Interests in JVs (Toll Roads, Power Plant & The Avenue/Lee Tung Avenue)	7,713	1,799	**9,512**
Other assets/liabilities	536	1,223	**1,759**
Non-controlling interests	(2,738)	(165)	**(2,903)**
Shareholders' equity	**5,511**	**40,517**	**46,028** *(HK$52.8/share)**
Total hidden value			**7,189** *(HK$8.2/share)**
Adjusted shareholders' equity (unaudited)			**53,217** *(HK$61.0/share)**

As at 31 December 2015 (HK$)	**Panda Hotel**	**HC II hotel portion**	***HHI Business***
Market value	**$3,222m** $3.5m/room *DTZ valuation report*	**$4,512m** $4.4m/room under development *DTZ valuation report*	**$7,686m** *2,055m shares (HHL's 66.7% stake) x HHI's market price @HK$3.74 as of 31.12.2015*
Book value	**$353m** $0.4m/room *at cost less depreciation*	**$2,367m** $2.3m/room under development *at cost*	**$5,511m** *at cost less depreciation*
Hidden value	**$2,869m** *$3.3/share**	**$2,145m** *$2.4/share**	**$2,175m** *$2.5/share**

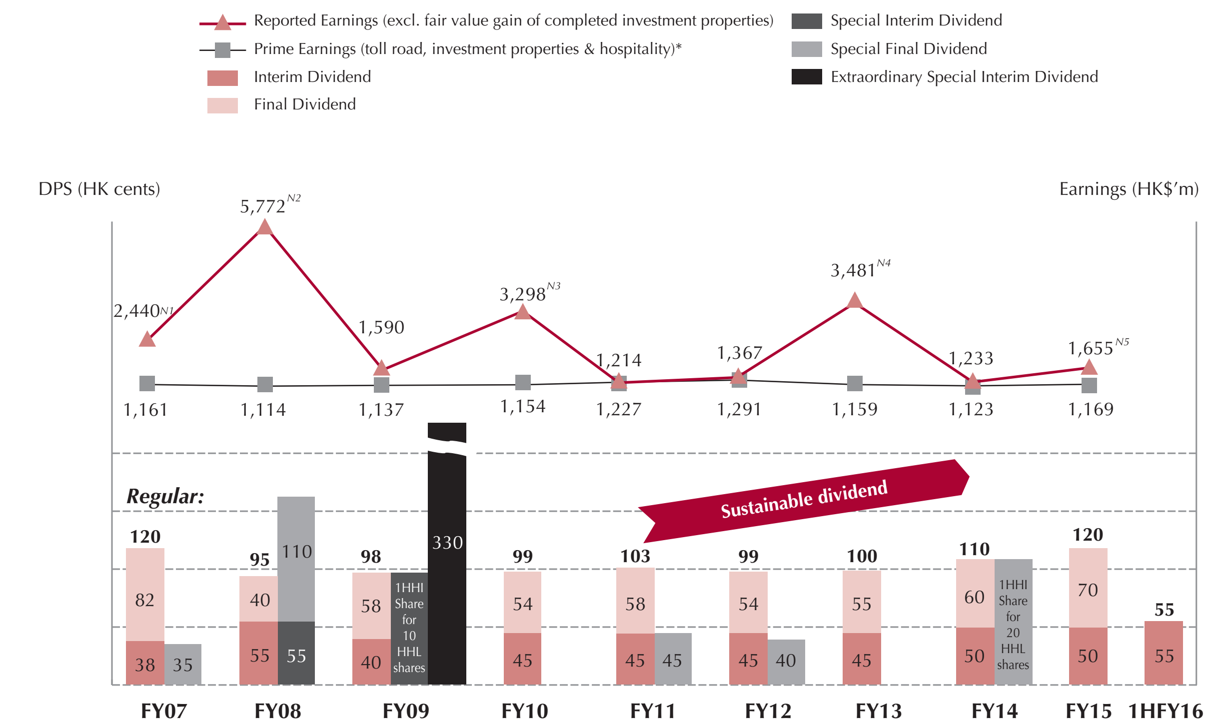
Total: $7,189m
*$8.2/share**

* No. of HHL shares in issue: 871.5 million (as of 31 December 2015)

Dividend

The Board has declared an interim dividend of HK55 cents per share in respect of the financial year ending 30 June 2016 (financial year ended 30 June 2015: interim dividend of HK50 cents per share). This dividend represents a payout ratio of 51% of the Group's profit attributable to owners of the Company excluding the fair value gain on completed investment properties. The interim dividend will be paid on Tuesday, 22 March 2016 to shareholders of the Company whose names appeared on the Register of Members of the Company at the close of business on Thursday, 10 March 2016.

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

Closure of Register of Members

To ascertain shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed on Thursday, 10 March 2016 and no transfer of the shares of the Company will be effected on aforementioned book-close date. To qualify for the interim dividend, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on Wednesday, 9 March 2016.

1. Properties

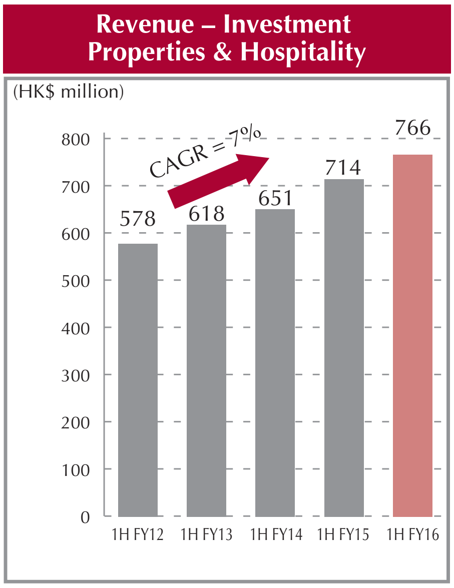
A. Investment Properties and Hospitality

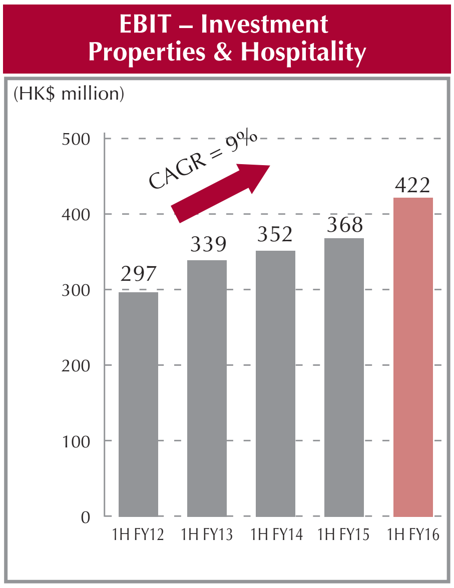
The Group's investment properties and hospitality businesses comprise its wholly-owned investment property portfolio and hotel, restaurant and catering operations. The revenue from these businesses amounted to HK$766 million during the six months under review, a year-on-year increase of 7%. Retail rental income increased 33% to HK$157 million in 1H FY16, due to tenants mainly targeted local consumptions so that they were less affected by HK's high-end retail slowdown.

(HK$ million)		*Revenue**	
For the six months ended 31 December	*2014*	***2015***	*yoy change*
Investment Properties			
Rental income – office	181	**198**	*+9%*
Rental income – retail	118	**157**	*+33%*
Rental income – residential	41	**39**	*-5%*
Convention and exhibition	32	**34**	*+6%*
Air conditioning & management fee	68	**76**	*+12%*
Carpark & others	34	**46**	*+35%*
Investment Properties sub-total	474	**550**	*+16%*
Hospitality			
Room Revenue	129	**106**	*-18%*
Restaurants, catering operations and others	111	**110**	*-1%*
Hospitality sub-total	240	**216**	*-10%*
Total	714	**766**	*+7%*

* Excluding tenancies for HHL'S own use

EBIT for our investment properties and hospitality businesses increased by 15% to HK$422 million year-on-year. The five-year compound annual growth rates of revenue and EBIT growth rates for our investment properties and hospitality businesses during the first half of FY12 to FY16 were 7% and 9% respectively.





Investment Properties

Revenues for the Group's property letting, agency and management operations amounted to HK$550 million during the six months ended 31 December 2015. This figure represented a year-on-year increase of 16% while year-on-year EBIT for these operations increased by 26% to HK$371 million. The five-year compound annual growth rate of revenue and EBIT for our investment properties during the first half of FY12 to FY16 were 12% and 13% respectively. EBIT margin for 1H FY16 increased to 67% from 62% in 1H FY15 and is sustainable. The improvement in EBIT margin was 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. We are also continuously reviewing our office and retail tenant mix so as to optimise rental performance and maintain high occupancy rates.

Occupancy rates for our investment properties remained strong during the six months under review while average rental rates increased.

Occupancy and Rental Rates of Investment Properties

	Average Occupancy Rate			*Change in Average*
	1H FY15	*1H FY16*	*yoy*	*Rental Rate*
Hopewell Centre	96%	94%	–2%	+11%
KITEC Office	95%	95%	–	+13%
KITEC E-Max	87%[N1]	88%	+1%	+37%
Panda Place	92%	97%	+5%	+16%
QRE Plaza	88%	100%	+12%	+7%
GardenEast (apartments)	96%	87%	–9%	+9%

N1: Due to the closure of certain portions of our E-Max retail space for refurbishment which started in April 2013

Despite softened office demand on slowing economy, office rental income increased in first half of FY16 due to continuous asset enhancement and tenant mix refinement. The Group is on track to achieve the office rental targets which were disclosed in FY15 final results.

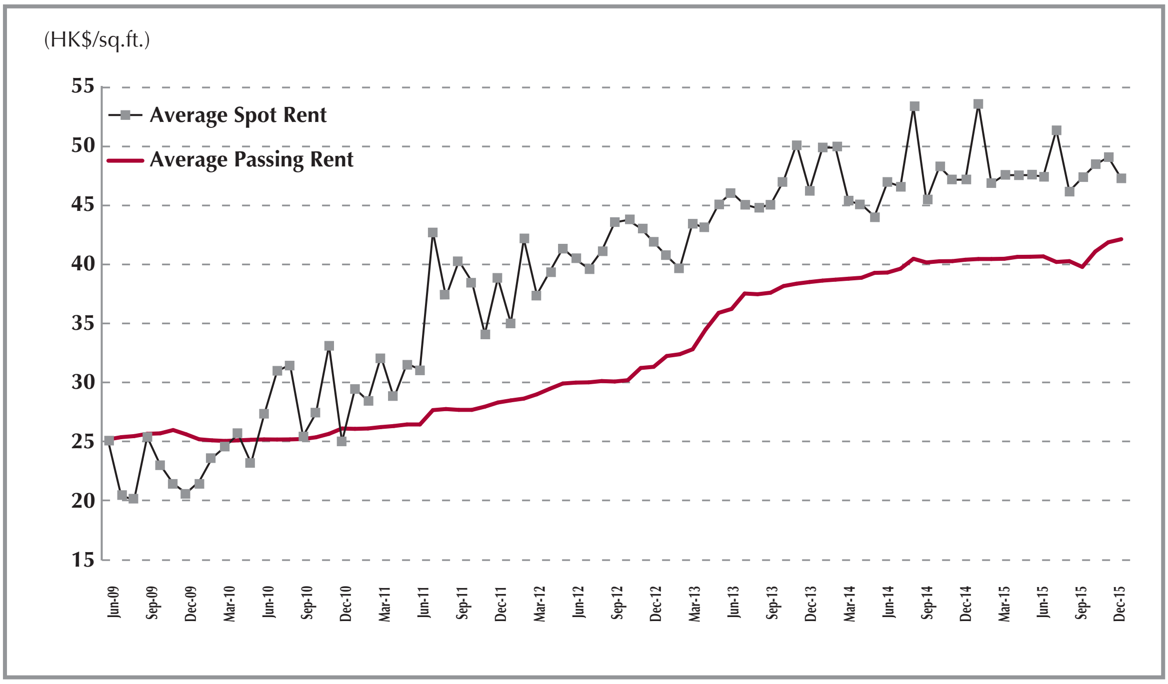
Hopewell Centre

As the Group's flagship property, Hopewell Centre's overall revenue (excluding tenancies for the Group's own use) during the first half of FY16 increased by 13% to HK$217 million. Overall average occupancy rate remained high at 94%.

On the office front, during the period under review, average occupancy rate remained at high level of 95%. Rental incomes (excluding tenancies for the Group's own use) recorded a growth of 5% year-on-year to HK$130 million for 1H FY16 from HK$124 million in last corresponding period. Excluding a one-off rental adjustment of HK$8 million in December 2014, rental income growth for the period under review would be 12%. Average passing rent increased by 6% to HK$40.9/sq.ft. from HK$38.7/sq.ft. in last corresponding period and average spot rent increased by 1% to HK$48.2/sq.ft. in 1H FY16 from HK$47.9/sq.ft. in last corresponding period.

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

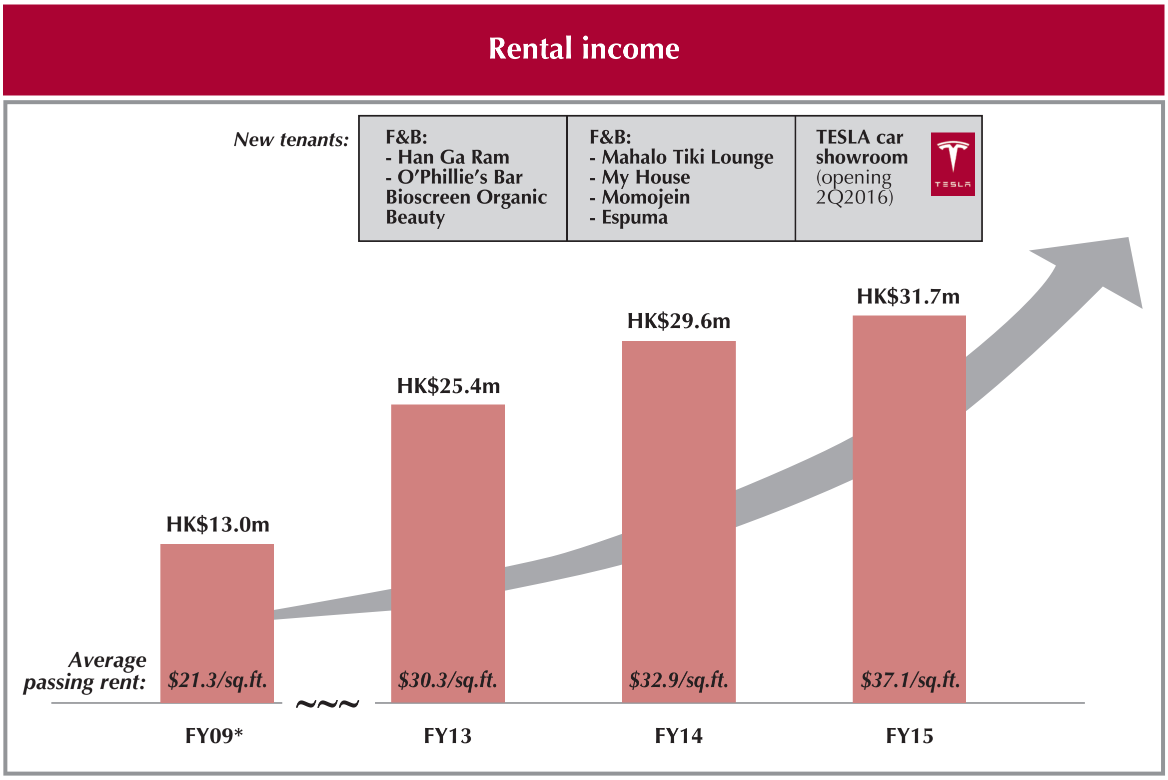
Hopewell Centre Office
Average Spot and Average Passing Rent (FY10–1H FY16)



On the retail front, the Group anticipates the growth in upmarket consumption power and has replaced some retail tenants with high quality F&B and lifestyle stores offering more diversified dining and shopping experience. A high-end Chinese restaurant, Tang's cuisine at 8/F was opened in September 2015.

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 of TESLA, a premium auto brand, will be introduced to "The East" and be opened in the second quarter of 2016. During the period under review, QRE Plaza's overall revenue rose by 22%.



* QRE Plaza opened in November 2007

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. Overall revenues experienced a year-on-year increase of 3%.

GardenEast

GardenEast recorded a mild growth of 1% year-on-year in its overall revenue. Despite softening demand under the challenging economic environment, average rental rates grew by 9% when compared to last period in FY15 while average occupancy for serviced apartments during 1H FY16 was 87%. All retail shops were fully let as at 31 December 2015.

KITEC

Office

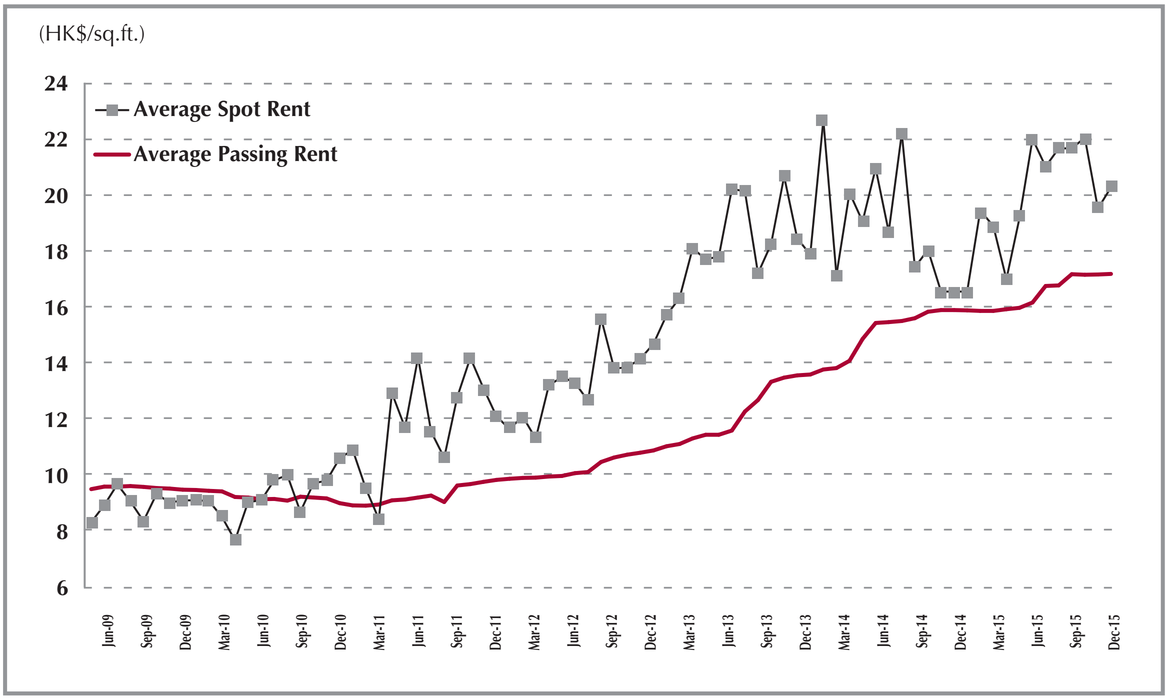
In its 2016 Policy Address, the Hong Kong Government will continue to take forward the "Kai Tak Fantasy", a recreational landmark on the site of the former airport runway at the Kai Tak Development Area. Major projects underway include the infrastructure for the south apron and the "hotel belt" at the former runway. The Government's 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 is sure to boost traffic flows into the district and therefore 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 now well-positioned to benefit from expected strong rental growths resulting from relocation plan of Government offices, redevelopment and revitalisation of Kowloon East.

On the office front, during the period under review, rental income (excluding tenancies for the Group's own use) recorded a growth of 19% year-on-year to HK$68 million from HK$57 million in last corresponding period. Average passing rent increased 13% to HK$17.1/sq.ft. in 1H FY16 from HK$15.2/sq.ft. in 1H FY15. KITEC office's average spot rent rose by 5% to HK$20.0/sq.ft. from HK$19/sq.ft. in last corresponding period and average occupancy rate remained at high level of 95%.

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 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 (FY10–1H 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 the 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. The full of fun gymnasium occupies the former swimming pool area at rental rate more than tripled. This colourful gymnasium with interconnected trampolines targets kids, teenagers and young adults and draws family visitors thus increasing rental revenue.

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 new food court of approximately 30,000 sq.ft. and a supermarket at 2/F will be opened in the second quarter of 2016. Upmarket fashion outlets of approximately 65,000 sq.ft. will be introduced at G/F in the fourth quarter of 2016. E-Max will then be refurbished to provide a spacious fashion mall housing a fine selection of premium fashion brands and offering affordable luxury. Additionally, a well-known premium auto brand "Volkswagen" has committed to lease a showroom of approximately 8,000 sq.ft. at G/F and is targeted to open in the second quarter of 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. The continuous evolution of E-Max will pave the way for rental uplift and the Group targets rental income growth at over 20% year-on-year in FY16 and FY17.

E-Max's Evolution

Year		Event	Achievements / Plans
2014	Feb	The Metroplex: G/F	- Over 890k 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	2Q*	Food Court - 30,000 sq.ft. and Supermarket: 2/F	- Including Michelin recommended restaurants
	2Q*	Volkswagen showroom: G/F ~8,000 sq.ft.	
	Summer*	New Wedding Venue: 3/F	- Will increase football and positive to E-Max's rental
	4Q*	Upmarket fashion outlets: G/F ~65,000 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*

C&E

Comprising spacious venues, KITEC venues retain its position as a preferred choice for hosting concerts, exhibitions, meetings and conference, banquets and also sports events in Hong Kong. There were over 90 shows staged at KITEC venues during the period under review.

Star Hall continues to present impressive entertainment events and 25 shows were staged in 1H FY16 featuring local and overseas performers such as Irish rock band Kodaline, Korean pop singer IU and Japanese pop band w-inds. Besides, the "live house" concept of Music Zone@E-Max continues to grow and tap into the mini-concert market to further attract both local and overseas premium performances, 52 shows in total were held.

To provide customers with a more pleasant environment, the Rotunda 2 has carried out renovation works and re-opened in July 2014 with a grand and elegant setting. Construction of a new venue at 3/F for wedding banquets, which is targeted to complete in summer 2016, is progressing well and encouraging responses have been received at wedding exhibitions.

* Perspective of E-Max's 3/F new wedding venue

Revenue achieved steady growth and has remained encouraging at over HK$34 million during the period under review.

The Metroplex (multi-cinema complex)

The Metroplex has drawn more than 890,000 audiences to E-Max since its soft opening in February 2014. The increased traffic flow provides unlimited sales opportunities to E-Max's retail tenants. The cinema has continued to be one of the most popular venues for Gala Premieres. 7 commercial movies held their star-studded red carpet events, representing 13% of market share during the period under review.

With on-going commitment in supporting the community, The Metroplex held 1 Charity screening, 2 CSR events and 1 youth educational initiative. The Metroplex further won two CSR recognition awards for its effort in promotion corporate social responsibility, namely Silver Emblem Recognition Scheme Award issued by The Hong Kong Council of Social Service, and Certificate of Appreciation on Business-School Partnership Programme issued by The Education Bureau.

Sundance Film Festival landed once again at The Metroplex for the second year with a bigger scale. 2015 Sundance Film Festival: Hong Kong held in September 2015 was enriched with a stronger film line-up with increased number of screenings, a larger filmmaker contingent flown from the United States for more in-depth dialogue sessions with the audiences, and a wider range of extended activities like Film Music Day Lab, Sundance Film Forward Program and Sundance Exhibition. The number of participants in 2015 has grown by over 90% compared to 2014's.

Panda Place

Located in the heart of Tsuen Wan, Panda Place is a 229,000 sq.ft. shopping mall whose recent renovation an refined tenant mix have enhanced its image. The mall now entices both locals and tourists with a superb and convenient shopping experience.

Rental income at Panda Place grew by 24% year-on-year to HK$31 million in 1H FY16. The growth was mainly due to the reshuffling of tenant mix on 2/F. The re-layout of the 2/F from a Chinese restaurant into an Asian epicurean hub, which has doubled 2/F's rental rate, was completed in the first quarter of 2015. The average occupancy rate increased by 5% to 97% during 1H FY16. The Group expects to achieve stable rental income growth due to the completion of major tenant reshuffling.

Hospitality

Panda Hotel

During the period under review, the anti-parallel trading and the appreciation in the Hong Kong dollar continue to pose challenges to the tourism industry in Hong Kong, resulting in a 7% drop in tourist arrivals. Room revenue decreased by 18% to HK$106 million during the period under review, mainly because of the drop in average room rate by 20% despite average room occupancy rate increased by 2% to 98%. The decrease in room revenue was in line with the general market but outperformed the hotel peers mainly due to the flexible marketing strategy to secure more advanced bookings.

F&B revenue increased mildly by 5% to HK$57 million, mainly due to the growth in tailor-made catering packages for annual corporate events and wedding banquets. An additional catering venue, the Crystal, capable of accommodating up to 22 tables for banquet, up to 300 people for theatre-style and up to 450 people for cocktails has been in operation since mid-September 2015 will further increase our competitiveness.

As a result, Panda Hotel's total revenue fell by 11% to HK$163 million as the increase in F&B revenue was offset by the drop in room revenue. The outlook on Hong Kong's hotel industry remains challenging due to drop in tourist arrivals on strong Hong Kong Dollar. Panda Hotel will continue to maintain its competitiveness by adopting flexible marketing strategy and maintain diversification on customer mix to avoid over reliance on Mainland China leisure visitors. It will also expand its partner network in order to enlarge its travel agent base and further strengthen its MICE business so as to capture more sustained 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 31 December 2015, the market value of hotel amounted to HK$3,222 million (equivalent to approximately HK$3.5 million per room) as estimated by DTZ Debenham Tie Leung Limited ("DTZ"). According to the general market practice, the asset value of hotel is stated at cost less accumulated depreciation in the Group's balance sheet. As of 31 December 2015, the book value of Panda Hotel amounted to HK$353 million (equivalent to approximately HK$0.4 million per room), which implies a hidden value of approximately HK$2.9 billion compared to its market value.

Restaurant & Catering Services

KITEC F&B business remained stable and total revenue of HK$50 million is achieved during the period under review.

Booking for banquets sustained at high level given effective marketing and quality services. To meet rising demand for banqueting services, the Group continued to implement flexible pricing strategy, offer tailor-made corporate banquet packages and attentive services. Its F&B services are well received by customers.

The Group will continue to improve F&B outlets' operational efficiency and services. These include enrichment of menus to enhance food variety, improvement of food quality and presentation, upgrading kitchen equipment and linen, and provision of trainings such as hygiene courses and seminars to staff so as to enhance its competitiveness.

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 399,200 sq.m. of the development (consisting of 162 townhouses and 3,020 apartments) were sold and booked up to 31 December 2015.

179 units or 21,000 sq.m. of apartments were sold in 1H FY16 and subsequently up to 19 February 2016, generated RMB222 million sales. Together with RMB58 million sales for units which were sold but not yet booked in FY15, total amount is RMB280 million which exceeds our booking target of RMB250 million for FY16. Average selling price for apartments sold during the above period was approximately RMB10,600 per sq.m., 3% higher than 1H FY15's.

During the period under review, 74 units or 9,300 sq.m. of apartments and 1 unit or 300 sq.m. of townhouse were booked and generated revenue of RMB101 million, representing a 115% year-on-year rise.

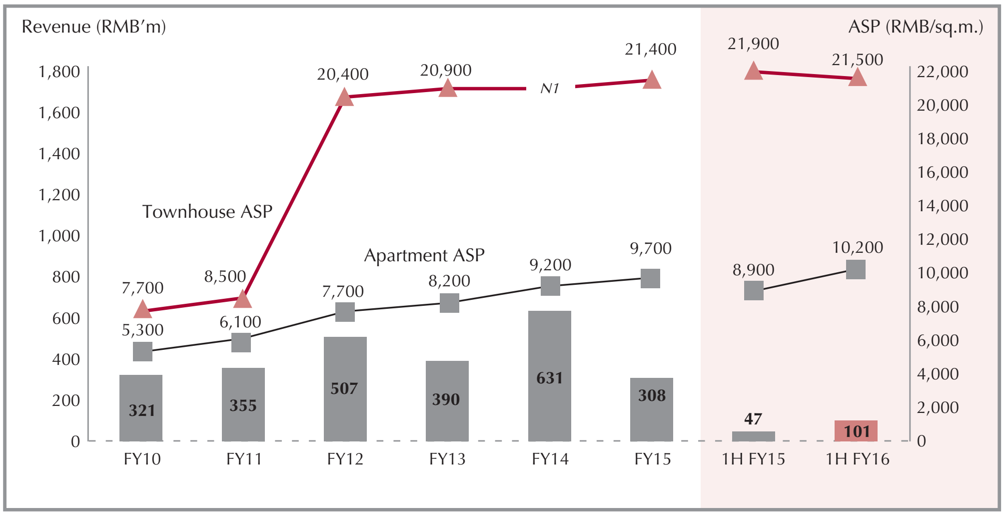
The Group expects demand for housing in the area will continue to support sales of the residential units at Hopewell New Town, and will further strengthen marketing for the sales in the second half of FY16. The targeted total sales for FY16 and FY17 is RMB850 million. Based on the transaction progress, the Group expects to book RMB250 million sales revenue in FY16 (of which around 60% have been handed over as of 19 February 2016) and RMB600 million sales revenue in FY17. 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 45,000 sq.m.
Sales expected to be booked	RMB250m* (40% booked in 1HFY16)	RMB600m	

* Based on estimated transaction progress

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

Revenue and Average Selling Price ("ASP") Booked



	FY10	FY11	FY12	FY13	FY14	FY15	1H FY15	1H FY16
GFA booked (sq.m.)								
Apartment	41,000	56,000	24,500	41,000	67,600	29,600	4,300	9,300
Townhouse	13,000	1,000	13,800	1,700	–	900	300	300
Units booked								
Apartment	366	574	306	333	695	252	28	74
Townhouse	43	4	48	6	–	3	1	1

N1: No sales of townhouse booked in FY14

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

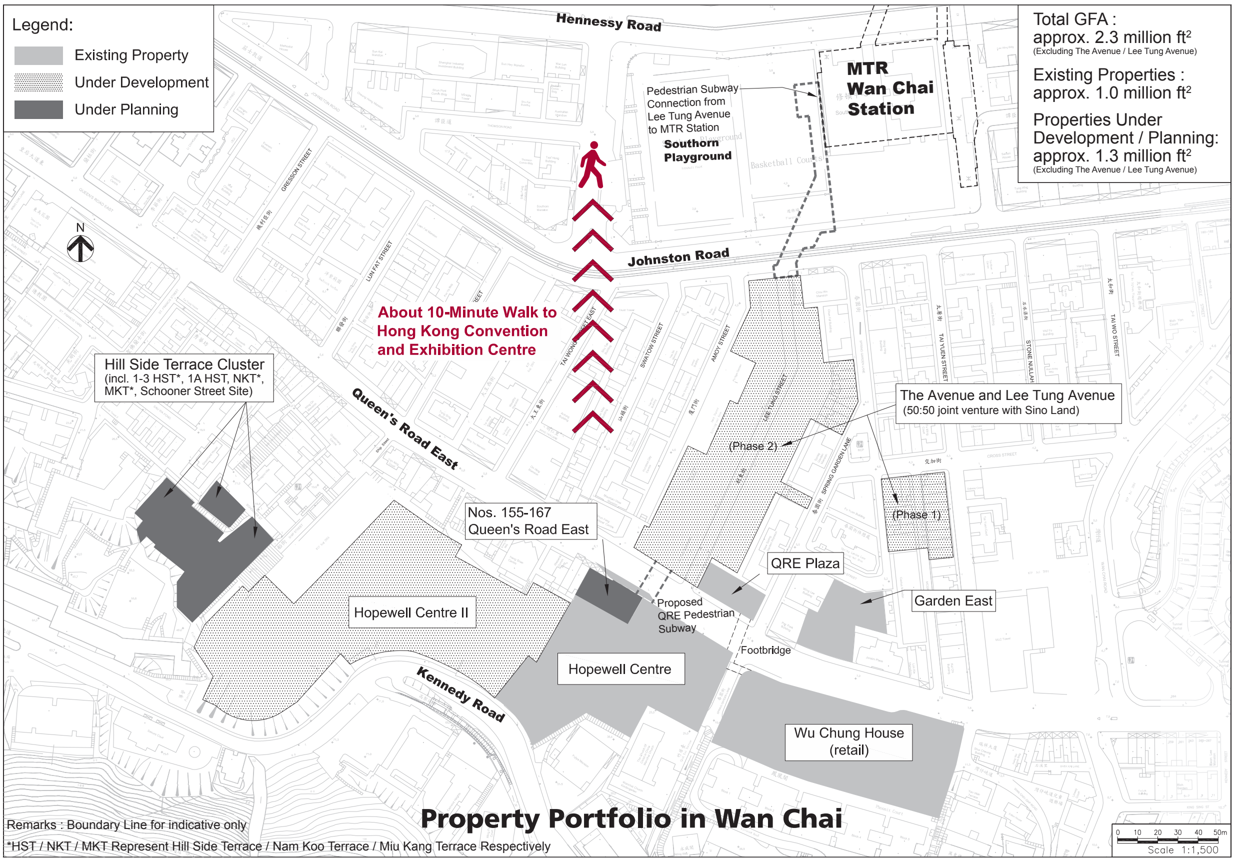
Broadwood Twelve is the Group's residential development on Broadwood Road. The top-quality finishes of its units and the stunning views they enjoy of the racecourse and Victoria Harbour have positioned them as attractive luxury residences.

Sales of Broadwood Twelve residential units commenced in June 2010. As of 11 February 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 31 December 2015, was around HK$634 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 February 2016. These units will still be available for sale.

C. Properties Under/For Development



Timeline for Projects*

CY	2014	2015	2016	2017	2018	2019	>>>
Hong Kong							
The Avenue/Lee Tung Avenue (HHL 50%)			* The Avenue Phase 2: 98.5% handed over (as of 11.2.16) * Lee Tung Avenue: Grand Opening 2Q2016				
Hopewell Centre II (HHL 100%)	Site formation works to complete 1H2017			Superstructure works		Operation start: 2019	
155-167 Queen's Road East (HHL 100%)			Construction works to commence 1H2016		Operation start: end 2018		
Hill Side Terrace Cluster^ (HHL 100%)			Submitted development plan in Dec 2015				

^ 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

The Avenue/Lee Tung Avenue

Project Description	
Location	Wan Chai, Hong Kong
Project Nature	URA Project
JV partner	Sino Land Company Limited
Total investment	Around HK$9.8 billion (HHL's share: HK$4.9 billion)
Total site area	Around 88,500 sq.ft.
Total GFA	Around 835,000 sq.ft.
Residential 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.)
Retail GFA	Around 87,700 sq.ft.
Area to be handed over to the URA	Around 18,000 sq.ft.
Revenue sharing with the URA	• Residential sales proceeds in excess of HK$6.2 billion will be shared equally between the URA and JV • Net rental income and sales proceeds from the commercial portion of this property will be split 40:60 between the URA and the joint venture

The Avenue/Lee Tung Avenue is a URA redevelopment project with residential, commercial and government, institutional or community elements. The Group and Sino Land Company Limited ("Sino") formed the 50:50 JV that won the tender for this project in June 2009. Our project here will highlight the area's unique and distinctive characteristics by incorporating redevelopment, heritage conservation, revitalisation and green elements. The cluster of three historic buildings on Queen's Road East that forms part of the project will be revitalised.

In addition to revitalising Wan Chai, this project will provide a convenient pedestrian link between Kennedy Road's residential neighbourhood in Mid-Levels and the Wan Chai North commercial area. As the hub of this connection, the development's complex will create a direct and unique connection between Wan Chai MTR Station and "The East". Its sophisticated network of pedestrian walkways will also enable the proposed Wan Chai Pedestrian Walkway to unite various parts of the district.

Known as "The Avenue", the residential portion of this project consists of four towers with 1,275 residential units of a wide range of sizes and layouts. Lee Tung Avenue is a tree-lined pedestrian walkway equipped with lifestyle and dining options that perfectly complement their beautiful streetscape surroundings. Lee Tung Avenue has so far received very positive responses from tenants and is planned to have its grand opening in the second quarter of 2016. The occupancy rate of Lee Tung Avenue was around 90% and the average rent was around $68/sq.ft. as of 11 February 2016. We have introduced several cafes and restaurants which are the first comers to Hong Kong and they are Omotesando Koffee, Ginza West, Le Pain Quotidien, Blue Brick Bistro by Yoku Moku, La Bola, Bistro Seoul and Brook's Café.

Connecting Wan Chai MTR station and Lee Tung Avenue, Johnston Tunnel commenced construction in the second quarter of 2014 and it is targeted for completion in the first half of 2017. An additional QRE Tunnel connecting the retail portion of the project and Hopewell Centre is now under planning. With a retail GFA of 87,700 sq.ft., it will further enlarge the Group's rental property portfolio and is expected to boost synergy among existing properties such as Hopewell Centre, QRE Plaza and GardenEast. With the eventual completion of Hopewell Centre II, the resultant cluster will be one of Wan Chai's largest retail hubs.

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

Phase 1 started being handed over to buyers in December 2014, and all sold units in Phase 1 have been handed over. Phase 2 started being handed over in November 2015, 1,046 units (98.5% of units sold in Phase 2) have been handed over as of 11 February 2016. As at 11 February 2016, 1,240 units or 618,000 sq.ft. representing 97% of total number of units had been sold. The average selling price of units sold was around HK$21,800 per sq.ft. of saleable area. This has generated around HK$13.5 billion of total sales at JV level before deduction of URA's share. As of 11 February 2016, the Group had received net proceeds of around HK$1.8 billion.

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

Based on saleable area	***Phase 2***	***Phase 1***	***Total***
Total units	1,096 (554,000 sq.ft.)	179 (103,000 sq.ft.)	1,275 (657,000 sq.ft.)
Units sold	1,062 (517,000 sq.ft.)	178 (101,000 sq.ft.)	1,240 (618,000 sq.ft.)
• As % of total units	97%	99%	97%
• Average selling price (sold units)	HK$22,200/sq.ft.	HK$19,900/sq.ft.	

Revenue shared (after URA's sharing) from sales of The Avenue Phase 2 residential units amounted to HK$4,014 million, representing 1,059 units or 515,000 sq.ft. have been booked during the period under review. In addition, the estimated valuation of 35 unsold units covering approximately 39,000 sq.ft. was around HK$36,000 per sq.ft.

Revenue Booking^ (HHL's Share after URA sharing)

	FY15	***FY16***
Residential sales revenue		
Phase 1	HK$705m (101,000 sq.ft.)	n/a
Phase 2	n/a	HK$4,014m (515,000 sq.ft.)
Completion gain (retail)	HK$120m	n/a

^ Based on contracted sales up to 11 February 2016

Total investment cost is around HK$9.8 billion in the project (excluding finance costs, agency fees and marketing expenses). The Group had injected approximately HK$2.4 billion of its own funds into the project, of which around HK$1.8 billion was repaid by the JV as of 11 February 2016. At JV level, all sales proceeds generated from units already sold are sufficient to fund outstanding construction and other related costs and also to repay the project's bank loan. The Group will therefore not need to inject further funds into the project.

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 Plan

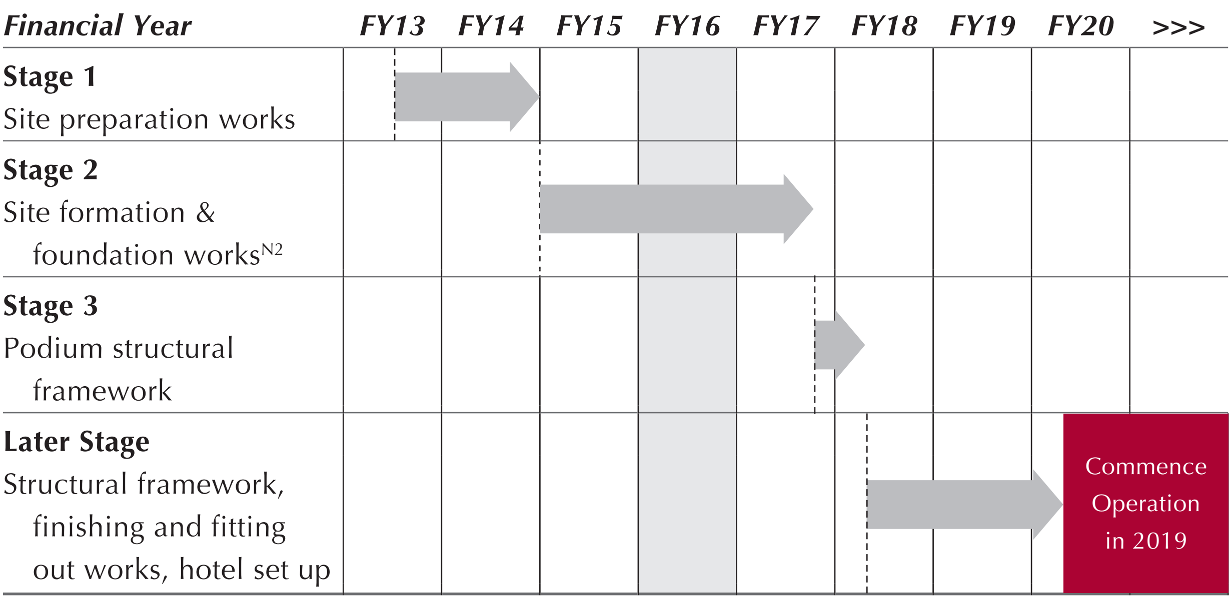
Completion of site formation work	1H2017
Start of superstructure work	1H2017
Completion of podium structural framework	2H2017

Construction progress details

Excavated soil/rock volume	Around 30,000 cubic meter
Average daily workers on site	Around 100 workers

Hopewell Centre II, Wan Chai – Construction Timeline and Capex Plan[N1]

Major Construction Works



Capex Plan

Financial Year	*Up to 30 June 2015*	*FY16*	*FY17*	*FY18 and Beyond*
Amount (HK$'m)	around 4,470[N3]	490	1,290	2,750

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

N1: Present planning, subject to changes
N2: Include construction of retaining walls, soil and rock export
N3: Include land premium $3,726m

As at 31 December 2015, the market value of the hotel portion of this project amounted to HK$4,512 million (equivalent to around HK$4.4 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$2,367 million (equivalent to around HK$2.3 million per room under development) in the Group's balance sheet. This implies a hidden value of around HK$2.1 billion compared to stated market value.

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

A green park which will be open to the public and an extensive tree-planting plan will all also be implemented 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 our 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 our current Wan Chai property portfolio, it will also further enhance our recurrent income base.

Hill Side Terrace Cluster Development

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

* Acquisition date of the last unit

Hill Side Terrace Cluster includes 1-3 Hill Side Terrace, 1A Hill Side Terrace, Nam Koo Terrace, Miu Kang Terrace and Schooner Street Site. As at 31 December 2015, 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.

The Group has submitted a preservation cum development plan of a residential development to the Town Planning Board in December 2015.

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

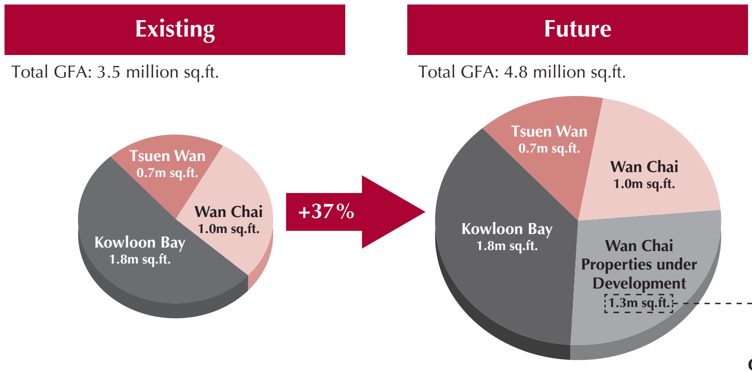
Demolition work was completed and construction works will commence in the first half of 2016. The property is planned to commence operation by the end of 2018 with targeted full-year rental income of not less than HK$40 million in FY20. Under current planning, the scale of the proposed development will 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 Queen's Road East 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 and Lee Tung Avenue 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



	Use	Operation Start^	GFA (sq.ft.)^
Hopewell Centre II	Conference Hotel	2019	1,100,000
155–167 QRE	Commercial	end 2018	75,000
Hill Side Terrace Cluster	Residential	under planning	130,000
			1.3m

^ *under current planning*

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 impacts on the existing businesses and financial position of the Group.

Infrastructure

A. HHI

Business Performance

During the period under review, the aggregate average daily toll revenue of the GS Superhighway and the Western Delta Route grew by 4% year-on-year to RMB11.8 million and the combined toll revenue totalled RMB2,174 million.

The GS Superhighway regained growth momentum since the second half of FY15 after the full opening of the Coastal Expressway in December 2013. During the period under review, its average daily toll revenue increased by 2% year-on-year to RMB8.8 million and average daily full-length equivalent traffic grew by 4% year-on-year to 93,000 vehicles, indicating a trend of recovery. However, Shenzhen Transport Commission announced on 30 November 2015 to purchase four toll expressways in Shenzhen which would become toll-free since 7 February 2016. Among which, Nanguang Expressway and Shenzhen section of Longda Expressway are parallel to the Taiping to Nantou section of the GS Superhighway. Its impact on the GS Superhighway is yet to be assessed.

The average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route grew steadily by 7% and 11% year-on-year to RMB3 million and 40,000 vehicles respectively, reaching historical high. Phase I West maintained steady growth while Phase II West showed a mild growth. 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 RMB581,000 and 49,000 vehicles respectively, while that of Phase II West were RMB1,768,000 and 52,000 vehicles, representing a growth of 4% and 9% 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 RMB624,000 and 22,000 vehicles respectively.

The HHI Group's shared aggregate net toll revenue increased by 4% year-on-year to RMB1,023 million during the period under review, with the GS Superhighway and the Western Delta Route contributing 74% and 26% respectively, compared to 75% and 25% respectively during the same period in FY15. Given the continuous growth of traffic on our expressways, HHI Group originally targeted that the aggregate net toll revenue of FY16 would reach the historical high of RMB2,026 million recorded in FY07. In view of the possible impact from the toll free implementation of Nanguang Expressway and Shenzhen section of Longda Expressway effective 7 February 2016, the target is expected to be delayed accordingly.

Effective from the first half of FY16, HHI Group has unified its average daily traffic disclosure by using the full-length equivalent traffic in order to be in line with the industry practice, increase transparency to better reflect road usage and respond to market demand.

Financial Year	*1H FY15*	***1H FY16***	*% Change*
GS Superhighway (at JV company level)			
Average Daily Toll Revenue (RMB '000)	8,631	**8,839**	+2%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	90	**93**	+4%
Western Delta Route (at JV company level)			
Average Daily Toll Revenue (RMB '000)	2,781	**2,973**	+7%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	36	**40**	+11%
Phase I West (at JV company level)			
Average Daily Toll Revenue (RMB '000)	532	**581**	+9%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	45	**49**	+10%
Phase II West (at JV company level)			
Average Daily Toll Revenue (RMB '000)	1,702	**1,768**	+4%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	48	**52**	+9%
Phase III West (at JV company level)			
Average Daily Toll Revenue (RMB '000)	546	**624**	+14%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	19	**22**	+19%

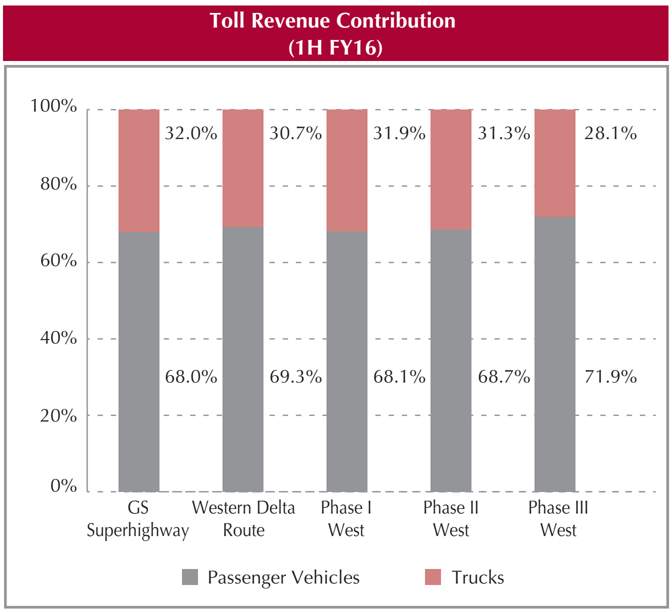
* Average daily full-length equivalent traffic is defined as the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the period under review. It can better reflect road usage as it takes into account total travelling distance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

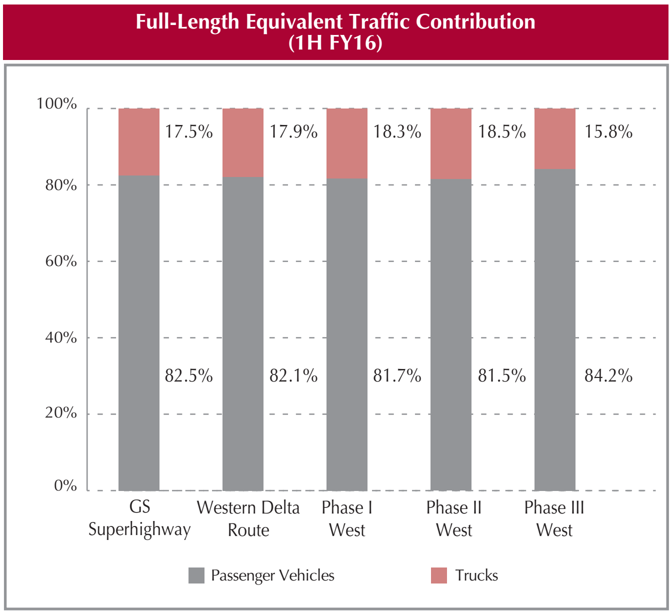
Economic Environment

China continued to make progress on the economic restructuring. Despite facing temporary headwinds and US interest rate hike, the Central government was able to drive economic growth during the transition, with the execution of accommodative monetary policy and fiscal policy such as a series of official lending rate cuts, targeted tax reduction and easing restrictions on property market. In 2015, the national GDP of China and Guangdong grew at a moderate pace of 6.9% and 8% respectively.

From 2010 to the end of 2014, total length of expressways in Guangdong reached 6,280 km with a compound annual growth rate of 7%. On the other hand, continuous demand for road usage was reflected in a compound annual growth of registered car population at 14% during the same period, reaching a new record high of 13.3 million vehicles at the end of 2014. The growth in demand for road usage doubled the growth of expressway length. The prosperous economic development and the rising registered car population that generate sustained demand for road traffic will continue to support the growth of HHI Group's expressways.

China continued to hold its record as 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. This was mainly driven by the demand in passenger cars, benefiting from an implementation of purchase tax cut by half for passenger cars with engines no larger than 1.6 litres from 1 October 2015 to the end of 2016. HHI believes that the GS Superhighway and the Western Delta Route will continue to benefit from the stable sales growth of the PRC's passenger cars.



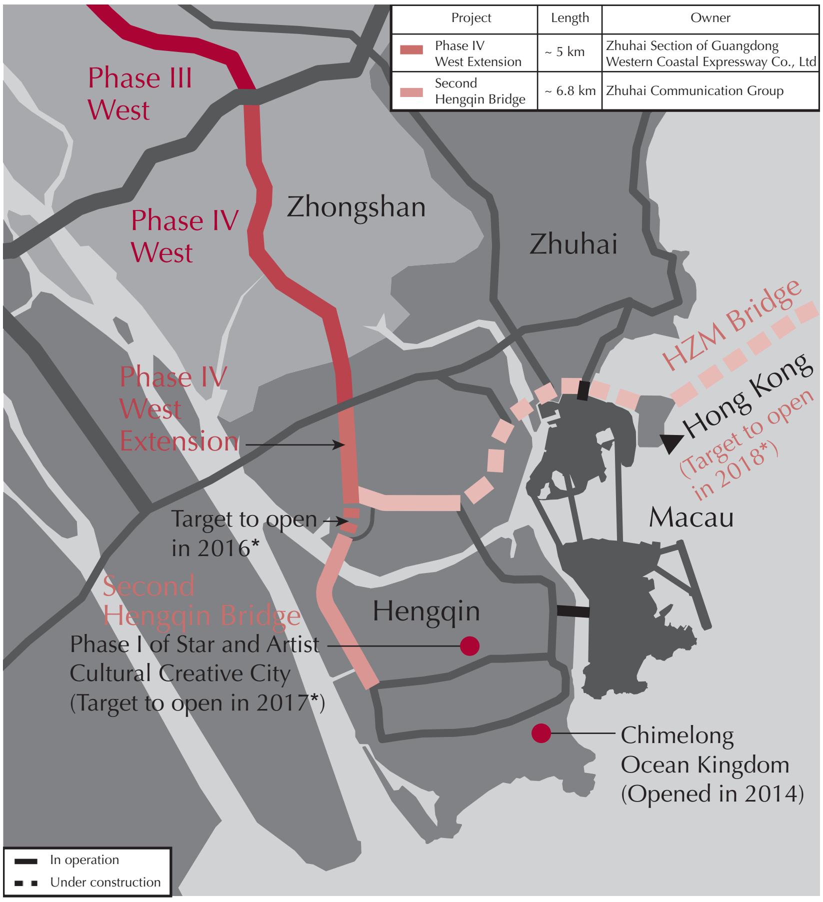


Growth Potential of the Western Delta Route

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 8.4%–10% in 2015, 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 Southern Second Ring Road, Zhongshan-Jiangmen Expressway, Western Coastal Expressway, as well as the newly opened Guangzhou-Gaoming Expressway (opened on 31 December 2015) and will link up with the forthcoming Guangzhou-Zhongshan-Jiangmen Expressway, HZM Bridge, Humen Second Bridge and Shenzhen-Zhongshan Corridor (these infrastructures will open to traffic by the end of 2016, 2018, 2018 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.



Project	Length	Owner
Phase IV West Extension	~ 5 km	Zhuhai Section of Guangdong Western Coastal Expressway Co., Ltd
Second Hengqin Bridge	~ 6.8 km	Zhuhai Communication Group

* 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, the total planned project investments in Hengqin have reached approximately RMB300 billion since its establishment in 2009. During the period under review, Hengqin continued to uphold and strengthen its image as a destination for international events and travel, as well as an international tourism island. Two mega events, the second China International Circus Festival and the 2015 WTA Elite Trophy, were held in November 2015 to attract spotlights around the world. The China International Circus Festival will be held every two years and the WTA Elite Trophy will be held consecutively in the next five years. In addition, its signature project, Chimelong International Ocean Tourist Resort attracted 20 million tourists since its opening, and the construction of its phase two had started in January 2015. Moreover, Phase one of Lai Sun Group's Star and Artist Cultural Creative City, another signature project in Hengqin, targets to open in 2017 according to the media. On the other hand, newly established gaming resorts and hotels in Macau helped to promote tourism. For instance, phase two of Galaxy Macau and Studio City started business in May and October 2015 respectively, providing an addition of approximately 3,000 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.

National integration on Electronic Toll Collection ("ETC") network

Integration to national ETC network

Under the direction of Ministry of Transport, expressways in 29 provinces (except Hainan and Tibet) in the PRC formed a nationwide inter-connecting ETC network by the end of 2015. The electronic payment cards issued by different provinces can be commonly used in all ETC toll lanes in every expressway within the network. Guangdong, Henan, Guizhou and Hubei Provinces were integrated to the national ETC network on 30 June 2015.

The vehicles using ETC toll lanes increased gradually after this integration which improved the operational efficiency of the GS Superhighway and the Western Delta Route.

Change of vehicle classification to national standard and change of toll-by-weight scheme to total weight basis

In order to integrate to the national ETC network, Department of Communications and Transportation of Guangdong Province and Guangdong Development and Reform Commission jointly announced that the vehicle classification in Guangdong would be changed to national standard, effective from 26 June 2015. Passenger vehicles and trucks have been re-classified according to the number of seats and loading weight in tonnage respectively. Nevertheless, the tariff rate for each class remains unchanged. In addition, the toll-by-weight scheme applied to trucks has been changed to a total weight basis and the basic tariff rate for trucks on expressways with six lanes or above is RMB0.12 per tonne per km.

During the period under review, the average daily toll revenue on the GS Superhighway and the Western Delta Route increased by 2% and 7% year-on-year respectively, which is similar to the growth rate in the second half of FY15. The impact of the new arrangements on HHI Group's expressway projects is expected to be neutral going forward.

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 for five months, except on routes linking the six border crossings. Hence, vehicles travelling along the GS Superhighway to the Huanggang and Futian border crossings will not be affected under this measure. According to the latest announcement by the Traffic Police Bureau of Shenzhen, this measure has been extended to 30 June 2016.

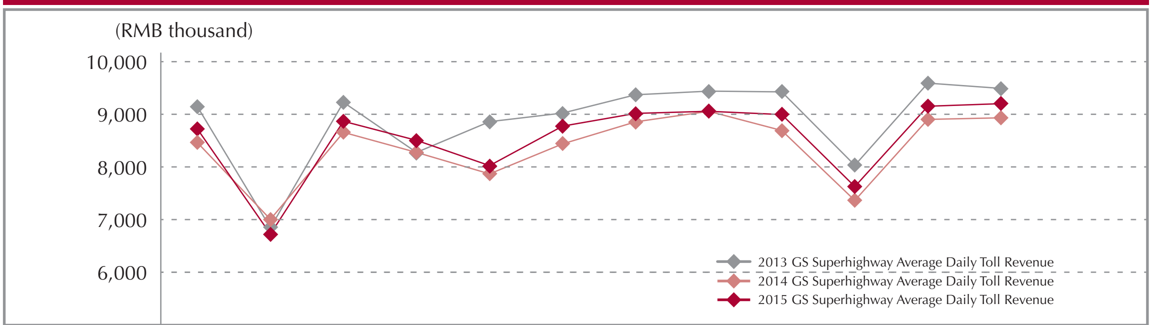
Regulation on the Administration of Toll Roads (Amendment Proposal)

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 resulting in any revenue loss, needs to compensate the toll road companies. HHI will closely monitor the development on this issue.

Guangzhou-Shenzhen Superhighway

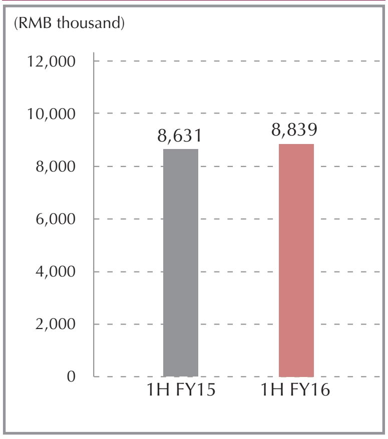
The GS Superhighway is the main expressway connecting the PRD region's three major cities — Guangzhou, Dongguan, Shenzhen and Hong Kong. One year after the full opening of the Coastal Expressway at the end of 2013, the GS Superhighway regained growth momentum since the second half of FY15. During the period under review, its growth continued. Average daily toll revenue increased by 2% year-on-year to RMB8.8 million, and its total toll revenue amounted to RMB1,626 million. However, the average daily toll revenue had not returned to RMB9.2 million recorded in the first half of FY14 before the full opening of the Coastal Expressway mainly due to moderating growth of the PRC's economy. The average daily full-length equivalent traffic on the GS Superhighway rose by 4% year-on-year to 93,000 vehicles, implying a 27% room to grow for it to reach 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 68% and 82.5% of the GS Superhighway's toll revenue and full-length equivalent traffic volume.

GS Superhighway Average Daily Toll Revenue (Monthly)

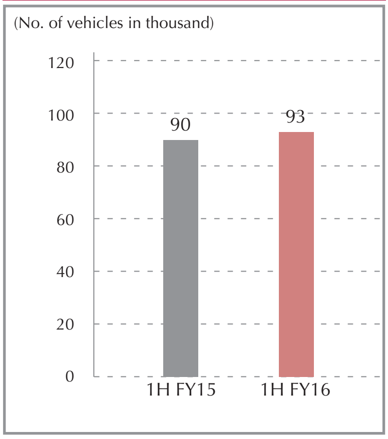


	Jan + Feb (Lunar New Year)	Mar	Apr (Ching Ming Festival)	May (Labour Holiday)	Jun	Jul	Aug	Sep + Oct (National Holiday)	Nov	Dec	Yearly Average
2013	8,055	9,228	8,321	8,860	9,023	9,371	9,440	8,717	9,592	9,492	8,913
2014	7,770	8,657	8,276	7,868	8,438	8,857	9,046	8,017 (Guangzhou Northern Ring Road closure)	8,903	8,933	8,384
2015	7,774	8,867	8,505	8,025	8,775	9,017	9,057	8,300	9,153	9,202	8,567
yoy change	*+0%*	*+2%*	*+3%*	*+2%*	*+4%*	*+2%*	*+0.1%*	*+4%*	*+3%*	*+3%*	*2%*

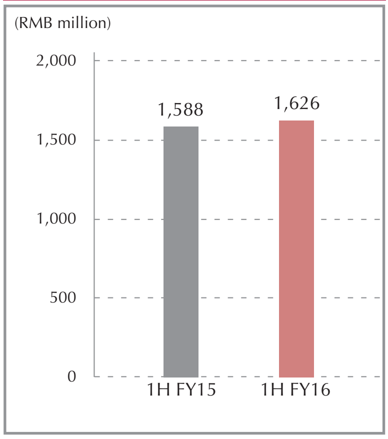
GS Superhighway Average Daily Toll Revenue



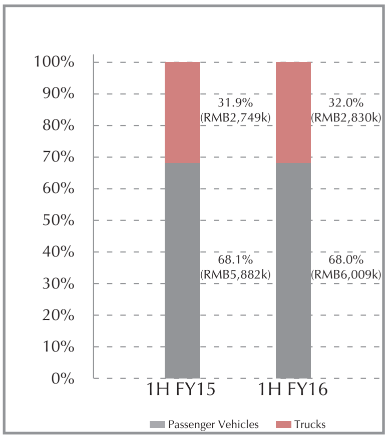
GS Superhighway Average Daily Full-Length Equivalent Traffic



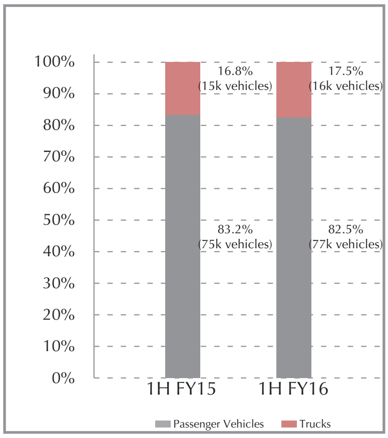
GS Superhighway Total Toll Revenue in 6 months



GS Superhighway Average Daily Toll Revenue Breakdown by Vehicle Type

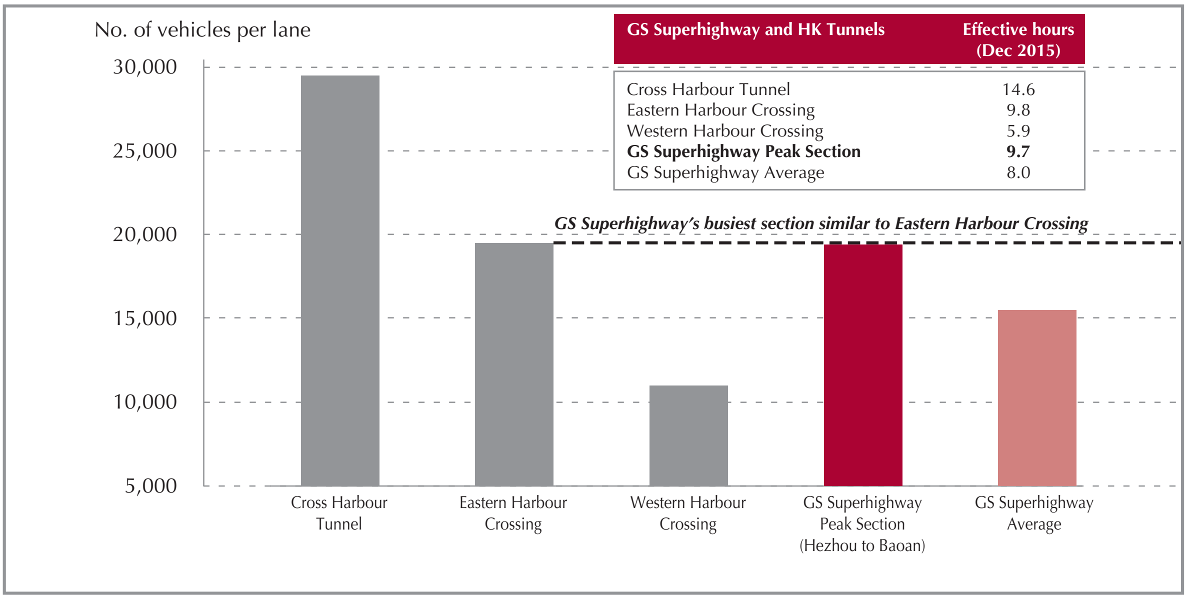


GS Superhighway Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



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 (November 2015): Cross Harbour Tunnel 117,000, Eastern Harbour Crossing 78,000, Western Harbour Crossing 70,000
4) Average daily traffic of GS Superhighway (December 2015)

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 works on Guangzhou Northern Ring Road were completed by the end of August 2015, while maintenance on Guangzhou East-South-West Ring Road is planned to continue until mid-June 2016. Traffic between these roads and the GS Superhighway may be slightly interrupted and the impact is insignificant.

On 30 November 2015, Shenzhen Transport Commission announced that the government would purchase four toll expressways namely Nanguang Expressway, Longda Expressway Shenzhen section, Yanpai Expressway and Yanba Expressway in Shenzhen and they would become toll-free since 7 February 2016. Among these expressways, the Nanguang Expressway and Shenzhen section of Longda Expressway are parallel to the Taiping to Nantou section of the GS Superhighway. Such impact on the traffic of the GS Superhighway is yet to be assessed. HHI will closely monitor the situation.

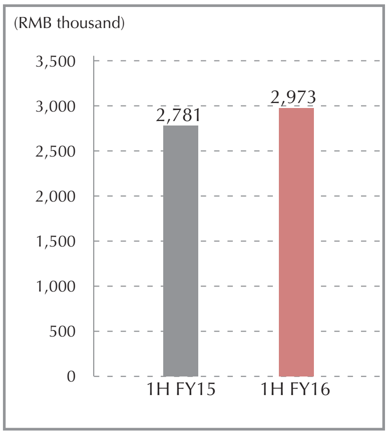
The GS Superhighway JV has been making incessant progress in enhancing its operational efficiency and its capability to cope with the increasing traffic by installing automated equipment at the toll lanes and entry lanes. Currently, approximately 67% of all the toll lanes at entrances to the GS Superhighway 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

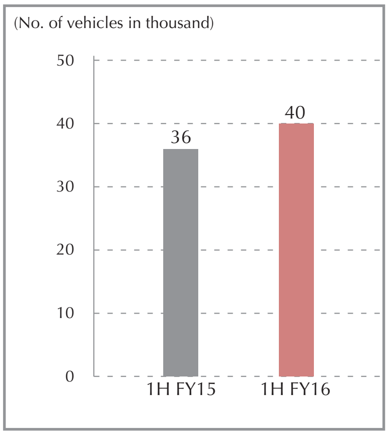
The Western Delta Route is a 97.9-km closed expressway with a total of 6 lanes in dual directions which is comprised of Phase I West, Phase II West and Phase III West. It is the central expressway artery on the western bank of the PRD region connecting four major cities — Guangzhou, Foshan, Zhongshan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

During the period under review, benefiting from the development of tourism in Hengqin and Macau, the average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route continued to grow steadily and achieved 7% and 11% year-on-year growth to RMB3 million and 40,000 vehicles respectively. Meanwhile, its total toll revenue amounted to RMB547 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 69.3% and 82.1% of the Western Delta Route's toll revenue and full-length equivalent traffic volume.

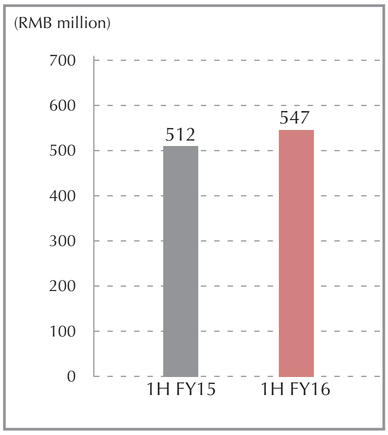
Western Delta Route Average Daily Toll Revenue



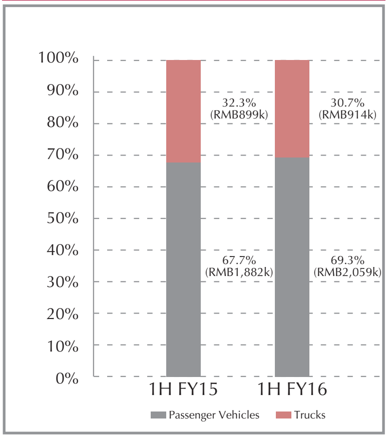
Western Delta Route Average Daily Full-Length Equivalent Traffic



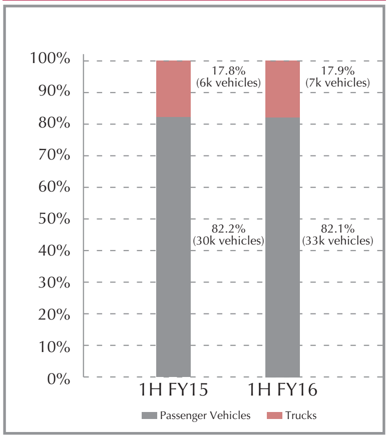
Western Delta Route Total Toll Revenue in 6 months



Western Delta Route Average Daily Toll Revenue Breakdown by Vehicle Type

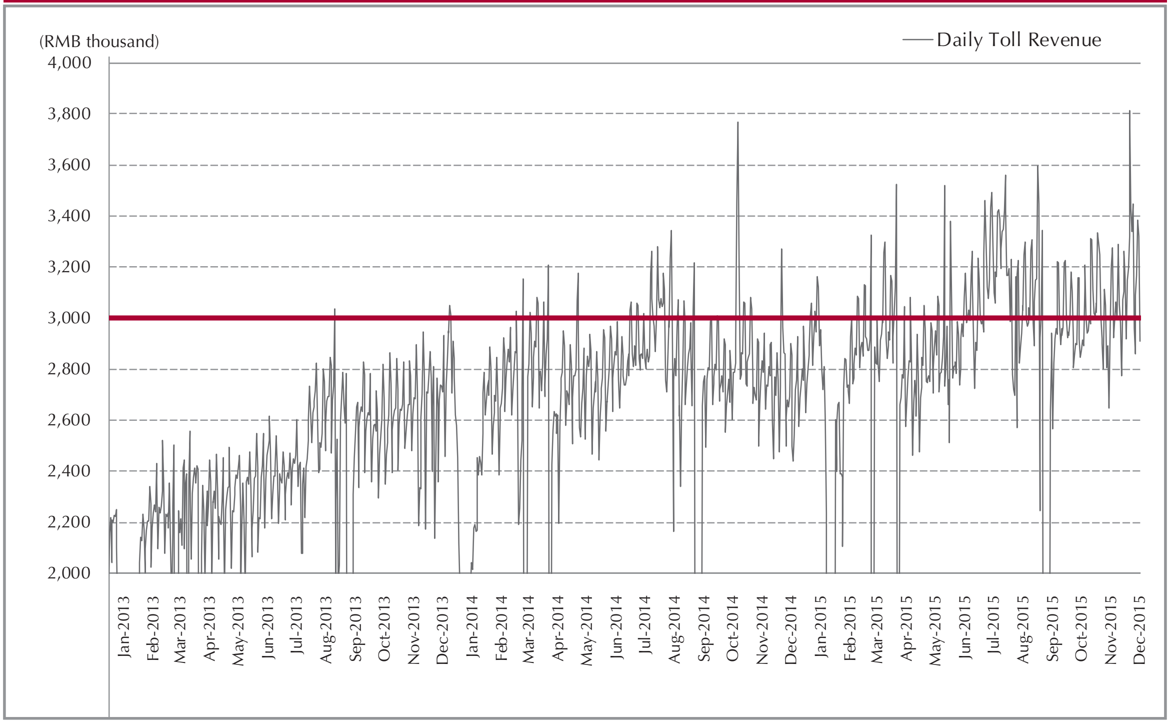


Western Delta Route Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



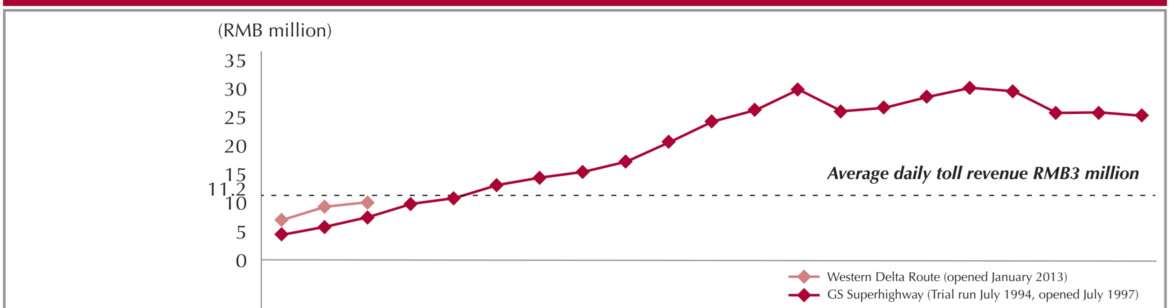
After the opening of Phase III West in the second half of FY13, the Western Delta Route continues to maintain its positive operating cash flow (after taking interest expense payments into account). As the People's Bank of China started a series of lending rate cuts since the fourth quarter of 2014, together 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 July 2015 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 31 December 2015

Western Delta Route — Annual Toll Revenue per km



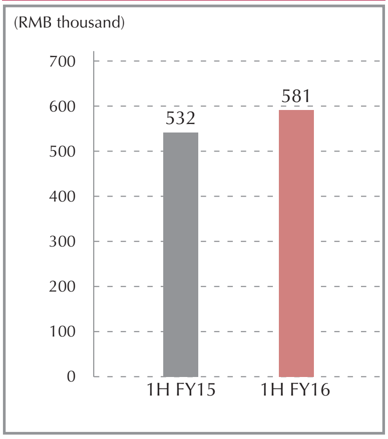
Opening Year / RMB'm	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
GS Superhighway (FY95)	4.4	5.8	7.5	9.8	10.8	13.1	14.4	15.4	17.2	20.6	24.2	26.2	29.8	26.0	26.6	28.5	30.1	29.5	25.7	25.8	25.2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

Phase I of the Western Delta Route

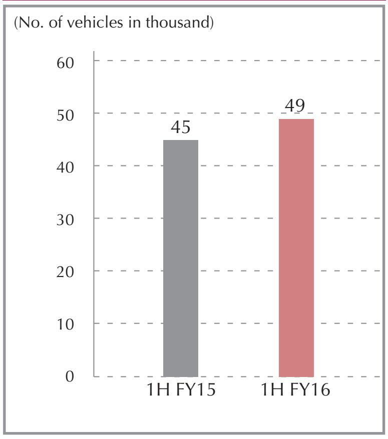
Phase I West connects with Guangzhou East-South-West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. As the northern part of the Western Delta Route, Phase I West's synergy with Phase II West and Phase III West as well as the on-going economic growth of Guangzhou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

The traffic volume and toll revenue of Phase I West grew steadily. During the period under review, its average daily toll revenue increased by 9% year-on-year to RMB581,000, whereas its average daily full-length equivalent traffic increased by 10% to 49,000 vehicles. Its total toll revenue amounted to RMB107 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 68.1% and 81.7% of Phase I West's toll revenue and full-length equivalent traffic volume.

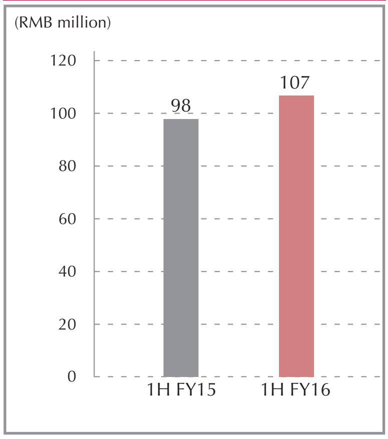
Phase I West Average Daily Toll Revenue



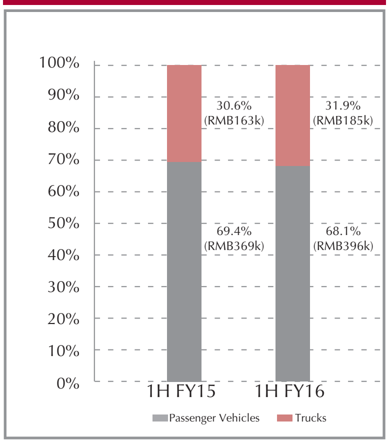
Phase I West Average Daily Full-Length Equivalent Traffic



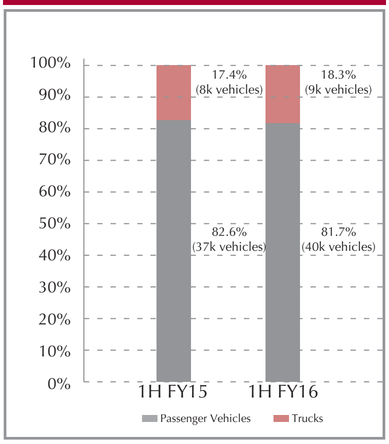
Phase I West Total Toll Revenue in 6 months



Phase I West Average Daily Toll Revenue Breakdown by Vehicle Type



Phase I West Average Daily Full-Length Equivalent Trafiic Breakdown by Vehicle Type



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 will help to bring in traffic from western Foshan to the Western Delta Route.

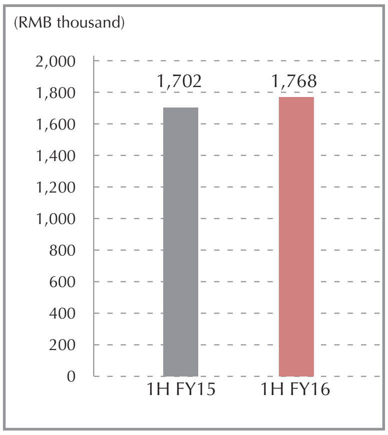
Phase II of the Western Delta Route

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

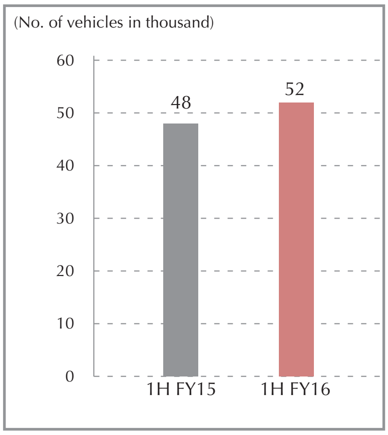
The toll revenue and traffic volume of Phase II West recorded mild growth during the period under review. Its average daily toll revenue rose by 4% year-on-year to RMB1,768,000, and its average daily full-length equivalent traffic grew by 9% to 52,000 vehicles. Its total toll revenue for the period amounted to RMB325 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 68.7% and 81.5% of Phase II West's toll revenue and full-length equivalent traffic volume.

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 growth of Phase II West became stronger in November and December 2015. Supported by the on-going economic development in Shunde and Zhongshan, it is expected that the traffic volume will continue to grow steadily.

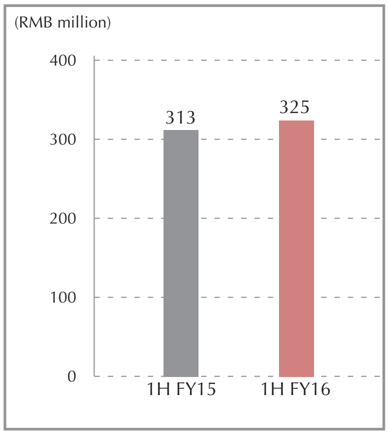
Phase II West Average Daily Toll Revenue



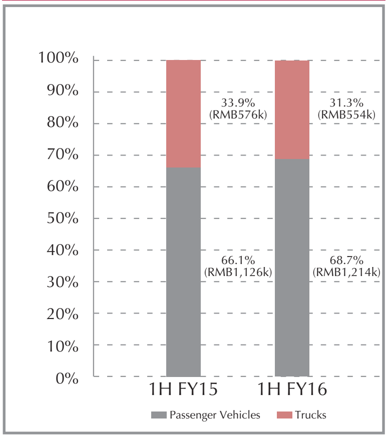
Phase II West Average Daily Full-Length Equivalent Traffic



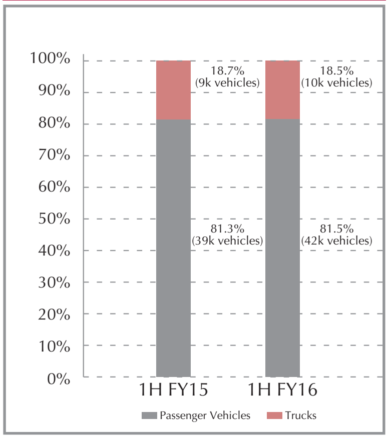
Phase II West Total Toll Revenue in 6 months



Phase II West Average Daily Toll Revenue Breakdown by Vehicle Type



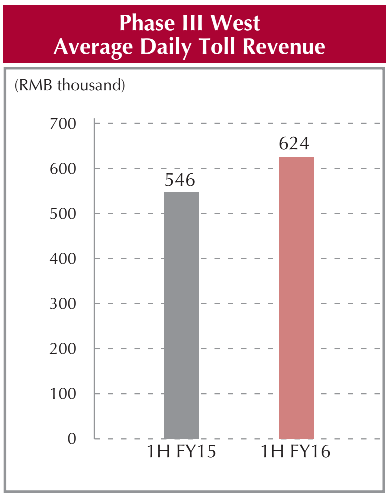
Phase II West Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type

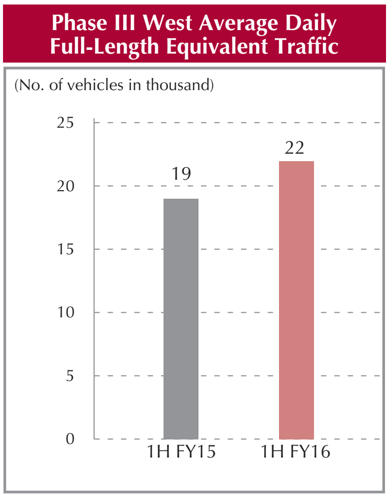


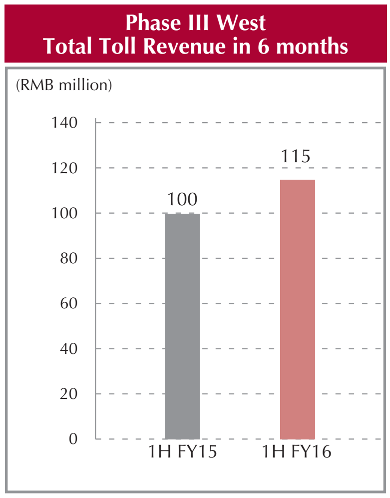
Phase III of the Western Delta Route

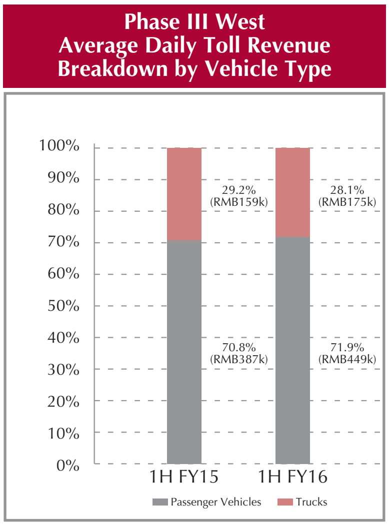
Phase III West is connected to Phase II West at Zhongshan to the north. It extends southwards to link with the Zhuhai expressway network, thus providing a direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai, Macau and the HZM Bridge which is currently under construction. It provides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

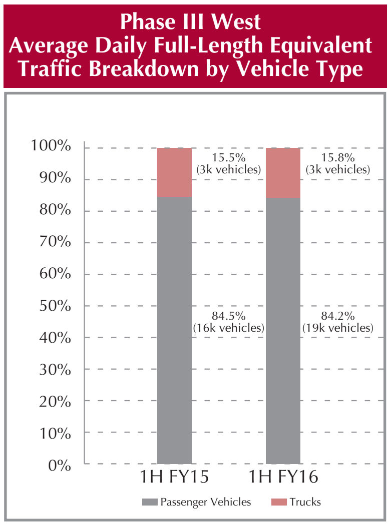
The traffic volume and toll revenue of Phase III West continued to record healthy growth. During the period under review, its average daily toll revenue and average daily full-length equivalent traffic amounted to RMB624,000 and 22,000 vehicles, up by 14% and 19% respectively. Its total toll revenue for the period amounted to RMB115 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 71.9% and 84.2% of Phase III West's toll revenue and full-length equivalent traffic volume.











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 include 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	RMB 4.7 billion
Status	In operation

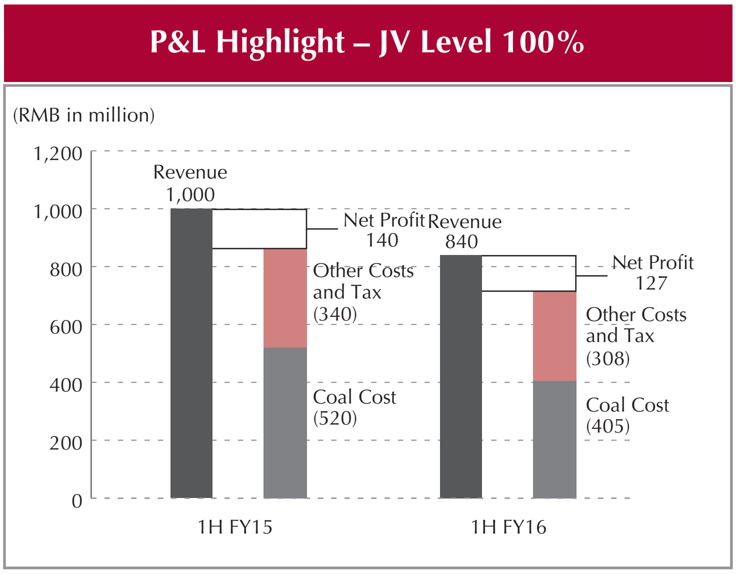
Key operating data	*1H FY15*	***1H FY16***
Gross generation	2,500GWh	**2,200GWh**
Utilisation rate[N1] (hours)	47%	**42%**
	(2,060 hours)	**(1,852 hours)**
Availability factor[N2]	78%	**68%**
Average on-grid tariff		
(with desulphurization, denitrification and dust removal)		
(excluding VAT) (RMB/MWh)	431.1	**403.3**
Approximate cost of coal (5,500 kcal/kg)		
(including transportation cost and excluding VAT)		
(RMB/ton)	565	**486**

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

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

JV Results (HHL's Share*) ***(RMB in million)***	*1H FY15*	***1H FY16***	*yoy*
Revenue	400	**336**	-16%
Net Profit	56	**51**	-9%

* Representing both HHL's effective stake of 35% and minority interest of 5% in the JV



Heyuan Power Plant's utilisation rate has decreased primarily due to weaker demand of electricity consumption as a result of the slowdown of China's economic growth, and a decreased usage of fossil fuel electricity in Guangdong Province brought by a slight increase in nuclear power and other renewable power. The plant's tariff has been reduced in September 2014 and April 2015 by 7.9% in aggregate from RMB439.3/MWh to RMB404.7/MWh (excluding VAT) as stated in the NDRC's announcements. Such negative impacts were mainly offset by the decline in cost of coal. As a result, the Heyuan JV's net profit decreased from RMB140 million to RMB127 million while net profit margin increased from 14% to 15%.

As of 31 December 2015, the Heyuan JV had repaid in total throughout the years RMB1.76 billion of debt which includes RMB400 million shareholder's loans provided by the Group previously. The total outstanding project debt was RMB793 million, including shareholder's loan of RMB100 million provided by the Group to increase the JV's financial resources and reduce its finance costs.

In December 2015, the NDRC announced that the tariff of coal-fired power plants in Guangdong Province would be reduced by RMB19.7/MWh to RMB385/MWh (with desulphurization, denitrification and dust removal) (excluding VAT) with effect from 1 January 2016.

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.

Prospects

Global economy is likely to continue its gradual recovery. In December 2015, the increase of 25-basis-point of the target federal funds rate by Federal Open Market Committee for the first time since 2006 was a strong indicator of the US' positive economic outlook. Eurozone economies have been improving, helped by persistent low oil price and depreciation of Euro as well as continuous quantitative-easing programs rolled out by the European Central Bank in recent years.

Striving to maintain the GDP growth rate at the "New Normal" level of 6.5%, the PRC authorities have been implementing policies to revitalize the PRC property market and boost domestic consumption. These were manifested from series of official lending rate cuts, targeted tax reduction, easing of restrictions on property market, and accommodative monetary policy and fiscal policy. Despite the recent economic slowdown, the PRC's "One Belt One Road" initiative will promote co-development and mutual co-operation in the areas of economic, finance, transport, tourism and technology which will finally result in prosperity to the nations along the regions. Hong Kong will play the role of super liaison as its legal system, market rules and managerial expertise are up to international standards. These will bless Hong Kong entrepreneurs, professionals and skillful workers with great opportunity to offer their services in the regions. Through active participation, Hong Kong will not only contribute to the success of the national initiative but also share the dividends brought by Asia's new round of integrated development.

Hong Kong unemployment rate stays low. The Hong Kong government strives to launch large scale infrastructure projects, for instance the third airport runway, to maintain its economic growth momentum and strengthen its infrastructures.

Given the cautious optimistic economic backdrop, the demand for office space in Hong Kong is expected to be stable. In view of end-users' demand for residential properties offset by the expectation of slow and mild interest rate hiking, the transaction prices are expected to be stable in the future.

With the efforts put in by the Group, including continuous enhancement of property facilities, renovation and reposition of KITEC, construction of a new venue at 3/F of KITEC for wedding banquets, repositioning of E-Max as an entertainment hub to expand its competitive advantages, renovation of M3 of Panda Hotel to a catering venue, the Crystal, and implementation of marketing plan to strengthen Panda Hotel's MICE business, these will strengthen the Group's image as a landlord of premium properties in Hong Kong, and eventually bring sustainable growth to the Group's business and shareholders' value.

The Group's major projects in the pipeline, Hopewell Centre II and 155-167 Queen's Road East, will both generate tremendous synergies with its existing properties in Wan Chai. These, together with Hopewell Centre, Wu Chung House retail shops, GardenEast, QRE Plaza and the newly completed Lee Tung Avenue will form an attractive lifestyle hub drawing in attention, visitation, business, residence and spending.

Sale of The Avenue was successful and it has begun to bring in high-income households to the area. The grand opening of Lee Tung Avenue is targeted in the second quarter of 2016 and it will become a popular shopping and dining rendezvous. It will synergise with Hopewell Centre II and the Group's existing retail space to form one of Wan Chai's largest retail clusters. Designed to be one of Hong Kong's largest hotels once completed, Hopewell Centre II will benefit from the limited supply of large-scale premium hotel in prime locations. With its comprehensive conference facilities, it is also well-positioned to capitalize on the opportunities from lack of conference venues in Hong Kong.

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 is planned to developed. The Group has submitted the preservation cum development plan of a residential development to the Town Planning Board in December 2015.

The Group will continue to acquire land which will synergise with its existing property portfolio and involvement in the redevelopment of Wan Chai.

On the infrastructure front, the GS Superhighway has regained growth momentum since the second half of FY15, one year after the full opening of the Coastal Expressway. The Western Delta Route is now the main artery of a regional expressway network that covers the most prosperous and populous cities on the western bank of the Pearl River Delta (PRD), 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 will accelerate, creating economic growth that will benefit the Group.

Liquidity and Financial Resources

As at 31 December 2015, the cash position and available banking facilities of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	*30.6.2015*	***31.12.2015***
Cash	3,768	**4,071**
Available Banking Facilities (Note 1)	910	**2,320**
Cash and Available Banking Facilities	4,678	**6,391**

Note 1: As at 31 December 2015, available banking facilities included undrawn bank overdrafts and uncommitted banking facilities amounting to HK$520 million (30 June 2015: HK$720 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*	***31.12.2015***
Total debt	4,360	**4,139**
Net debt (Note 2)	592	**68**
Total assets	45,415	**46,385**
Shareholders' equity (excluding equity shared from HHI Group)	39,293	**40,517**
Total debt / total assets ratio	9.6%	**8.9%**
Net gearing ratio (Note 3)	1.5%	**0.2%**

Note 2: "Net debt" is defined as total debts 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$4,071 million included RMB2,872 million (equivalent to HK$3,431 million) and HK$640 million. The net debt position of HK$68 million comprised outstanding bank loans totalling HK$4,139 million less bank balances and cash.

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

HK$ million	*30.6.2015*		***31.12.2015***	
Repayable:				
Within 1 year	–		**200**	**5%**
Between 1 and 5 years	4,360	100%	**3,939**	**95%**
	4,360		**4,139**	

During the period 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$4.2 billion on these projects between FY16 and FY18. The Group's cash on hand remains equally robust. Combined with the healthy cash flow from its prime-earning businesses, sales proceeds from The Avenue, Hopewell New Town and Broadwood Twelve, 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 our strong financial position, the Group will continue to seek out appropriate investment opportunities.

Major Projects Plan

Projects	***Target Completion***	***Total Investment[N1] HK$'M***	***Interest %***	***HHL's Injection FY16 to FY18[N1] HK$'M***
Hong Kong				
The Avenue /Lee Tung Avenue	2015	9,800	50%	No need to inject further funds
Hopewell Centre II	2019	9,000–10,000	100%	3,900 (FY16: 490; FY17: 1,290; FY18: 2,120)
Wan Chai projects[N2]	Development plan under study			320
Total				**4,220**

N1: Present planning, subject to change
N2: Including 155-167 Queen's Road East and Hill Side Terrace Cluster

For the HHI Group (consisting of HHI and its subsidiaries but excluding its JVs), the cash balance was RMB837 million, equivalent to HK$999 million as at 31 December 2015 (30 June 2015: RMB574 million, equivalent to HK$718 million). After deducting an outstanding bank loan of RMB266 million (equivalent to HK$318 million), the HHI Group maintained a net cash position of RMB571 million (equivalent to HK$681 million) at corporate level.

Furthermore, by the end of the period under review, West Route JV has repaid all outstanding shareholders' loan to HHI (30 June 2015: RMB788 million, equivalent to HK$985 million). HHI had available banking facilities amounting to HK$782 million as at 31 December 2015 (30 June 2015: HK$804 million).

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 whose key objective is to minimise finance costs while optimising returns on financial assets.

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

Generally speaking, all Group cash is placed as deposits denominated mainly in HK Dollars and RMB. During the period under review, the Group did not invest in any accumulator, equity-linked note or other financial derivative instruments.

Charges on Assets

As at 31 December 2015, none of the Group's assets had been pledged to secure any loans or banking facilities.

Project Commitments

Details of the project commitments are set out in note 20 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities are set out in note 21 to the condensed consolidated financial statements.

Material Acquisition or Disposal

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

Corporate Governance

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

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

Code Provision A.5.1

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

Code Provision A.5.6

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

Awards and Recognition

- Both HHL and HHI have been selected as constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index for five consecutive years from 2011 to 2015

- HHL was awarded the 6th Hong Kong Outstanding Corporate Citizenship Merit Award (Enterprise Category) while HH Social Club received the 6th Hong Kong Corporate Citizenship Logo (Volunteer Category)

- Mr. Thomas Jefferson WU, Managing Director of HHL, was conferred an honorary fellowship by Lingnan University

Environmental

Government's Environmental Campaigns

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

- Waste Check Charter
- Charter on External Lighting
- Energy Saving Charter on Indoor Temperature
- Carbon Reduction Charter

Green Office Awards Labelling Scheme (GOALS)

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

Friends of the Earth (HK) Green Missions

HHL participated in Friends of the Earth (HK)'s Earth Partner scheme for the third year and extended our commitment by joining a new initiative, Green Missions, to encourage energy saving and promote resource efficiency.

Heyuan Power Plant

Heyuan Power Plant launched a new exhibition room to educate the public on energy efficiency and the environmental protection measures implemented by the coal-fired power plant.

Our People

Employee relations and engagement

We treasure our employees and are committed to creating a harmonious and efficient working environment. In delivering on this promise, our management makes active efforts to engage and communicate with staff, and encourages everyone to optimise their work-life balance by taking advantage of the Group's Employee Assistance Programme as well as various employee social functions and outings.

Employee Development

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

Talent Acquisition and Development

We have developed three tailor-made programmes including Management Trainee Programme, Summer Internship Programme and Hospitality Service Elite Selection Scheme. A diverse range of interactive initiatives such as campus recruitment talks, career fairs, knowledge sharing and networking platform, job shadowing, mock interview, service trip and Facebook fan page has been launched throughout the year in order to recruit and develop high-calibre young talents.

Customers and Communities

HHL actively supported and participated in community programmes and initiatives:

- Sponsored Lingnan University Fundraising Walkathon 2015
- Sponsored Wan Chai Sports Federation Soccer Team
- Sponsored Winter Garden Exhibition organised by Hong Kong Arts Centre
- Participated in St. James' Cup Kin-ball Charity Tournament
- Participated in Heifer Hong Kong's Race to Feed 2015
- Participated in Dress Casual Day 2015, Mooncakes for Charity 2015, Love Teeth Day 2015/2016 organised by the Community Chest of Hong Kong
- Collaborating with local social enterprise Green Monday, The East launched Go Green Fiesta to promote green lifestyle and meatless diet to the general public
- Organised a service trip to Yunnan to support local villagers' educational efforts

Review of Interim Results

The Audit Committee of the Company and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu, had reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the Group's unaudited interim results for the six months ended 31 December 2015.

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

As at 31 December 2015, 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	25,972,800[iii]	111,450,000[iv]	30,680,000[v]	243,186,040[viii]	27.90
Eddie Ping Chang HO	27,691,500	–	70,000	–	27,761,500	3.18
Thomas Jefferson WU	27,820,000	–	–	–	27,820,000	3.19
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	25,972,800	125,343,240[vi]	61,190,000[vii]	30,680,000[v]	243,186,040[viii]	27.90
Linda Lai Chuen LOKE	–	1,308,981	–	–	1,308,981	0.15
Albert Kam Yin YEUNG	20,000	–	–	–	20,000	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 25,972,800 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

	HHI 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 HHI Shares
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 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 31 December 2015, 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 option 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.

(B) Details of the movement of share options under the 2003 HHL Share Option Scheme during the six months ended 31 December 2015 were as follows:

			Number of share options						
	Date of grant	Exercise price per share HK$	Outstanding at 01/07/2015	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31/12/2015	Exercise period	Closing price before date of grant falling within the period 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**	**–**	**(40,000)**	**(238,000)**	**163,000**		

No options were cancelled during the six months ended 31 December 2015.

The weighted average closing price of the shares immediately before the date on which the options were exercised was HK$26.70.

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.

(B) No option was granted under the 2013 HHL Share Option Scheme since its adoption.

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 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 Option 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.

(B) Details of the movement of share options under the 2003 HHI Share Option Scheme during the six months ended 31 December 2015 were as follows:

	Date of grant	Exercise price per share HK$	Number of HHI share options: Outstanding at 01/07/2015	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31/12/2015	Exercise period	Closing price before date of grant falling within the period 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)**	**–**		

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

No options were cancelled during the six months ended 31 December 2015 under 2003 HHI Share Option Scheme.

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.

(B) No option was granted under the 2013 HHI Share Option Scheme since its adoption.

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.

(B) During the period under review, cash dividend income amounting to approximately HK$53,851 (2014: HK$43,933) 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.

(C) There was no awarded share granted or outstanding during the six months ended 31 December 2015.

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.

(B) There was no awarded shares granted or outstanding during the six months ended 31 December 2015 and accordingly no dividend income was received in respect of shares hold upon the trust for the HHI Share Award Scheme (2014: Nil) during the period under review.

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

As at 31 December 2015, 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	54,202,000	6.21%
Southeastern Asset Management, Inc.	Investment manager	79,707,000(ii)	9.14%

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 79,707,000 shares included the block of shares beneficially owned by Longleaf Partners Small Cap Fund.

Save as disclosed above, as at 31 December 2015, the Company had not been notified of any other interests or short positions representing 5% or more of 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.

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 31 December 2015, the Group, excluding its JV companies, had 1,125 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 Programme. The graduates acquired essential business knowledge and management skills through well planned job rotations within the Group's core business units and corporate offices. Besides, 7 trainees were also recruited through "Hotel Service Elites Selection Scheme" to join a 24-month training program. With job rotation within our wide hospitality portfolio, together with training workshops, coaching system and opportunities to implement projects, the trainees will be well-equipped to be a Hotel Service Elite, paving the way to a rewarding career. 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.

Purchase, Sale or Redemption of Securities

During the six months ended 31 December 2015, the Company bought back a total of 133,500 shares of the Company on the Stock Exchange at an aggregate consideration (excluding transaction costs) of HK$3,469,450. 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
Total	**133,500**			**3,469,450**

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 six months ended 31 December 2015.

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 ("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.

Disclosures under Chapter 13 of the Listing Rules

The Sino-foreign co-operative joint venture jointly controlled by the HHI Group and the PRC JV 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 JV enterprises is no longer required under Rules 13.13, 13.16, 13.20 and 13.22 of the Listing Rules to be specifically disclosed in this interim report.

Change in Information of Directors

Mr. Thomas Jefferson WU, the Managing Director, was conferred an honorary fellowship by Lingnan University on 8 October 2015.

Mr. Carmelo Ka Sze LEE, a Non-executive Director, was appointed as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. on 26 November 2015.

Mr. Sunny TAN, an Independent Non-executive Director, was appointed as a member of the council of the Hong Kong Productivity Council on 1 January 2016.

Mr. Yuk Keung IP, an Independent Non-executive Director, was appointed as an Adjunct Professor of University of Macau on 18 September 2015 and an Honorary Professor of Business at Lingnan University on 1 January 2016, replacing his previous appointment as an Adjunct Professor of Lingnan University. He ceased to be a council member of Lingnan University on 21 October 2015.

At the annual general meeting of the Company held on 26 October 2015, it was resolved to approve the increase in director's fee of each of the Non-executive Directors and Independent Non-executive Directors for the year ending 30 June 2016 from HK$300,000 to HK$350,000 per annum, the additional director's fee of HK$50,000 per annum payable to each of the chairmen of Audit Committee and Remuneration Committee for the year ending 30 June 2016, and the additional director's fee of HK$20,000 per annum payable to each of the other members of Audit Committee and Remuneration Committee for the year ending 30 June 2016 .

Save as disclosed above, upon specific enquiry by the Company and following confirmations from Directors, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

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

Hong Kong, 24 February 2016

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF HOPEWELL HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Hopewell Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 68 to 86, which comprise the condensed consolidated statement of financial position as of 31 December 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 February 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2015

	NOTES	Six months ended 31.12.2014 HK$'000 (unaudited)	Six months ended 31.12.2015 HK$'000 (unaudited)
Turnover	3	770,677	**883,030**
Cost of sales and services		(300,315)	**(334,412)**
		470,362	**548,618**
Other income	4	137,182	**102,054**
Other gains and losses	5	1,395	**(44,569)**
Selling and distribution costs		(38,207)	**(31,687)**
Administrative expenses		(168,874)	**(169,481)**
Fair value gain of completed investment properties		132,391	**620,382**
Finance costs	6	(45,933)	**(33,730)**
Share of profits of joint ventures:	7		
Expressway projects		332,386	**309,956**
Power plant project		70,921	**62,561**
Property development project			
Sales of properties (The Avenue)		73,200	**427,000**
Fair value gain of investment property upon completion (Lee Tung Avenue)		120,000	**–**
Share of profit of an associate		1,106	**1,045**
Profit before taxation		1,085,929	**1,792,149**
Income tax expense	8	(104,584)	**(116,919)**
Profit for the period		981,345	**1,675,230**
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences recognised in translation reserve arising on translation of financial statements of subsidiaries and joint ventures		16,338	**(598,943)**
Total comprehensive income for the period		997,683	**1,076,287**
Profit for the period attributable to:			
Owners of the Company		859,501	**1,558,737**
Non-controlling interests		121,844	**116,493**
		981,345	**1,675,230**
Total comprehensive income (expense) attributable to:			
Owners of the Company		874,873	**1,111,080**
Non-controlling interests		122,810	**(34,793)**
		997,683	**1,076,287**
		HK$	***HK$***
Earnings per share	9		
Basic		0.99	**1.79**
Diluted		0.99	**1.79**

Condensed Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	30.6.2015 HK$'000 (audited)	**31.12.2015 HK$'000 (unaudited)**
ASSETS			
Non-current Assets			
Completed investment properties	11	28,196,188	**28,830,638**
Property, plant and equipment ("PPE")	11	689,590	**677,520**
Properties under development	11		
Commercial portion of HCII (investment properties)		4,476,413	**4,509,316**
Hotel portion of HCII (PPE)		2,314,751	**2,367,312**
155–167 Queen's Road East (investment properties)		756,000	**763,071**
Properties for development		832,810	**836,257**
Interests in joint ventures	12		
Expressway projects		7,976,455	**7,712,420**
Power plant project		1,170,256	**1,178,320**
Property development project		194,000	**621,000**
Interest in an associate		38,636	**39,681**
Available-for-sale investments		8,982	**8,714**
		46,654,081	**47,544,249**
Current Assets			
Inventories		7,099	**8,719**
Stock of properties			
Under development		434,605	**411,006**
Completed		551,004	**468,444**
Trade and other receivables	14	259,471	**100,798**
Deposits and prepayments		145,745	**172,935**
Amounts due from joint ventures	13	2,070,036	**698,360**
Bank balances and cash held by:	15		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		3,767,975	**4,071,010**
Hopewell Highway Infrastructure Limited and its subsidiaries ("HHI Group")		717,514	**999,033**
		7,953,449	**6,930,305**
Assets classified as held for sale (Broadwood Twelve)		634,350	**634,350**
		8,587,799	**7,564,655**
Total Assets		55,241,880	**55,108,904**
Time deposits with original maturity over three months held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		*398,536*	***278,313***
Cash and cash equivalents held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		*3,369,439*	***3,792,697***
HHI Group		*717,514*	***999,033***
		4,086,953	***4,791,730***
Total bank balances and cash		*4,485,489*	***5,070,043***

	NOTES	30.6.2015 HK$'000 (audited)	**31.12.2015 HK$'000 (unaudited)**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	16	11,192,132	**11,193,497**
Reserves		34,337,385	**34,834,721**
Equity attributable to owners of the Company		45,529,517	**46,028,218**
Non-controlling interests		3,275,728	**2,902,997**
Total Equity		48,805,245	**48,931,215**
Non-current Liabilities			
Deferred tax liabilities		499,742	**521,877**
Other liabilities		53,966	**53,966**
Bank borrowings of Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)	17	4,360,000	**3,938,800**
		4,913,708	**4,514,643**
Current Liabilities			
Trade and other payables	18	586,786	**503,213**
Rental and other deposits		350,165	**390,571**
Tax liabilities		290,276	**251,162**
Bank borrowings of:	17		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		–	**200,000**
HHI Group		295,700	**318,100**
		1,522,927	**1,663,046**
Total Liabilities		6,436,635	**6,177,689**
Total Equity and Liabilities		55,241,880	**55,108,904**

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015

	Attributable to owners of the Company									*Attributable to non-controlling interests*			
	Share capital	*Capital reserve*	*Translation reserve*	*PRC statutory reserves*	*Property revaluation reserve*	*Share option reserve*	*Shares held for share award scheme*	*Retained profits*	*Sub-total*	*Share option reserve of HHI*	*Share of net assets of subsidiaries*	*Sub-total*	*Total*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2014 (audited)	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 period	–	–	–	–	–	–	–	859,501	859,501	–	121,844	121,844	981,345
Other comprehensive income for the period	–	–	15,372	–	–	–	–	–	15,372	–	966	966	16,338
Total comprehensive income for the period	–	–	15,372	–	–	–	–	859,501	874,873	–	122,810	122,810	997,683
Lapse of vested share options	–	–	–	–	–	(27,425)	–	27,648	223	(223)	–	(223)	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(104,823)	(104,823)	(104,823)
Net effect of dividends recognised as distribution during the period (note 10)	–	–	–	–	–	–	–	(686,942)	(686,942)	–	131,995	131,995	(554,947)
Increase in net assets value attributable to the Group upon distribution in specie of HHI Shares (note 10)	–	–	–	–	–	–	–	30,881	30,881	–	–	–	30,881
At 31 December 2014 (unaudited)	11,179,498	10,010	1,117,917	138,597	452,391	5,737	(2,178)	31,092,006	43,993,978	151	3,266,390	3,266,541	47,260,519
At 1 July 2015 (audited)	**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 period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,558,737**	**1,558,737**	**–**	**116,493**	**116,493**	**1,675,230**
Other comprehensive income (expense) for the period	**–**	**–**	**(447,657)**	**–**	**–**	**–**	**–**	**–**	**(447,657)**	**–**	**(151,286)**	**(151,286)**	**(598,943)**
Total comprehensive income (expense) for the period	**–**	**–**	**(447,657)**	**–**	**–**	**–**	**–**	**1,558,737**	**1,111,080**	**–**	**(34,793)**	**(34,793)**	**1,076,287**
Shares issued	**1,365**	**–**	**–**	**–**	**–**	**(311)**	**–**	**–**	**1,054**	**–**	**–**	**–**	**1,054**
Shares bought back and cancelled (note 16)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,479)**	**(3,479)**	**–**	**–**	**–**	**(3,479)**
Lapse of vested share options	**–**	**–**	**–**	**–**	**–**	**(1,804)**	**–**	**1,955**	**151**	**(151)**	**–**	**(151)**	**–**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(337,787)**	**(337,787)**	**(337,787)**
Dividends recognised as distribution during the period (note 10)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(610,105)**	**(610,105)**	**–**	**–**	**–**	**(610,105)**
At 31 December 2015 (unaudited)	**11,193,497**	**10,010**	**656,324**	**151,879**	**452,391**	**842**	**(2,178)**	**33,565,453**	**46,028,218**	**–**	**2,902,997**	**2,902,997**	**48,931,215**

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2015

	Six months ended	
	31.12.2014 (unaudited) HK$'000	**31.12.2015 (unaudited) HK$'000**
OPERATING ACTIVITIES		
Cash generated from operations	141,946	**509,449**
Tax paid	(99,334)	**(87,525)**
NET CASH FROM OPERATING ACTIVITIES	42,612	**421,924**
INVESTING ACTIVITIES		
Placement of time deposits with original maturity over three months	(949,442)	**(719,534)**
Withdrawal of time deposits with original maturity over three months	1,564,938	**813,705**
Dividends received (net of PRC withholding tax)	490,257	**566,090**
Additions to completed investment properties	(97,386)	**(21,932)**
Additions to properties under development	(61,999)	**(87,145)**
Additions to properties for development	(26,356)	**(26,050)**
Investment in a joint venture	–	**(261,502)**
Repayment from joint ventures:		
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV")	–	**965,288**
Property development project	510,000	**174,000**
Heyuan Project	125,900	**171,200**
Other investing cash flows	95,739	**68,818**
NET CASH FROM INVESTING ACTIVITIES	1,651,651	**1,642,938**
FINANCING ACTIVITIES		
New bank borrowings raised	522,400	**2,120,900**
Repayment of bank borrowings	(1,100,000)	**(2,308,500)**
Dividends and distributions paid to:		
Owners of the Company	(522,710)	**(610,105)**
Non-controlling interests	(104,823)	**(337,787)**
Net proceeds from issue of shares of the Company	–	**1,054**
Other financing cash flows	(50,454)	**(61,516)**
NET CASH USED IN FINANCING ACTIVITIES	(1,255,587)	**(1,195,954)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	438,676	**868,908**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,061,265	**4,086,953**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(6,905)	**(164,131)**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4,493,036	**4,791,730**
TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS	542,573	**278,313**
TOTAL BANK BALANCES AND CASH	5,035,609	**5,070,043**

1. Basis of Preparation

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

The financial information relating to the year ended 30 June 2015 that is included in the interim report for the six months ended 31 December 2015 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 30 June 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2. Principal Accounting Policies

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

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

In the current interim period, no new and revised Hong Kong Financial Reporting Standards ("HKFRSs") was issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

3. Turnover and Segment Information

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

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

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

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

Information regarding the above segments is reported below.

3. Turnover and Segment Information (continued)

Segment revenue

	Six months ended 31.12.2014			**Six months ended 31.12.2015**		
	External HK$'000	Inter-segment HK$'000	Combined HK$'000	**External HK$'000**	**Inter-segment HK$'000**	**Combined HK$'000**
Property investment	474,193	21,252	495,445	**550,441**	**22,329**	**572,770**
Hotel, restaurant and catering operation	240,306	101	240,407	**216,155**	**87**	**216,242**
Property development	750,028	–	750,028	**4,130,434**	**–**	**4,130,434**
Toll road investment	1,244,530	–	1,244,530	**1,246,138**	**–**	**1,246,138**
Power plant	504,772	–	504,772	**413,708**	**–**	**413,708**
Treasury income	120,600	–	120,600	**83,347**	**–**	**83,347**
Other operations	–	61,250	61,250	**–**	**61,250**	**61,250**
Total segment revenue	3,334,429	82,603	3,417,032	**6,640,223**	**83,666**	**6,723,889**

Segment revenue includes the turnover as presented in condensed 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.

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

	Six months ended	
	31.12.2014 HK$'000	**31.12.2015 HK$'000**
Total segment revenue from external customers	3,334,429	**6,640,223**
Less:		
Treasury income	(120,600)	**(83,347)**
Share of revenue of joint ventures engaged in:		
Toll road investment	(1,244,530)	**(1,246,138)**
Power plant	(504,772)	**(413,708)**
Property development	(693,850)	**(4,014,000)**
Turnover as presented in condensed consolidated statement of profit or loss and other comprehensive income	770,677	**883,030**

3. Turnover and Segment Information (continued)

Segment results

	Six months ended 31.12.2014				**Six months ended 31.12.2015**			
	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	294,357	–	1,106	295,463	**370,424**	**–**	**1,045**	**371,469**
Hotel, restaurant and catering operation	72,092	–	–	72,092	**50,833**	**–**	**–**	**50,833**
Property development	(2,652)	193,200	–	190,548	**25,548**	**427,000**	**–**	**452,548**
Toll road investment	(20,462)	332,386	–	311,924	**(16,990)**	**309,956**	**–**	**292,966**
Power plant	(995)	70,921	–	69,926	**(718)**	**62,561**	**–**	**61,843**
Treasury income	120,600	–	–	120,600	**83,347**	**–**	**–**	**83,347**
Other operations	(61,082)	–	–	(61,082)	**(107,509)**	**–**	**–**	**(107,509)**
Total segment results	401,858	596,507	1,106	999,471	**404,935**	**799,517**	**1,045**	**1,205,497**

For the six months ended 31 December 2014, share of fair value gain of investment property upon completion (Lee Tung Avenue) attributable to a joint venture amounting to HK$120 million formed part of the segment results of property development, which was separately presented in the condensed 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.

The share of profits of joint ventures and an associate shown above includes share of tax of joint ventures and an associate of approximately HK$219,876,000 (six months ended 31.12.2014: HK$167,619,000) and HK$207,000 (six months ended 31.12.2014: HK$213,000) respectively.

	Six months ended	
	31.12.2014 HK$'000	***31.12.2015 HK$'000***
Segment results	999,471	**1,205,497**
Fair value gain of completed investment properties	132,391	**620,382**
Finance costs	(45,933)	**(33,730)**
Profit before taxation	1,085,929	**1,792,149**

4. Other Income

	Six months ended	
	31.12.2014	***31.12.2015***
	HK$'000	***HK$'000***
Included in other income are:		
Interest income from bank deposits	68,299	**66,097**
Interest income from amounts due from joint ventures	52,301	**17,250**

5. Other Gains and Losses

	Six months ended	
	31.12.2014	***31.12.2015***
	HK$'000	***HK$'000***
Exchange gain (loss), net	1,395	**(44,569)**

6. Finance Costs

	Six months ended	
	31.12.2014	***31.12.2015***
	HK$'000	***HK$'000***
Interests on bank borrowings	50,847	**36,024**
Loan commitment fees and others	10,497	**7,423**
	61,344	**43,447**
Less: Finance costs capitalised in properties under development	(15,411)	**(9,717)**
	45,933	**33,730**

7. Share of Profits of Joint Ventures

	Six months ended	
	31.12.2014 HK$'000	**31.12.2015 HK$'000**
Expressway projects in the PRC		
Share of results of joint ventures before amortisation of additional cost of investments in joint ventures	389,813	**367,713**
Amortisation of additional cost of investment in joint ventures	(57,427)	**(57,757)**
	332,386	**309,956**
Power plant project		
Share of profits of joint venture	70,921	**62,561**
Property development project		
Share of profits of joint venture from sales of properties (The Avenue)	73,200	**427,000**
Share of fair value gain of investment property upon completion (Lee Tung Avenue)	120,000	**–**
	193,200	**427,000**
	596,507	**799,517**

8. Income Tax Expense

	Six months ended	
	31.12.2014 HK$'000	**31.12.2015 HK$'000**
Hong Kong Profits Tax		
Current period	36,424	**38,790**
Overprovision in respect of prior periods	(3,110)	**(2,982)**
	33,314	**35,808**
Taxation elsewhere — current period		
PRC Enterprise Income Tax ("EIT")	23,958	**36,926**
PRC Land Appreciation Tax ("LAT")	8,157	**14,765**
	32,115	**51,691**
Deferred tax	39,155	**29,420**
	104,584	**116,919**

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

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

8. Income Tax Expense (continued)

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

PRC EIT for the period includes PRC withholding tax on dividends declared during the period by the Group's joint ventures amounting to approximately HK$24,420,000 (six months ended 31.12.2014: HK$11,003,000).

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

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

9. Earnings per Share

	Six months ended	
	31.12.2014 *HK$'000*	***31.12.2015*** ***HK$'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	859,501	**1,558,737**

	Number of shares	***Number of shares***
Weighted average number of ordinary shares for the purpose of basic earnings per share	871,255,221	**871,575,414**
Effect of dilutive potential ordinary shares in respect of share options	85,174	**106,956**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	871,340,395	**871,682,370**

10. Dividends

	Six months ended	
	31.12.2014 *HK$'000*	***31.12.2015*** ***HK$'000***
Dividends recognised as distribution during the period:		
Final cash dividend for the year ended 30 June 2015 of HK70 cents per share (six months ended 31.12.2014: 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	(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**
Dividends declared after the period end:		
Interim cash dividend for the year ending 30 June 2016 of HK55 cents per share (six months ended 31.12.2014: for the year ended 30 June 2015 of HK50 cents per share)	435,628	**478,675**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(36)	**(40)**
	435,592	**478,635**

Note: During the period ended 31 December 2014, 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 the period.

The difference between the market value and the carrying amount of the respective interest in HHI 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 condensed consolidated financial statements during the period ended 31 December 2014.

Subsequent to 31 December 2015, the Directors declared that an interim dividend in respect of the financial year ending 30 June 2016 of HK55 cents per share shall be paid to the shareholders of the Company whose names appear on the register of members on 10 March 2016.

The amount of interim dividend declared for the year ending 30 June 2016 is calculated based on total number of issued shares, less the dividends for shares held by HHL Employees' Share Award Scheme Trust, at the date of approval of these condensed consolidated financial statements.

11. Completed Investment Properties, Property, Plant and Equipment and Properties under Development

The fair value of the Group's completed investment properties and investment properties under development at the end of the 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 (M.R.I.C.S. and M.H.K.I.S.) 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. For the investment properties under development, 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 period. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The resulting fair value gain of completed investment properties of approximately HK$620,382,000 (six months ended 31.12.2014: HK$132,391,000) has been recognised directly in profit or loss for the six months ended 31 December 2015. There is no material change in fair value of investment properties under development for both periods.

Depreciation of property, plant and equipment charged to profit or loss for the period is HK$34,597,000 (six months ended 31.12.2014: HK$36,749,000).

12. Interests in Joint Ventures

	30.6.2015 *HK$'000*	***31.12.2015*** ***HK$'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 profit and other comprehensive income, net of dividends received	3,784,177	**3,316,397**
Less: Accumulated amortisation	(1,077,248)	**(1,135,005)**
	7,976,455	**7,712,420**
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	**546,453**
	1,170,256	**1,178,320**
Property development project		
Share of post-acquisition profits and other comprehensive income	194,000	**621,000**
	9,340,711	**9,511,740**

13. Amounts Due from Joint Ventures

	Contractual interest rate	30.6.2015 HK$'000	31.12.2015 HK$'000
Grand Site	–	752,806	**578,806**
West Route JV			
— Phase II West (30.6.2015: RMB788 million)	6.2%	985,000	**–**
Heyuan JV (31.12.2015: RMB100 million, 30.6.2015: RMB240 million)	5.4%	300,000	**119,400**
Interest receivable on amounts due from joint ventures	–	32,230	**154**
		2,070,036	**698,360**

The amounts due from joint ventures are unsecured and repayable within one year after the end of the reporting period.

14. 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 and other receivables net of allowance for doubtful debts by age, presented based on the invoice date:

	30.6.2015 HK$'000	31.12.2015 HK$'000
Receivables aged		
0–30 days	118,644	**28,235**
31–60 days	4,885	**3,565**
Over 60 days	13,625	**42,856**
	137,154	**74,656**
Less: Allowance for doubtful debts	(818)	**(364)**
	136,336	**74,292**
Interest receivable on bank deposits	15,135	**26,506**
Dividend receivables from joint ventures	108,000	**–**
	259,471	**100,798**

15. Bank Balances and Cash

Included in the bank balances and cash are restricted bank balances of HK$885 million (30.6.2015: 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.

16. Share Capital

	Number of shares		*Share capital*	
	30.6.2015	***31.12.2015***	*30.6.2015*	***31.12.2015***
	'000	***'000***	*HK$'000*	***HK$'000***
Ordinary shares issued and fully paid	871,637	**871,543**	11,192,132	**11,193,497**

During the period ended 31 December 2015, the Company bought back and cancelled a total of 133,500 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited for a total consideration (including transaction costs) of approximately HK$3 million.

Share option schemes

During the period ended 31 December 2015, the Company issued a total of 40,000 ordinary shares at the subscription price of HK$26.35 each for a total cash consideration of approximately HK$1 million upon the exercise of the share options previously granted. These shares rank *pari passu* in all respects with the existing ordinary shares.

During the period ended 31 December 2015, 238,000 vested share options of the Company with exercise price of HK$26.35 per ordinary share and 400,000 vested share options of HHI with exercise price of HK$5.80 per ordinary share were lapsed on expiry respectively.

No share option of the Company and HHI were granted during the six months ended 31 December 2015.

Share award schemes

No shares in the Company and HHI were awarded during the six months ended 31 December 2015.

17. Bank Borrowings

	30.6.2015	***31.12.2015***
	HK$'000	***HK$'000***
Bank borrowings, unsecured	4,655,700	**4,456,900**
Carrying amount repayable:		
Within one year	295,700	**518,100**
More than one year, but not exceeding two years	250,000	**238,800**
More than two years, but not more than five years	4,110,000	**3,700,000**
	4,655,700	**4,456,900**
Less: Amounts due for settlement within one year under current liabilities	(295,700)	**(518,100)**
Amounts due for settlement after one year	4,360,000	**3,938,800**

18. Trade and Other Payables

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

	30.6.2015 *HK$'000*	***31.12.2015*** ***HK$'000***
Payables aged		
0–30 days	69,225	**39,606**
31–60 days	4,444	**5,956**
Over 60 days	16,021	**23,417**
	89,690	**68,979**
Retentions payable	74,029	**41,616**
Amount due to a minority shareholder of a subsidiary	36,469	**36,469**
Amount due to an associate	782	**1,802**
Accrued construction and other costs	335,527	**284,276**
Accrued staff costs	48,208	**68,760**
Accrued interest on bank borrowings	2,081	**1,311**
	586,786	**503,213**

19. Total Assets Less Current Liabilities/Net Current Assets

The Group's total assets less current liabilities and the Group's net current assets at 31 December 2015 amounted to approximately HK$53,446 million (30.6.2015: HK$53,719 million) and HK$5,902 million (30.6.2015: HK$7,065 million) respectively.

20. 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 ranged from HK$9 billion to HK$10 billion, which has taken into account the estimated investment cost for a road improvement scheme, a green park open to the public, and an extensive tree-planting plan. As at 31 December 2015, the Group's commitment in respect of development costs of this project, which had been contracted for but not provided, was approximately HK$213 million (30.6.2015: HK$203 million).

(b) Liede Project

Under a cooperation agreement entered into by a subsidiary of the Group and Guangzhou Liede Economic Company Limited (the "Development's landlord") to develop and lease a commercial and hotel complex property in Guangzhou, the PRC, the Group's subsidiary will be entitled to operate the property for a specified period by paying fixed amounts of monthly rental in future. During the period ended 31 December 2015, the Group has entered into an agreement with the Development's landlord that the Group would not proceed with the Liede Project. Accordingly, as at 31 December 2015, the Group has no material outstanding capital commitment in respect of Liede Project.

20. Project Commitments (continued)

(c) Hopewell New Town

	30.6.2015 HK$'000	**31.12.2015** **HK$'000**
Contracted for but not provided	43,503	**38,272**

(d) 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 31 December 2015, the Group has no outstanding capital commitment to West Route JV and in respect of Expressway projects.

(e) 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 in respect of the existing development of the power plant is as follows:

	30.6.2015 HK$'000	**31.12.2015** **HK$'000**
Contracted for but not provided	50,433	**65,969**

(f) Property renovation

	30.6.2015 HK$'000	**31.12.2015** **HK$'000**
Contracted for but not provided	11,990	**23,538**

(g) Other property for/under development

	30.6.2015 HK$'000	**31.12.2015** **HK$'000**
Contracted for but not provided	32,373	**25,922**

21. Contingent Liabilities

Guarantees

A subsidiary of the Company acted as the guarantor for the repayment of the mortgage bank loans amounting to HK$601 million as at 31 December 2015 (30.6.2015: HK$635 million) granted to purchasers of the subsidiary's properties.

The Company acts as the guarantor of bank loan facilities granted to Grand Site, a joint venture, to the extent of HK$2,500 million (30.6.2015: HK$2,500 million). In June 2014, Grand Site has fully repaid the bank loan and the facilities were terminated accordingly, while the retention period for such guarantee is yet to expire. In addition, the Company acted as guarantor of certain performance bonds issued by banks in respect of the project to the extent of HK$131 million as at 31 December 2015 (30.6.2015: 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 condensed consolidated statement of financial position.

22. Related Party Transactions

In addition to the balances 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.

Corporate Information and Key Dates

Board of Directors
Sir Gordon Ying Sheung WU[1] KCMG, FICE
Chairman
Mr. Eddie Ping Chang HO
Vice Chairman
Mr. Thomas Jefferson WU[2]
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. 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
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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

Key Dates
Interim results announcement	24 February 2016
Closure of register of members	10 March 2016
Interim dividend payable (HK55 cents per share)	22 March 2016

Note: In the case of any inconsistency between the Chinese translation and the English text of this Interim Report, the English text shall prevail.

Glossary

"1H FY12"	the first half of FY12
"1H FY13"	the first half of FY13
"1H FY14"	the first half of FY14
"1H FY15"	the first half of FY15
"1H FY16"	the first half of FY16
"2H FY16"	the second half of FY16
"Average daily full-length equivalent traffic"	the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the period under review
"Average 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
"EBIT"	earnings before interest and tax

"F&B"	food and beverage
"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 ending 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
"FY20"	the financial year ending 30 June 2020
"GDP"	gross domestic product
"GFA"	gross floor area
"Grand Site"	Grand Site Development Limited, the joint venture company established for the property development project of The Avenue/ Lee Tung Avenue
"Group"	the Company and its subsidiaries
"GS Superhighway"	Guangzhou-Shenzhen Superhighway
"GS Superhighway JV"	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture company established for the GS Superhighway

"GWh"	gigawatt hour
"Heyuan JV"	Shenzhen Energy Hopewell Power (Heyuan) Co., Ltd., the joint venture company holding Heyuan Power Plant
"Heyuan Power Plant"	the ultra super-critical coal-fired power plant project located in Heyuan City, Guangdong Province
"HHI"	Hopewell Highway Infrastructure Limited
"HHI Award Scheme"	the share award scheme adopted by HHI on 25 January 2007
"HHI Board"	the board of directors of HHI
"HHI Group"	HHI and its subsidiaries
"HHI Shares"	ordinary shares of HK$0.10 each in the capital of HHI
"HHL Award Scheme"	the share award scheme adopted by the Company on 25 January 2007
"Hill Side Terrace Cluster"	1-3 Hill Side Terrace, 1A Hill Side Terrace, 55 Ship Street (Nam Koo Terrace), 53 Ship Street and 1-5 Schooner Street (Miu Kang Terrace), Inland Lot No.9048 Schooner Street, Wan Chai
"HK$" or "HKD" or "HK Dollar(s)"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"Hong Kong Government"	the Government of Hong Kong
"HZM Bridge"	the Hong Kong-Zhuhai-Macau Bridge
"JV/JVs"	joint venture/ventures
"KITEC F&B"	IT Catering & Services Limited, the food and beverage operations of KITEC
"KITEC"	Kowloonbay International Trade & Exhibition Centre

"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 PRC
"Mainland China"	The PRC, excluding Hong Kong and Macau
"MICE"	meeting, incentives, convention and exhibition
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MWh"	megawatt hour
"NDRC"	National Development and Reform Commission
"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
"RMB"	Renminbi, the lawful currency of 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
"URA"	Urban Renewal Authority
"US" or "United States"	the United States of America
"USD" 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

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