HOPEWELL HOLDINGS LIMITED

Stock Code: 54

ANNUAL REPORT 2017/18

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

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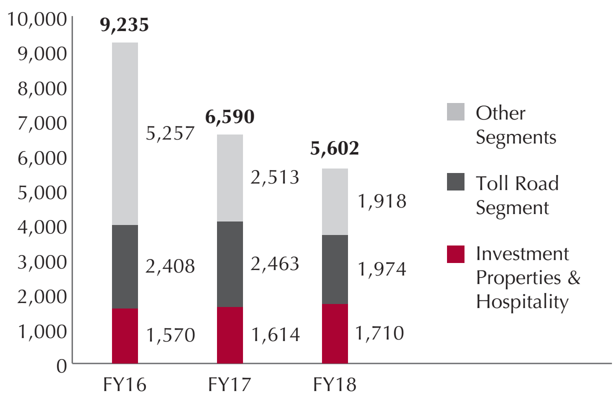
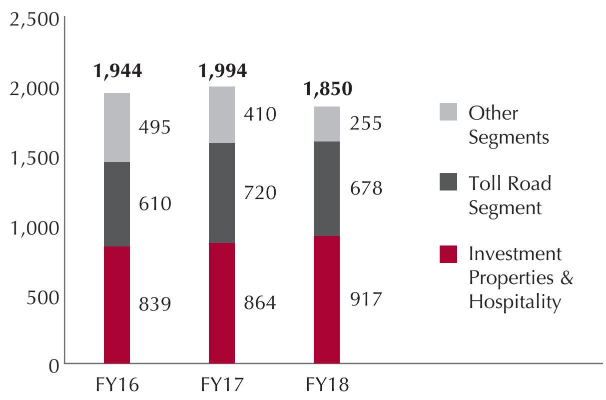
Financial Highlights

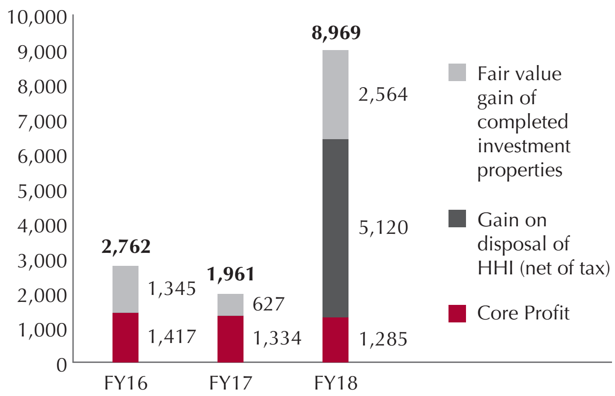
Revenue (HK$m)



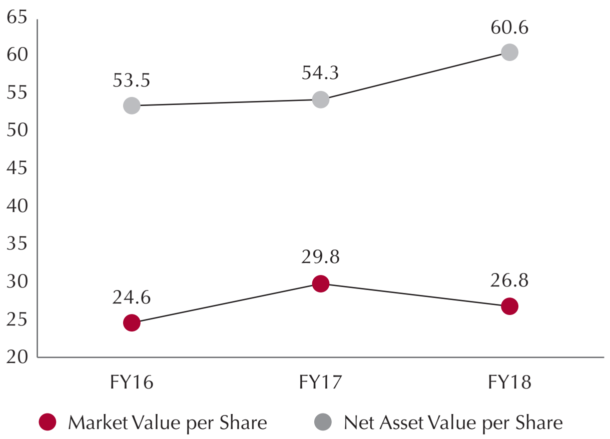
Earnings before Interest and Tax (HK$m)



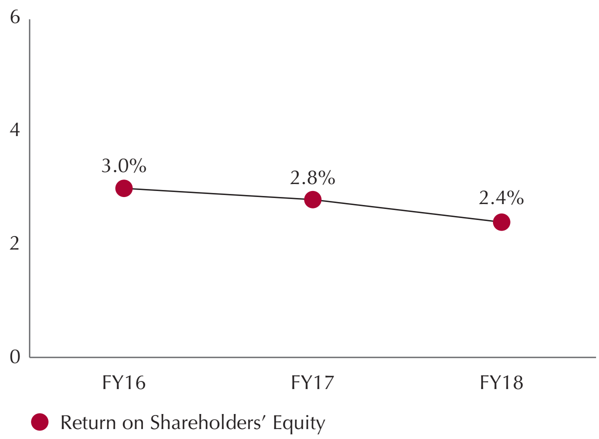
Profit Attributable to Owners of the Company (HK$m)



Net Asset vs Market Value per Share (HK$)



Return on Shareholders' Equity*



* Based on Core Profit of the Group

5-Year Financial Summary

Consolidated Results (in HK$ million)

	Year ended 30 June				
	2014	*2015*	*2016*	*2017*	***2018***
Revenue	5,992	6,235	9,235	6,590	**5,602**
Turnover	2,093	1,865	1,850	2,360	**1,984**
Earnings before interest and tax	1,920	2,257	1,944	1,994	**1,850**
Profit before taxation	1,945	3,347	3,230	2,609	**9,517**
Taxation	(329)	(267)	(235)	(386)	**(314)**
Profit before non-controlling interests	1,616	3,080	2,995	2,223	**9,203**
Non-controlling interests	(258)	(245)	(233)	(262)	**(234)**
Profit attributable to owners of the Company	**1,358**	**2,835**	**2,762**	**1,961**	**8,969**

Consolidated Statement of Financial Position (in HK$ million)

	As at 30 June				
	2014	*2015*	*2016*	*2017*	***2018***
Completed investment properties	26,839	28,196	29,639	30,319	**32,947**
Property, plant and equipment	740	690	660	700	**767**
Properties under/for development	7,877	8,380	8,527	9,117	**9,366**
Interests in JVs	8,984	9,341	9,159	7,956	**1,843**
Amounts due from JVs (non-current)	763	–	–	–	**–**
Other non-current assets	40	48	48	47	**42**
Properties held for sale (Hopewell New Town and Broadwood Twelve)	1,486	1,620	1,425	725	**549**
Amounts due from JVs (current)	2,251	2,070	529	305	**175**
Bank balances and cash	5,210	4,485	3,647	4,576	**10,364**
Other current assets	480	413	211	195	**184**
Total assets	**54,670**	**55,243**	**53,845**	**53,940**	**56,237**
Bank borrowings (non-current)	3,498	4,360	2,350	1,200	**1,400**
Other non-current liabilities	536	554	595	604	**571**
Bank borrowings (current)	2,625	296	200	1,150	**–**
Other current liabilities	1,119	1,227	1,347	1,379	**1,430**
Total liabilities	**7,778**	**6,437**	**4,492**	**4,333**	**3,401**
Non-controlling interests	**3,117**	**3,276**	**2,841**	**2,361**	**189**
Shareholders' equity	**43,775**	**45,530**	**46,512**	**47,246**	**52,647**

Per Share Basis	*2014*	*2015*	*2016*	*2017*	***2018***
Basic earnings per share (HK cents)	156	325	317	225	**1,031**
Dividend per share (HK cents)	130	120	130	175	**343**
— First Interim	50	50	55	55	**55**
— Second Interim**	–	–	–	–	**88**
— Final	60	70	75	75	**–**
— Special	20#	–	–	45	**200**
Net asset value per share (HK$)	50.2	52.2	53.5	54.3	**60.6**

Represent distribution in specie of shares in HHI

Financial Ratios	*2014*	*2015*	*2016*	*2017*	***2018***
Net debt to shareholders' equity (excluding equity shared from HHI Group)	3%	2%	Net cash	Net cash	**Net cash**
Return on shareholders' equity*	2.8%	3.6%	3.0%	2.8%	**2.4%**
Dividend payout ratio*	78%Δ	63%	80%	85%#	**97%##**

* Exclude fair value gain of completed investment properties and gain on disposal of HHI
** Second interim dividend in lieu of final dividend for the year ended 30 June 2018
Δ Excluding distribution in specie of shares in HHI
Excluding special dividend

Chairman's Statement

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

Dividend

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

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

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

Closure of Register of Members

To ascertain shareholders' eligibility to attend and vote at the 2018 Annual General Meeting, the Register of Members of the Company will be closed from Wednesday, 24 October 2018 to Wednesday, 31 October 2018, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the 2018 Annual General Meeting, all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 23 October 2018 for registration.

To ascertain shareholders' entitlement to the Second Interim Dividend, the Register of Members of the Company will be closed on Thursday, 6 September 2018 and no transfer of the shares of the Company will be effected on the aforementioned book-close date. To qualify for the Second Interim Dividend, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 5 September 2018.

Business Review

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

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

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

Reasons and Benefits of the Disposal of issued shares of HHI

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

Investment Properties and Hospitality

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

Wanchai projects

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

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

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

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

Corporate Sustainability

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

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

Prospects

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

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

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

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

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

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

Acknowledgement

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

Sir Gordon Ying Sheung WU KCMG, FICE
Chairman

Hong Kong, 22 August 2018

Awards & Recognition

12/2017

Hong Kong Outstanding Corporate Citizenship Logo

The Group was awarded Merit Award (Enterprise Category) and HH Social Club received the Corporate Citizenship Logo (Volunteer Category) at the 8th Hong Kong Corporate Citizenship Program organised by the Hong Kong Productivity Council and the Committee on the Promotion of Civic Education. These honours affirm the Group's ongoing efforts in fulfilling social responsibilities and integrating corporate citizenship into its business model and operations.

3/2018

Caring Company Logo

HHL and ten of its subsidiaries received the Caring Company Logo 2017/18 from the Hong Kong Council of Social Service. Among these, HHL, Hopewell Real Estate Agency Limited, Hopewell Property Management Company Limited and Kowloon Panda Hotel Limited have been awarded the honour for over ten consecutive years and received the accolade of 10 Years Plus Caring Company Logo. Hopewell Centre Management Limited, KITEC Management Limited, Panda Place Management Limited, GARDENEast Management Limited, Hopewell Property and Facility Management Limited and IT Catering & Services Limited have also received the honour for more than five consecutive years.

4/2018

Happy Company Label

HHL received the Happy Company Label 2018 at the Happiness-at-Work Promotional Scheme 2018 organised by the Promoting Happiness Index Foundation and the Hong Kong Productivity Council in recognition of the Group's contribution in creating a happy workplace.

5/2018

Manpower Developer 1st

HHL was presented Manpower Developer 1st (2010-2020) of the ERB Manpower Developer Award Scheme 2017–18 by the Employees Retraining Board. HHL received this award for the fifth time in recognition of the Group's performance in manpower training and development strategies.

5/2018

Certificate of Excellence

HHL received the Certificate of Excellence at the HKIRA 4th Investor Relations Awards organised by the Hong Kong Investor Relations Association in recognition of the Group's achievement in investor relations.

Executive Directors

Sir Gordon Ying Sheung WU KCMG, FICE

Aged 82, he is the Chairman of the Board of the Company since November 1996 and a director of various subsidiaries of the Company. He was the Chairman and an Executive Director (from July 2003 to April 2018) and a Non-executive Director (from April 2018 to May 2018) of HHI.

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

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

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

<u>In the PRC</u>

Council Member	United Nations Association of China
Advisor	China Development Bank

<u>In Hong Kong</u>

Vice President	The Real Estate Developers Association of Hong Kong

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

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

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

He also received Honorary Doctorate Degrees from the following universities:

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

His additional awards and honours include:

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

Mr. Eddie Ping Chang HO

Aged 85, he has been the Vice Chairman of the Company since August 2003 and a director of various subsidiaries of the Company. He was previously the Deputy Managing Director of the Company since 1972 and the Managing Director of the Company from January 2002 to September 2009. Mr. HO was the Vice Chairman and an Executive Director (from July 2003 to April 2018) and a Non-executive Director (from April 2018 to May 2018) of HHI. He has extensive experience in implementation of property development and major infrastructure strategic development projects and has been involved in developing all of the Company's projects in Mainland China, including highway, hotel and power station projects. He is an Honorary Citizen of the cities of Guangzhou, Foshan and Shenzhen, and the Shunde District in the PRC.

Mr. Thomas Jefferson WU JP

Aged 45, he is the Deputy Chairman and Managing Director of the Company and a director of various subsidiaries of the Company.

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

Mr. WU joined the Company in 1999 as Manager of the Executive Committee Office, and was promoted to Group Controller the following year. He has been involved in the review of the Company's operational performance, strategic planning and organisational effectiveness, and has upgraded its financial and management accounting systems. An Executive Director of the Company since 2001, he was appointed Chief Operating Officer in 2002, Deputy Managing Director in 2003, Co-Managing Director in 2007, and re-designated as Managing Director in 2009 and further appointed as Deputy Chairman and Managing Director in 2018.

Mr. WU is active in public service in both Hong Kong and Mainland China. He serves in a number of advisory roles at different levels of government. In Mainland China, he is a member of the 13th National Committee of the CPPCC and the 11th & 12th Heilongjiang Provincial Committee of the CPPCC and, was a Standing Committee member and a member of the Guangzhou Municipality Huadu District Committee of the CPPCC, among other public service capacities.

In Hong Kong, Mr. WU's major public service appointments include being a member of the Hong Kong Tourism Board, a member of the Standing Committee on Disciplined Services Salaries and Conditions of Service of the Hong Kong Government, a member of the Energy Advisory Committee of the Environment Bureau of the Hong Kong Government, a member of the Committee on Real Estate Investment Trusts of Securities and Futures Commission, a Vice Patron of the Community Chest of Hong Kong and a member of Friends of Hong Kong Association Limited. He is also a member of the Business School Advisory Council of The Hong Kong University of Science and Technology. In addition, he is an Independent Non-executive Director of Melco Resorts & Entertainment Limited, a company listed on NASDAQ Global Select Market in USA. Mr. WU was an Executive Director (from January 2003 to April 2018), the Managing Director (from July 2003 to April 2018) and a Non-executive Director (from April 2018 to May 2018) of HHI. Previously, he was a council member of The Hong Kong Polytechnic University and the Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology and a board member of the Asian Youth Orchestra.

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

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

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

Mr. Josiah Chin Lai KWOK

Aged 66, he was appointed as Deputy Managing Director of the Company in January 2002 and is also a director of various subsidiaries of the Company. He is a solicitor by training. Previously, he worked as a consultant to the Company on various important projects such as Guangzhou-Shenzhen-Zhuhai Superhighway, Shajiao B and C Power Stations, etc. He has also worked as legal consultants to banks, Secretary for The Hong Kong Association of Banks, Legal Director of The Airport Authority, Hong Kong and Group Legal and Compliance Director of the BNP Paribas Peregrine Group.

Mr. Albert Kam Yin YEUNG

Aged 67, he was appointed as an Executive Director of the Company in November 2002 and is also a director of various subsidiaries of the Company. He is an experienced architect and now mainly responsible for the construction works of Hopewell Centre II. Prior to joining the Company, he was a director of WMKY Limited from 1986 to 1998 and acted as a consultant of the Company's development and construction projects. He holds a Bachelor of Architecture degree from The University of Hong Kong. He is a Registered Architect, an Authorised Person, and a member of The Hong Kong Institute of Architects and various professional bodies.

Mr. William Wing Lam WONG

Aged 61, he was appointed as an Executive Director of the Company in January 2007. He has a Bachelor Degree in Land Economy from Aberdeen University, United Kingdom and is a Fellow member of the Royal Institution of Chartered Surveyors and a member of Hong Kong Institution of Surveyors. Mr. WONG is a member of Hong Kong Institute of Real Estate Administrators. He is an Executive Committee member of the Real Estate Developers Association of Hong Kong and also a member of the Federation of Hong Kong Hotel Owners. He has over 29 years of experience in property development, management, land matters and town planning. He is mainly responsible for property development planning, sales and leasing and currently a director of certain subsidiaries of the Company.

Profile of Directors

Ir. Dr. Leo Kwok Kee LEUNG

Aged 59, he was appointed as a Non-executive Director of the Company on 1 July 2009 and has been re-designated as an Executive Director of the Company on 1 October 2009. He is also a director of various subsidiaries of the Company. Ir. Dr. LEUNG joined as a director of a subsidiary of the Company in 1993. He was previously in-charge of the architecture, engineering and construction of all in-house projects of the Company for about 10 years before he was transferred to HHI as an Executive Director in 2003. He is an experienced multi-disciplinary engineer and an expert in designing and applying slipform and climbform techniques. He worked for Brown & Root and Ove Arup & Partners before joining the Company and had acquired a wide range of design and construction experiences in The United Kingdom, Europe, Africa and Asia in highways, bridges, buildings, dams and tunnel structures. Ir. Dr. LEUNG graduated from Imperial College of the University of London with a Master of Science degree with Distinction in Earthquake Engineering and Structural Dynamics. He was also awarded a Bachelor of Science degree with First Class Honours in 1983 from the Council for National Academic Awards (CNAA) in Civil Engineering, as well as the Institution of Civil Engineers' Prize for his outstanding undergraduate performance in 1983. He was further awarded an Honorary Doctorate of Technology from his alma mater, the University of Sunderland (England) in 2016. He also attained the PRC National Class 1 Registered Structural Engineers qualification in 2004. Ir. Dr. LEUNG served as committee members to a number of Professional Institutions and was the Chairman of the Civil Division (2011–2012) of the Hong Kong Institution of Engineers ("HKIE"), and was a Council Member of the HKIE (2012–2018). He was also the Chairman of the Hong Kong Branch of the Chartered Institution of Highways and Transportation (2006–2007). He was elected as an Election Committee Member by the Engineering Subsector for the nomination and election of the Chief Executive of Hong Kong (2012–2017). He was an Executive Director of HHI and responsible for the planning, design, engineering and construction of projects within HHI from 2003 to 2009.

Non-executive Directors

Lady WU Ivy Sau Ping KWOK JP

Aged 69, she is a Non-executive Director of the Company and joined the Board in August 1991.

Lady WU is the Deputy Chairman of the Hong Kong Red Cross. In September 2014, she was appointed as the Honorary Consul of The Republic of Croatia in Hong Kong.

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

Mr. Carmelo Ka Sze LEE JP

Aged 58, he was appointed as an Independent Non-executive Director of the Company in March 2001 and was re-designated as a Non-executive Director of the Company on 6 September 2004. He is a member of the Remuneration Committee of the Company and served as the Chairman of the Committee during the period from May 2011 to February 2012. Mr. LEE holds a Bachelor of Laws degree from The University of Hong Kong. He is a practicing solicitor and a partner of Messrs. Woo Kwan Lee & Lo, Solicitors & Notaries, a firm which renders professional services to the Company and receives normal remuneration for such services. Mr. LEE is a Non-executive Director of CSPC Pharmaceutical Group Limited, Yugang International Limited, Safety Godown Company, Limited and Termbray Industries International (Holdings) Limited and also an Independent Non-executive Director of KWG Property Holding Limited, Esprit Holdings Limited and China Pacific Insurance (Group) Co., Ltd., all these companies are listed on the Stock Exchange. Mr. LEE was a Non-executive Director of Y.T. Realty Group Limited from September 2004 to February 2016, a company listed on the Stock Exchange. Mr. LEE was appointed as a Convenor cum member of the Financial Reporting Review Panel of The Financial Reporting Council in July 2016. He served as the Chairman of the Listing Committee of the Stock Exchange from May 2012 to July 2015 after serving as Deputy Chairman and member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively.

Mr. Guy Man Guy WU

Aged 61, he was appointed as an Independent Non-executive Director of the Company and was re-designated as a Non-executive Director of the Company on 26 January 2018. He was a member of the Audit Committee of the Company during the period from January 1999 to January 2018 and a member of the Remuneration Committee of the Company during the period from May 2011 to January 2018. He has a Bachelor of Science degree in industrial engineering from Purdue University, U.S.A. He is also the Managing Director of the Liverton Group and Video Channel Productions Limited.

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

Profile of Directors

Independent Non-executive Directors

Ms. Linda Lai Chuen LOKE

Aged 80, she is an Independent Non-executive Director of the Company and joined the Board in August 1991. She is also a member of both the Audit Committee and the Remuneration Committee of the Company. She was the Chairman of the Remuneration Committee during the period from February 2012 to January 2013. A graduate of the University of California at Berkeley, she has over 30 years of professional experience in the securities and investment field. She was the emeritus Managing Director of Dean Witter Reynolds (Hong Kong) Limited and Vice President (Private Wealth Management) at Morgan Stanley Inc.

Mr. Sunny TAN

Aged 44, he was appointed as an Independent Non-executive Director of the Company in November 2010 and the Chairman of the Audit Committee of the Company in May 2011. Mr. TAN was an Executive Director of Luen Thai Holdings Limited ("Luen Thai"), a listed public company in Hong Kong, from May 2006 to December 2012. Mr. TAN joined Luen Thai in 1999 and is currently the Executive Vice President thereof. Prior to joining Luen Thai, Mr. TAN worked at the Investment Banking Division of Merrill Lynch (Asia Pacific). Mr. TAN is currently serving as the Deputy Chairman of the Federation of Hong Kong Industries ("FHKI"), Executive Committee Member of the Hong Kong Shippers' Council, the Council Member of the Hong Kong Productivity Council and the Executive Vice Chairman of the Hong Kong General Chamber of Textiles.

In 2013, Mr. TAN was awarded "Young Industrialist Award 2013" which was organized by the FHKI. Mr. TAN also appointed as Member of the Board of Trustees of Shaw College at the Chinese University of Hong Kong, the Member of the Textiles Advisory Board on Trade and Industry Department, the Advisory Committee on the Education Development Fund of Education Bureau and the Action Committee Against Narcotics of Narcotics Division Security Bureau, the Hong Kong Government. Mr. Tan previously served as the Vice Chairman of Tung Wah Group of Hospitals and Chairman of the Board of Governors of Tung Wah College. Mr. TAN obtained a Master of Science degree from Stanford University and Bachelor of Business Administration degree from the University of Wisconsin-Madison.

Dr. Gordon YEN

Aged 48, he was appointed as an Independent Non-executive Director of the Company in May 2012. He is a member of the Remuneration Committee of the Company and served as the Chairman of the Remuneration Committee during the period from February 2013 to January 2018. He was appointed as a member of the Audit Committee of the Company in January 2018. He is currently the Founding Managing Partner of Radiant Tech Ventures Limited and is registered as a Responsible Officer under the SFO for Type 9 (asset management) regulated activities. He is also the Managing Director of Radiant Venture Capital Limited and the Vice Chairman and a Non-executive Director of Fountain Set (Holdings) Limited ("Fountain Set", a public company listed on the Stock Exchange). He previously served as an Executive Director of Fountain Set, from September 2004 to May 2013 and also assumed the role of Chief Financial Officer from 2012. Dr. Yen obtained a Bachelor of Science degree in Manufacturing Engineering from Boston University, a Master of Business Administration degree from McGill University and a Doctorate degree in Business Administration from The Hong Kong Polytechnic University.

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

Mr. Ahito NAKAMURA

Aged 66, he was appointed as an Independent Non-executive Director of the Company in December 2012. Mr. NAKAMURA is the Managing Director of Legato Holdings Limited (formerly known as PIA Entertainment (H.K.) Co., Limited) and J-Macau Consulting Limited. Mr. NAKAMURA is also an Executive Board Member of The Macao-Japan Chamber of Commerce. He was previously employed by the Company as Treasurer during 1992 to 1997. Mr. NAKAMURA was awarded a Bachelor of Arts degree in Economics from Keio University, Japan in 1975.

Mr. Yuk Keung IP

Aged 66, he was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company on 10 April 2015. He was appointed as a Chairman of the Remuneration Committee of the Company on 26 January 2018. Mr. IP is an international banking and real estate executive with 33 years of experience at Citigroup, First National Bank of Chicago, Wells Fargo and Merrill Lynch in Hong Kong, Asia and the United States. His areas of expertise are in real estate, corporate banking, risk management, transaction banking and wealth management. Mr. IP was named Managing Director of Citigroup in 2003 and Senior Credit Officer/Real Estate Specialist of Citicorp in 1990. He held senior positions at Citigroup such as North Asia Real Estate Head, Hong Kong Corporate Bank Head, Head of Transaction Banking — Hong Kong and Head of Asia Regional Investment Finance of Global Wealth Management. He was a Managing Director of Investments at Merrill Lynch (Asia Pacific).

Mr. IP is the Executive Director and Chief Executive Officer of LHIL Manager Limited which is the trustee-manager of Langham Hospitality Investments (a listed fixed single investment trust), and Langham Hospitality Investments Limited, and a Non-executive Director of Eagle Asset Management (CP) Limited, as manager of Champion Real Estate Investment Trust (a listed real estate investment trust). He is also an Independent Non-executive Director of TOM Group Limited, Power Assets Holdings Limited, Lifestyle International Holdings Limited and New World Development Company Limited. All the companies mentioned above except for LHIL Manager Limited and Eagle Asset Management (CP) Limited, are listed on the Stock Exchange. In addition, Mr. IP was an Independent Non-executive Director of HHI from August 2007 to February 2008 and from July 2011 to May 2018, New World China Land Limited, which was de-listed from the Stock Exchange on 4 August 2016, from December 2012 to August 2016, and AEON Credit Service (Asia) Company Limited, which is listed on the Stock Exchange, from September 2013 to September 2016.

Mr. IP is an Honorary Professor of Business of Lingnan University, an Adjunct Professor of City University of Hong Kong, The Hong Kong University of Science and Technology and Hang Seng Management College, an Adjunct Distinguished Professor in Practice of University of Macau, a Council Member of The Hong Kong University of Science and Technology, a trustee of the Board of Trustees at Washington University in St. Louis, and a Vice Chairman of the Board of Governors of World Green Organization Limited. He is a member of the Committee on Certification for Principalship under the Education Bureau of the Hong Kong Government.

Mr. IP holds a Bachelor of Science degree at Washington University in St. Louis (summa cumlaude) and Master of Science degrees at Cornell University and Carnegie-Mellon University. He is an Honorary Fellow of Vocational Training of Council. Mr. IP was a lecturer at the University of Pittsburgh, U.S.A.

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

Business Review

A. Investment Properties and Hospitality

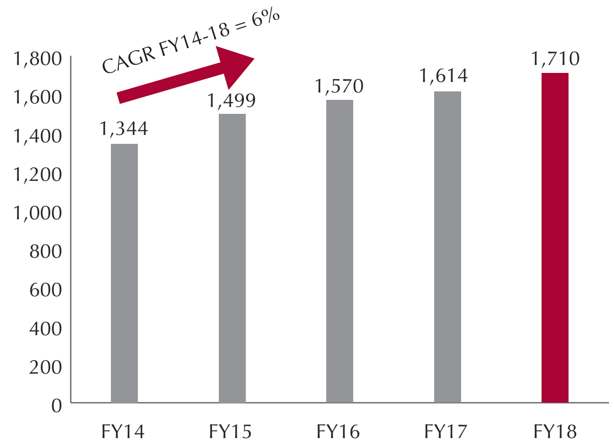
The Group's investment properties and hospitality businesses comprise its wholly-owned investment property portfolio and hotel, restaurant and catering operations. The revenue from these businesses increased 6% yoy to HK$1,710 million during the year under review.

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

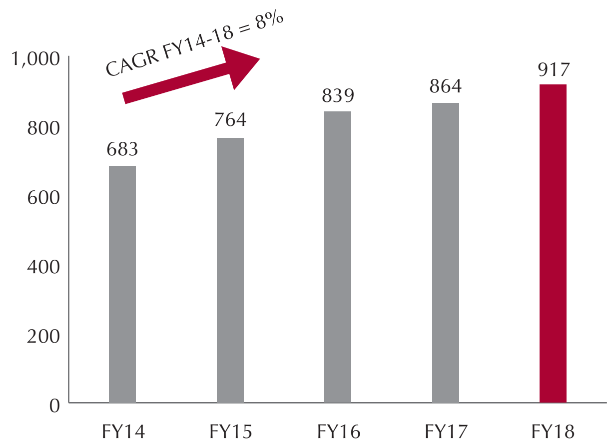
* Excluding tenancies for HHL's own use

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

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



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



Investment Properties

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

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

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

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

Occupancy and Rental Rates of Investment Properties

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

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

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

Hopewell Centre

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

Office

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

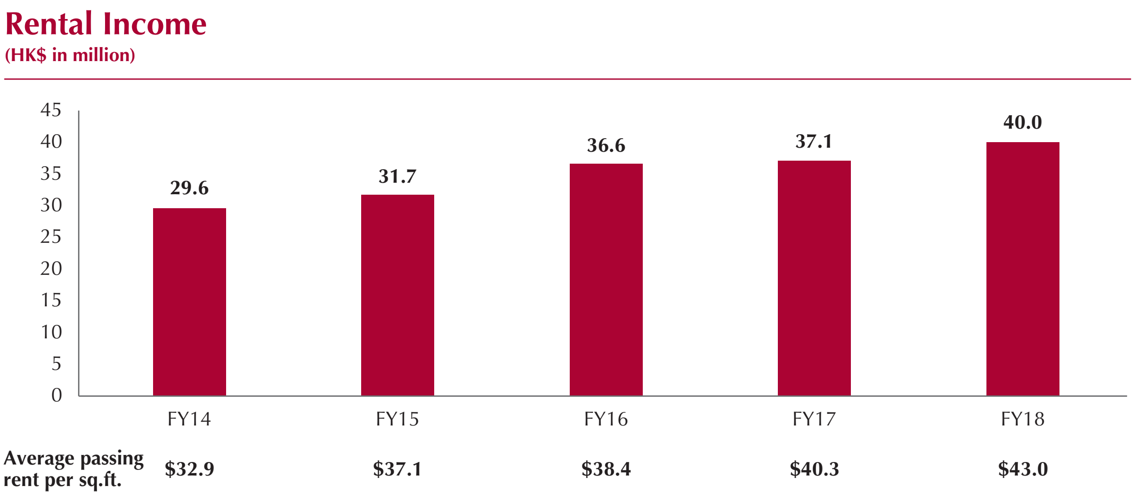
The Group will continue to implement asset enhancement measures on facilities and services to maintain its competitiveness and to help uplift rental rates.

Retail

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

QRE Plaza

Continuous efforts in refining tenant mix have helped to lift rental income of QRE Plaza. Besides, marketing and promotional activities have succeeded in attracting increased traffic and renowned retailers to "The East". QRE Plaza's rental income rose by 8% yoy to HK$40 million in FY18.



Lee Tung Avenue

Lee Tung Avenue is a tree-lined pedestrian walkway equipped with lifestyle and dining options that perfectly complement their beautiful streetscape surroundings. It is a URA redevelopment project. Net rental income is split 40:60 between the URA and the 50:50 joint venture between the Group and Sino Land Company Limited. With a total GFA of approximately 87,700 sq.ft., it opened in the first quarter of 2016 and has so far received very positive responses from tenants. The Average Occupancy Rate of Lee Tung Avenue was around 95% and the average rent was around HK$61 per sq.ft. in the year under review.

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

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

Wu Chung House (Retail shops)

The Group also owns several retail outlets with a total GFA of 17,670 sq.ft. at Wu Chung House. These properties all form part of "The East" and are fully let to a number of well-known retailers including Rolls-Royce car showroom.

GardenEast

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

KITEC

Office

In the latest Policy Address announced in October 2017, the Hong Kong Government kept up the efforts to facilitate transformation of Kowloon East into another attractive core business district at the Kai Tak Development Area ("The Area"). With increasing population in the district due to the development of public and private housing, more residential flats, commercial floor areas and sports and tourism facilities will be provided in The Area. Several Government offices are planned to relocate in The Area. In addition, the Government will enhance pedestrian access network and construct the Central Kowloon Route which will link Yau Ma Tei with Kowloon Bay and The Area. These will create a cluster effect that will boost traffic flows into the district and further increase demand for KITEC's office space which offers top quality services. In addition, KITEC will benefit from the improved connectivity along with the completion of Shatin Central Link which will link up the area with others at Kai Tak Station as well as an environmentally friendly linkage system for Kowloon East which is currently under study.

The Group remains determined to pursue a flexible marketing strategy and carry out improvement works by providing quality working environment for office tenants. KITEC is well-positioned to benefit from the relocation plan of Government offices, revitalisation and development of Kowloon East as a quality business district into CBD2 in the long term.

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

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

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

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

E-Max

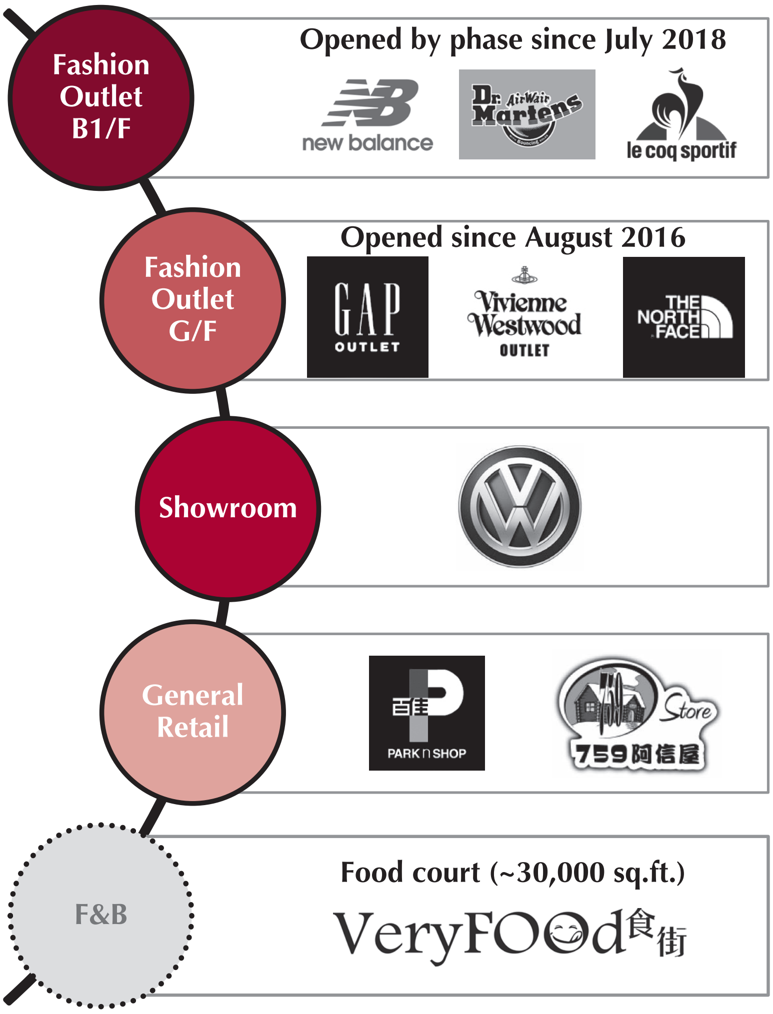
E-Max is an entertainment-driven shopping arcade that includes a live house, The Metroplex, and Star Hall. In light of The Metroplex and the Music Zone@E-Max, the tenant mix on G/F and 2/F has been refined to renowned brands and general retailers which helped to stimulate the footfall and enable E-Max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

Foreseeing a high traffic flow and purchasing power in Kowloon East, the Group has continued to optimize E-Max's tenant mix in the past few years. In 2014, the Group launched a multi-cinema complex, The Metroplex, at G/F and introduced a new E-Max Home concept spanning the premise's 4/F and 5/F. The refined tenant mix now tempts shoppers with lifestyle, household furniture, kitchen and home design ideas. In 2015, the Group has succeeded in attracting a number of F&B shops near the cinema to satisfy the taste buds of moviegoers and shoppers.

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

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

Introduced more popular brands and elements



Conventions, Exhibitions and Entertainment

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

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

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

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

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

The Metroplex (multi-cinema complex)

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

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

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

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

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

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

Panda Place

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

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

Hospitality

Panda Hotel

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

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

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

As of 30 June 2018, the market value of hotel amounted to HK$3,238 million (equivalent to approximately HK$3.6 million per room) as estimated by Cushman & Wakefield Limited. According to the general market practice, the asset value of hotel is stated at cost less accumulated depreciation in the Group's balance sheet. As of 30 June 2018, the book value of Panda Hotel amounted to HK$302 million (equivalent to approximately HK$0.3 million per room), which implies a hidden value of approximately HK$2.9 billion compared to its market value.

Restaurant & Catering Services

KITEC F&B

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

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

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

B. Properties — Sales

Hopewell New Town

Project Description

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

Hopewell New Town is a multi-phase composite development consisting of apartments, townhouses, commercial areas and recreational facilities. It is strategically located approximately three kilometres from Baiyun International Airport in Guangzhou and close to the highway connecting the airport with Guangzhou city centre. Approximately 483,900 sq.m. or 44% of the total GFA of the project (consisting of 185 townhouses and 3,700 apartments) were sold and booked up to 30 June 2018.

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

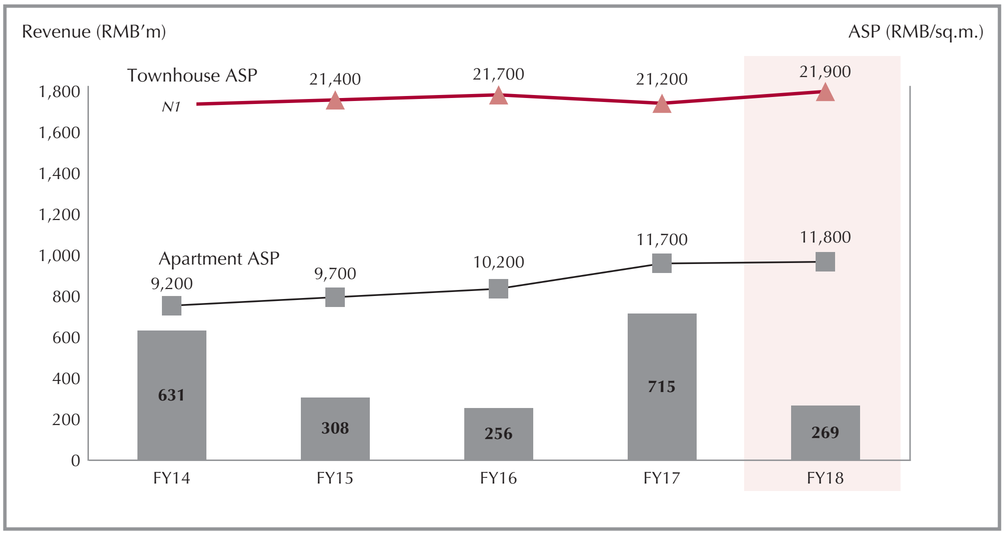
In order to establish the environment for the healthy development of the property market in PRC, the PRC government has implemented various regulatory policies during the year under review. Given the current tightening policies in the PRC property market, the Group will continue to monitor the market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

	FY16	*FY17*
Sales Target	85,000 sq.m. (achieved)	

	FY16	*FY17*	*FY18*
Sales Booking	RMB256m	RMB715m (exceeded target)	RMB269m

The Group is currently studying various options for the development of a commercial strip with a permissible GFA of 150,000 sq.m. at Hopewell New Town. The MTR Route No.9 commenced operation in December 2017 and an MTR exit near the site has opened in June 2018, which has further improved the connectivity in this area.

Revenue and Average Selling Price ("ASP") Booked



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

N1: No sales of townhouse booked in FY14

The Avenue

Project Description

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

The Avenue consists of four towers with 1,275 residential units of a wide range of sizes and layouts. As at 31 December 2017, all residential units were sold with average selling price of around HK$22,600 per sq.ft. of saleable area and all units have been handed over. By bringing in more high-net-worth residents to the area, synergies have been created, which has benefited the Group's retail tenants in the surroundings.

The Avenue Residential Sales

Saleable area	*Phase 1*	*Phase 2*	*Total*
Units sold	179 (103,000 sq.ft.)	1,096 (554,000 sq.ft.)	1,275 (657,000 sq.ft.)
• As % of total units	100%	100%	100%
Average selling price	HK$20,200/sq.ft.	HK$23,000/sq.ft.	HK$22,600/sq.ft.

Revenue shared (after URA's sharing) from sales of The Avenue amounted to HK$5,230 million, representing 1,275 units or 657,000 sq.ft. have been booked up to 30 June 2018, of which revenue of HK$24 million representing 1 unit or 1,800 sq.ft. was booked during the year under review compared to HK$427 million representing 31 units or 34,000 sq.ft. booked in FY17.

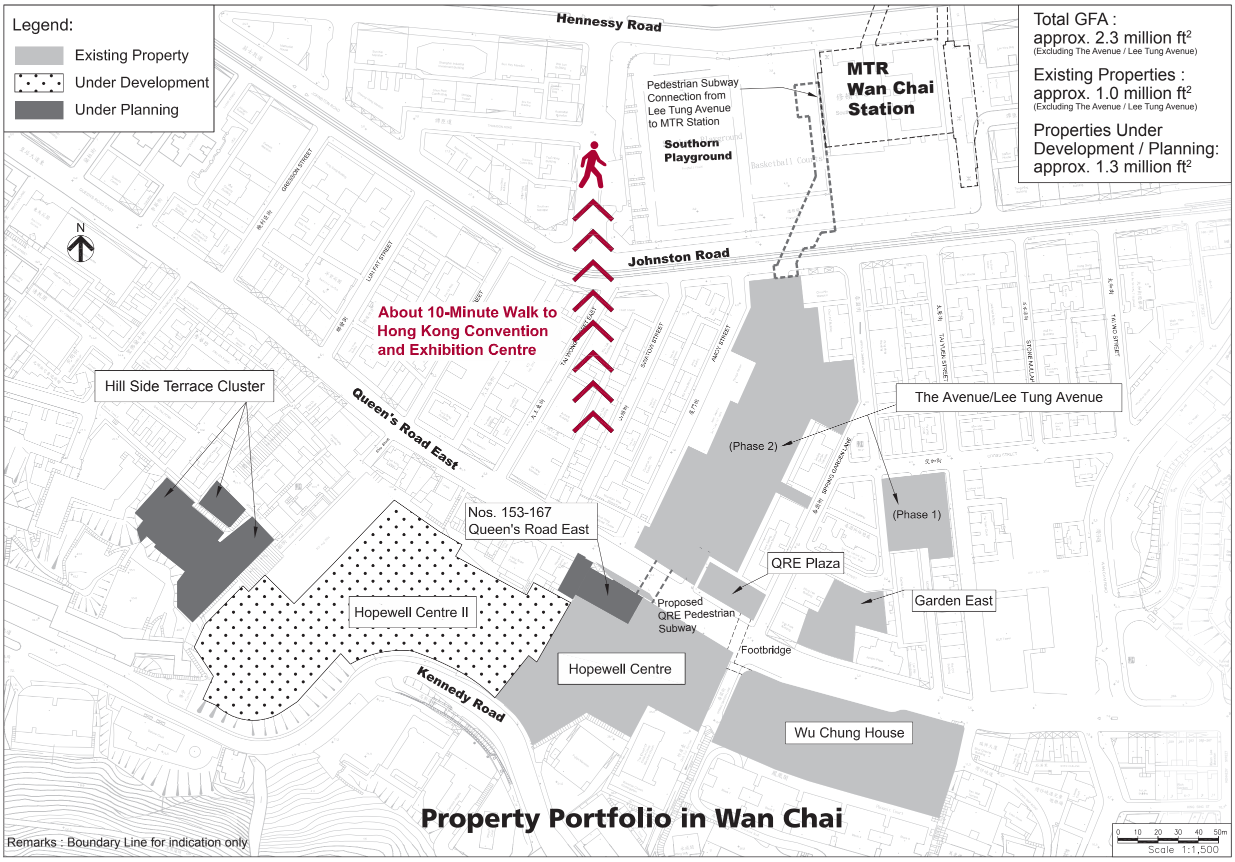
Broadwood Twelve

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

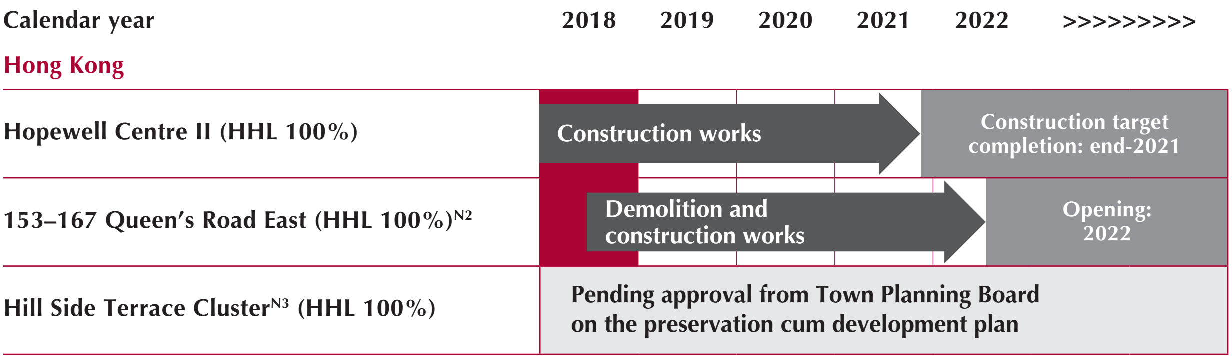
Broadwood Twelve is the Group's residential development on Broadwood Road. The top-quality finishes of its units and the stunning views they enjoy over the racecourse and Victoria Harbour have positioned them as attractive luxury residences.

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

C. Properties Under/For Development



Timeline for Projects[N1]



N1: Present planning, subject to change

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

N3: Including 1–3 Hill Side Terrace, 1A Hill Side Terrace, Nam Koo Terrace, Miu Kang Terrace and Schooner Street Site

Hopewell Centre II

Project Description

Location	Wan Chai, Hong Kong
Total GFA	Around 101,600 sq.m.
Nature of development	Primarily a conference hotel with approximately 1,024 guest rooms (hotel area of around 76,800 sq.m.), a retail area of around 24,800 sq.m.
Height/No. of storeys	207 mPD/52 storeys
Estimated total investment	Around HK$10 billion (including land premium of HK$3,726 million and an estimated investment cost for a road improvement scheme and parks)
Status	Under construction (Site formation and foundation works in progress)

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

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

The estimated total investment cost (including land premium) is around HK$10 billion. This will be financed by the Group's internal resources and/or external bank borrowings. Upon completion, Hopewell Centre II is expected to be one of the largest hotels in Hong Kong with comprehensive conference facilities.

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

Capex Plan[N1] (HK$'m)

Up to 30 June 2018	*July 18 to March 19*	*FY20*	*FY21 & beyond*
around $4,900[N2]	$220	$550	$4,530

Planned Total Investment: around HK$10b

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

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

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

A green park which will be open to the public will also be built within this project to provide a venue for public recreation and enjoyment.

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

Hill Side Terrace Cluster Development

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

* Acquisition date of the last unit

Hill Side Terrace Cluster includes 1–3 Hill Side Terrace, 1A Hill Side Terrace, Nam Koo Terrace, Miu Kang Terrace and Schooner Street Site. As at 30 June 2018, the total book costs of these properties was around HK$600 million.

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

153–167 Queen's Road East

Project Description

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

The Group has expanded the 155–167 QRE project into 153–167 QRE project through a public auction under the Compulsory Sale for Redevelopment in January 2018. Under current planning, the project will be developed into a commercial property and the estimated remaining capital expenditure to be spent is approximately HK$460 million. A planning application to build a commercial property was submitted to Town Planning Board in May 2018. Demolition works were started in May 2018 and the project is envisioned to commence operation in 2022. As a result of the enlarged development, the interface for Hopewell Holdings' property portfolio on Queen's Road East will be increased.

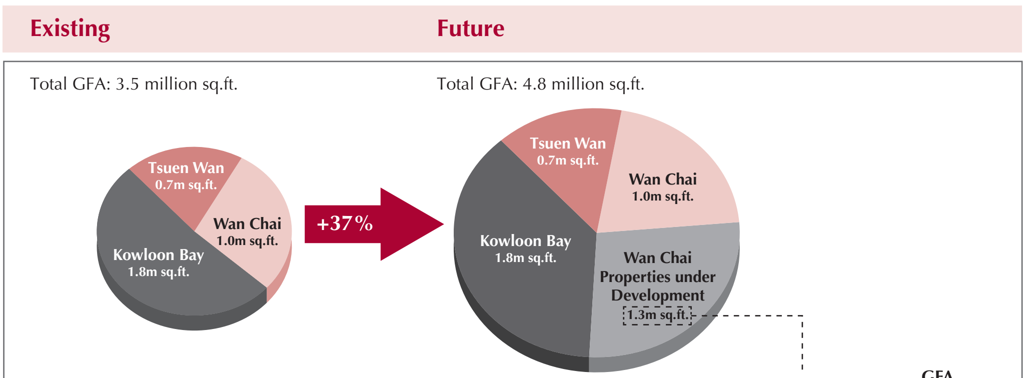
Project	155–167 QRE Before Expansion	153–167 QRE After Expansion	QRE Plaza
Site Area	5,000 sq.ft.	6,700 sq.ft.	5,000 sq.ft.
Development GFA	75,000 sq.ft.	90,000 sq.ft. (Estimate)	77,000 sq.ft.

Developments in Wan Chai

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

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

Investment Properties* under Development – Future Growth Driver



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

[N1] Under current planning

* Including hotel

D. Power

Heyuan Power Plant Phase I

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

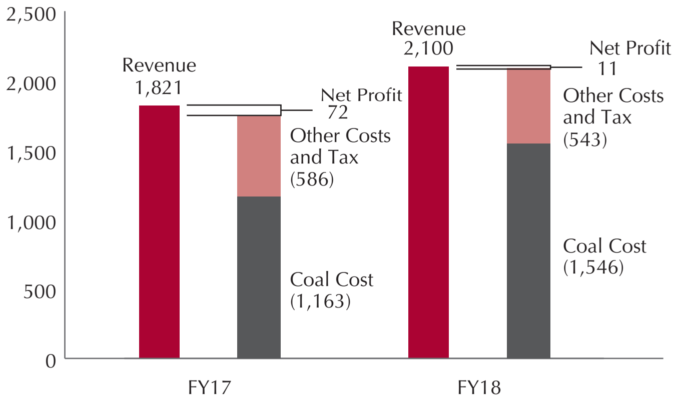
Key operating data	*FY17*	***FY18***
Gross generation	5,200GWh	**6,100GWh**
Utilisation rate[N1] (hours)	49%	**58%**
	(4,296 hours)	**(5,081 hours)**
Availability factor[N2]	73%	**84%**
Average on-grid tariff (with desulphurization, denitrification, dust removal and super low emission) (excluding VAT)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

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

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

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

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



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

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

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

Financial Review

Group Results

Overview

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

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

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

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

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

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

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

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

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

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

Revenue

The Group's revenue for the year under review totalled HK$5,602 million, a 15% decrease from the HK$6,590 million recorded for the previous year. This revenue included the sales proceeds of investment properties held for sale (i.e. Broadwood Twelve), treasury income and the Group's share of revenues of JVs.

The revenue from investment properties and hospitality businesses continued to grow. Treasury income also increased due to the higher cash balance resulting from the proceeds of HHI Disposal. However, these positive factors were offset mainly by (i) the fall in toll road's contribution due to HHI Disposal which was completed in April 2018, and (ii) a decrease in property sales recognition of Hopewell New Town project.

Earnings before Interest and Tax

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

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

Profit and Core Profit Attributable to Owners of the Company

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

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

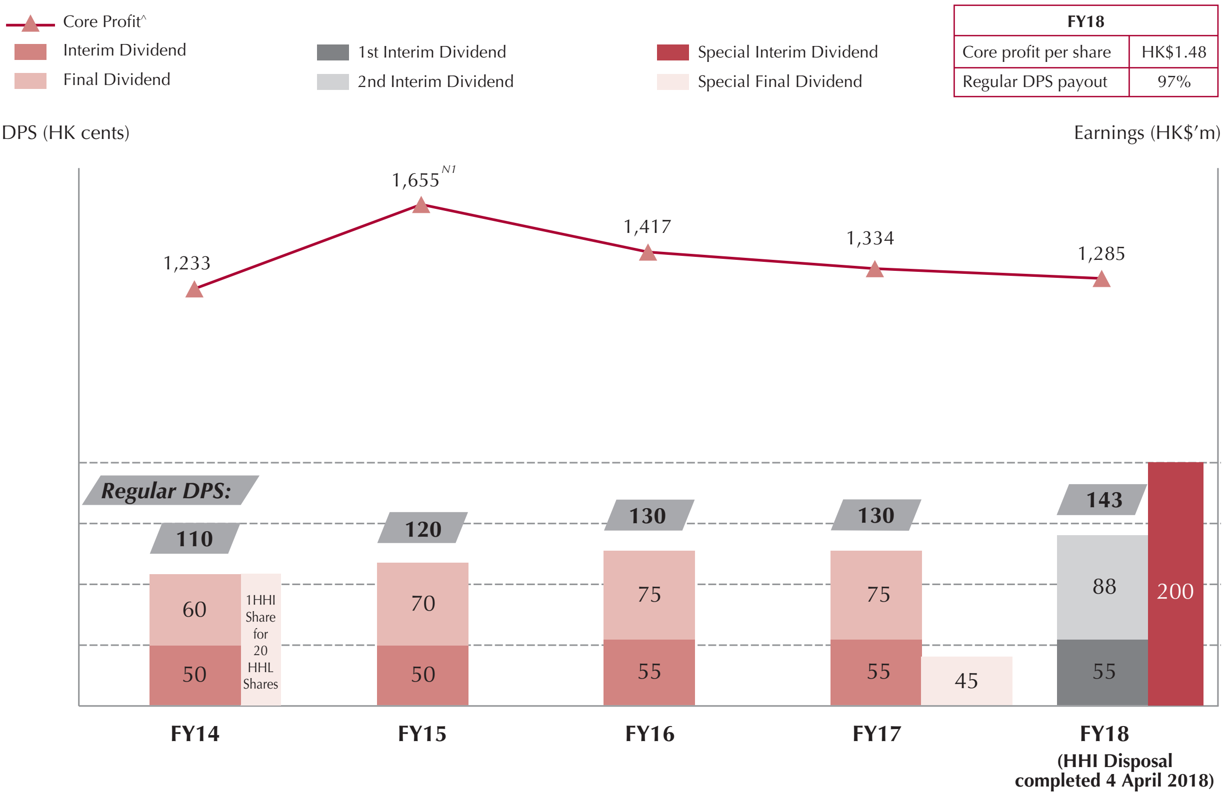
Including the fair value gain of completed investment properties, the profit attributable to owners of the Company for the year under review significantly increased to HK$8,969 million or HK$10.31 per share from HK$1,961 million for the previous year.

Dividend

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

HHL's Dividend & Earnings History

FY18	
Core profit per share	HK$1.48
Regular DPS payout	97%



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

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

Major Assets in Balance Sheet (Adjusted Shareholders' Equity)

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

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

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

Total: $5,063m
*$5.8/share**

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

Liquidity and Financial Resources

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

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

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

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

HK$ million	*30.6.2017*	***30.6.2018***
Total debt	2,350	**1,400**
Net cash (Note 2)	1,686	**8,964**
Total assets	47,241	**56,237**
Shareholders' equity (excluding equity shared from HHI Group)	42,835	**52,647**
Total debt/total assets ratio	5.0%	**2.5%**
Net gearing ratio (Note 3)	Net Cash	**Net Cash**

Note 2: "Net cash" is defined as bank balances and cash less total debt

Note 3: "Net gearing ratio" is calculated by dividing net debt by shareholders' equity (excluding equity shared from HHI Group)

The cash balance of HK$10,364 million included RMB1,029 million (equivalent to HK$1,219 million) and HK$9,145 million. The net cash position of HK$8,964 million comprised bank balances and cash less outstanding bank loans totalling HK$1,400 million.

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

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

The Group expects its abundant financial resources will well cover the capital needs of existing and future projects under development. Under current planning, the estimated outstanding capital expenditure to be spent for Hopewell Centre II and 153–167 Queen's Road East project is approximately HK$5,760 million. The Group's cash on hand remains robust. This, together with the healthy cash flow from its investment properties and hospitality businesses and the committed banking facilities of HK$3.2 billion and HK$1.0 billion maturing in 2020 and 2022 respectively, should provide adequate funding for the projects the Group is currently developing. Given the strong financial position, the Group will continue to seek appropriate investment opportunities.

Major Projects Plan

Projects	Target Completion	Total Investment[N1] HK$'M	Interest %	HHL's Injection July 18 to March 19, FY20, FY21 & beyond[N1] HK$'M
Hong Kong				
Hopewell Centre II	2021 (construction)	approx. 10,000	100%	5,300 (Jul 18 to Mar 19: 220; FY20: 550; FY21 & beyond: 4,530)
153–167 Queen's Road East	2022 (opening)	approx. 1,200	100%[N2]	460
Total				**5,760**

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

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

Treasury Policies

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

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

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

Charges on Assets

As at 30 June 2018, none of the Group's assets had been pledged to secure any loans or banking facilities.

Project Commitments

Details of the project commitments are set out in Note 35 to the consolidated financial statement.

Contingent Liabilities

Details of the contingent liabilities are set out in Note 37 to the consolidated financial statement.

Material Acquisition or Disposal

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

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

Change of Financial Year End Date

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

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

Others

Employees and Remuneration Policies

The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers share option and share award schemes to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, discretionary bonuses are granted to employees based on their individual performance as well as the Group's business performance. It also provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 30 June 2018, the Group, excluding its JV companies, had 1,039 employees.

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

In 2017, the Group continues to hire 3 graduates with potential under a 24-month Management Trainee Program. The graduates acquired essential business knowledge and management skills through well planned job rotations within the Group's core business units and corporate offices. In addition, the Group continues to hire summer interns that provides university students with the opportunities to gain working experience in the Group.

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

Corporate Sustainability

At Hopewell, we thrive with our community. Our vision is to promote sustainable economic, environmental and social development of our community whilst achieving continued business success. Over the years, we have strengthened our efforts to incorporate sustainability considerations into our business decisions and day-to-day operations across core businesses, including property investment and development, hospitality and power divisions. With a solid foundation of practising corporate responsibility, we actively engage and work with our stakeholders to move towards a sustainable future.

Our Sustainability Approach

Our sustainability vision is supported by a robust governance structure. Chaired by the Group's Deputy Chairman and Managing Director, the Sustainability Steering Committee ("SSC") was established to steer the Group's directions and actions towards corporate sustainability. Its key responsibilities include establishing the Group's corporate sustainability vision, strategy and principles; formulating relevant policies and practices; as well as monitoring performance and progress of the Group's sustainability initiatives. The SSC ensures that the Group's operations are in line with our sustainability commitments and reports relevant issues to the Board. Our CSR Sub-committee was established to support the SSC in reviewing and implementing the assigned sustainability initiatives.

With a view to creating long-term value for our stakeholders, the Sustainability Policy (the "Policy") was established to guide the Group and its subsidiaries to operate in a sustainable manner. Under the Policy, all our operations are required to comply with applicable laws and regulations, make efforts to surpass prevailing standards, and integrate sustainable considerations into their decision-making processes. The Policy specifies responsible practices to be implemented by all employees under the aspects of people, community, environment and value chain. The SSC will regularly monitor and review the Group's sustainability performance for continuous improvement.

Community

We are embedded in the places where we operate. We take it upon ourselves to help the local communities which have supported our success to thrive and prosper. Over the years, we have allocated ample resources to support community investment and development programmes. Teamed up with our employees, non-governmental organisations ("NGOs") and community partners, we support and organise activities under four pillars — environmental protection, community engagement, children and youth development, as well as arts and culture.

We utilise our business strengths to enhance our efforts in community engagement and volunteer activities. Partnered with St. James' Settlement ("SJS"), our signature annual volunteer programme, the Tuen Ng Volunteer Programme, has been carried out for eight consecutive years, serving nearly 7,000 singleton elderly since its launch. To share Tuen Ng festive joy, we prepared over 1,000 gift packs including rice dumplings and daily necessities for the elderly this year. Around 70 HH Social Club volunteers brought along these gift packs and paid home visits to more than 90 singleton elderly in various districts in Hong Kong. This year, we enriched this signature programme by organising an additional Tuen Ng Movie Day. Our volunteers accompanied the elderly on a day out in the community through movie-watching and dim-sum lunch.

We recognise the importance of nurturing children and young people and are committed to contributing our efforts towards their development. Joining hands with SJS, the Group organised the Hopewell Junior Volunteers Programme for the third consecutive year. Supported by HH Social Club volunteers and their children, the programme aims to foster friendships and encourage personal growth among primary students. This year, activities organised include green upcycling handicraft workshops, horse-riding day, golf experiential day and table manner workshop cum graduation ceremony.

Corporate Sustainability

During the year, we supported numerous community programmes and initiatives through donations, fundraising and in-kind sponsorships, involving around 100 programmes and around HK$3,000,000 in value. Below are some highlights of FY18:

To enhance awareness of environmental protection among employees and the public

- Hong Kong Tree Planting Day 2018
- Walk for The Green Earth 2018
- Wan Chai District Bookcrossing Exercise 2017
- Green Trip 2018 — Gardening Activity x Citizen Science Project
- WEEE • PARK Tour

To serve the community and improve their quality of life

- Tuen Ng Volunteer Programme 2018
- Happy Family Poon Choi Banquet 2017
- Heifer's Race to Feed 2017
- 2017/2018 Hong Kong and Kowloon Walk for Millions
- Tsuen Wan Festival Lightings Programme 2017/2018

To nurture our young people for the future

- Hopewell Junior Volunteers Programme 2017/2018
- Christmas and New Year Party for Underprivileged Children
- Final Year Project Screening for Academy of Film of Hong Kong Baptist University 2018
- HKAPA School of Film and Television Graduation Screening 2018
- Panda Summer School 2017 — Cooking Journey

To contribute to the development of arts and culture

- FUNtastic QRE Festival 2017
- Neon Music Box
- Chinese Music Performance by Green Hill Anglo-Chinese Arts Performance Troupe
- Ear Hub 2018
- Sundance Film Festival: Hong Kong 2017

People

Our employees are the building blocks of our company. The Group is fully committed to providing a supportive, inclusive, safe and harmonious working environment and encourages employees to reach their full potential. We offer competitive remuneration and benefits, as well as provide regular training for professional and personal development to retain and attract talent.

We support diversity and equality at work, and ensure that employment and career development opportunities are open to all employees regardless of age, disability, gender, marital status, family status, pregnancy, sexual orientation or race. Honesty, integrity and fair play are important values in doing business, and all levels of employees are required to strictly follow the Group-wide Code of Conduct to ensure proper conduct. The Group operates in compliance with all relevant employment and labour laws and regulations. Employment, promotion and salary reviews are offered strictly based on individual performance and merit.

We also engage our staff in open, two-way communication through various channels, including intranet, survey, appraisal and departmental meetings.

Training and Development

In order to facilitate our employees to achieve their highest potential, we offer a wide spectrum of training and seminars tailored to our diverse business needs. In addition, we proactively reach out to our employees to conduct training need analysis, helping them adapt to an ever-changing business environment. During the year under review, we offered various talks and training covering a wide range of topics including professional development, regulation and compliance, corporate culture, management skills and occupational health and safety, etc.

Our Management Trainee Programme has been established for more than a decade. It recruits young graduates and provides opportunities for them to rotate across different business divisions within the Group, covering property, hospitality and corporate functions. Our annual Summer Internship Programme is another initiative to nurture next generation talent through offering practical work experience and career coaching opportunities to undergraduate students.

Employee Wellness

Our Group believes the physical and mental well-being of our employees play an important role in their ability to succeed. We strive to create a caring workplace through work-life-balance initiatives including annual outings, quarterly birthday celebrations, Christmas party, etc. Supporting the "Say Yes To Breastfeeding" Campaign organised by UNICEF Hong Kong, we set up a mother care room to cater the needs of working mothers. Our Employee Assistance Programme offers employees and their immediate family members 24-hour confidential counseling service free of charge. The HH Social Club organises interest groups, interest classes, volunteering and green activities to foster employees' sense of belonging to Hopewell and the community. To enrich our staff activities and make the overall experience more rewarding, we always look for new opportunities to partner with various organisations. This year we collaborated with social enterprises, integrating volunteering elements into our interest classes, for instance, cake baking class, calligraphy workshop and Total Body Resistance Exercise training.

Health and Safety

Occupational health and safety ("OHS") is a top priority at Hopewell. Our well-established internal guidelines and Employee Handbook stipulates health and safety procedures including regular safety inspections, emergency plans and other safety measures. To reduce OHS-related risks and prevent work injuries, all our frontline employees are required to attend briefings and training sessions on various OHS topics such as fire safety, first aid and occupational stress. Feedback surveys are conducted after training and seminars to evaluate their effectiveness for the purpose of continuous improvement.

Given the diversity of our business operations, different approaches are adopted to address health and safety issues specific to each business division. We aim to achieve zero incidents and fully comply with all relevant health and safety regulations. For example, Fire Marshals are assigned to raise employee awareness of fire safety at workplace. Under the Occupational Safety, Health and Environmental Management System ("SHE") at Heyuan Power Plant, monthly meetings were held to monitor performance and review the effectiveness of various SHE measures.

Environment

A healthy and clean environment is essential for the sustainable operation of our businesses and the well-being of stakeholders within the communities where we operate. Environmental protection is one of the key elements in our Sustainability Policy guiding us towards sustainable development. We are aware of the potential environmental impacts that may arise from our various business operations. We therefore leverage our unique, industry-specific knowledge to develop and implement effective measures to reduce carbon emissions, conserve energy and resources, prevent pollution, and minimise waste throughout the life cycles of our buildings and infrastructure, from design and construction to operation.

To demonstrate our commitment to environmental protection, we actively support various green campaigns launched by NGOs and government-initiated charters such as Waste Check Charter, Energy Saving Charter, Charter on External Lighting, and Carbon Reduction Charter. The Group also commits to comply with environmental laws and regulations in Hong Kong and Mainland China including but not limited to those relating to emissions, discharges into water and land, and waste handling.

With our business operations located in close proximity to existing residents, we take full consideration of potential environmental impacts. To manage the impacts of development projects effectively, we incorporate environmental considerations at the design, planning and construction stages. For our new development projects, we strive to meet the Building Environmental Assessment Method ("BEAM") Plus requirements and make conscious efforts to enhance energy and water conservation, adopt sustainable materials and improve indoor environmental quality. Prior to commencement of construction work, we conduct relevant assessments to identify potential impacts and prepare mitigation plans accordingly. We also implement a comprehensive environmental management plan to manage and monitor impacts related to air, water, noise, waste, etc. at construction sites. Moreover, environmentally-advanced equipment such as electric air-compressors was adopted which significantly reduced noise disturbance and air quality impact on the neighbourhood.

We aim to manage our buildings and operations in an energy efficient way as buildings account for more than 90% of the city's electricity usage. Some of the buildings we managed have attained the ISO 14001 environmental management system certification whilst other buildings adhere to the same principles and standards for property management. Meanwhile, our Environmental Guidelines and Work Instruction for Property Management Division outlines the environmental measures and behaviour that our employees and contractors are required to uphold as their responsibility, such as proper handling of chemical waste and consideration for purchasing environmentally-friendly consumables.

Proper waste management is the key to alleviating the burden on Hong Kong's landfills. We make every effort to reduce hazardous and non-hazardous wastes, and ensure that our effluent discharge meets regulatory standards. Various waste reduction and recycling programmes have been implemented across our operations. During the year under review, around 150,000 kg of food waste and 55,000 litres of used cooking oil were collected from Panda Hotel and IT Catering and Services Limited ("ITC") for recycling. More than 6,000 kg of used glass bottles were recycled, which were converted into eco-bricks.

Environmental considerations are incorporated into our decision-making and management processes at our power plant at Heyuan. We actively invest in technology to reduce our environmental impacts. A "superlow" emissions system and 24-hour continuing monitoring system of air pollutants have been installed to regulate air emissions. All solid waste generated in the electricity generation process is converted into useful materials for reuse. To achieve zero wastewater discharge, a wastewater treatment system has been installed to treat and reuse wastewater. Renewable energy device, such as roof-top solar panels which generated over 2 GWh of energy in FY18, is adopted to combat climate change and air pollution. During the reporting year, the power plant achieved a four-star rating in the National Occupational Safety Association ("NOSA") Integrated Five Star System with regard to occupational safety, health and environmental management.

Value Chain

Our diverse business portfolio in Hong Kong and Mainland China provides us with opportunities to engage with numerous stakeholders along the value chain, including business partners, suppliers and contractors, tenants and customers, allowing us to drive the creation of shared values, pursue service excellence and uphold business ethics. By following and advocating these principles, it enables us to strengthen our relationship with stakeholders and further develop our triple bottom line strategy. Business integrity and customer orientation are the two core principles underlying our value chain management.

Customer Orientation

We take pride in delivering quality services and products to our customers. The Group strictly complies with relevant regulatory requirements and industry standards relating to customer health and safety, responsible marketing and data privacy etc. Striving to offer the best customer experience and reliable services, we collect feedback from our customers and address their needs and concerns. Our regular customer satisfaction surveys serve as an open communication channel to ensure customers' voices are being heard. During the year under review, property sites achieved high customer satisfaction rates between 87%–99.8% according to our Management Service Survey.

We strive to exceed the expectations of our diverse customer base through adopting unique business and operation strategies by corresponding business divisions. To ensure high quality services, we provide well-maintained facilities and actively conduct regular customer engagement and performance review.

A glimpse of our approach towards customer orientation as below:

	Types of Customers	**Focus**	**Quality Assurance**
Properties	• Tenants • Residents • Shoppers	• Facility enhancement • Service quality • Customer privacy & satisfaction • End-user relationships	• Site inspection • Service pledge • Customer data handling procedure • Satisfaction survey and interview • Regular greeting and visit
Hospitality, Convention and Entertainment	• Hotel guests • Diners • Exhibitors • Visitors • Audiences	• Food and venue safety • Customer privacy • Venue and Facilities enhancement • Customer care & relationships	• Food lab test • Customer data handling procedure • Venue checkup • Guests/customers comments card
Power	• Electricity grid company	• Reliability of power supply	• Regular inspection and monitoring

Supply Chain Management

To uphold the standard of our services, we work closely with our business partners, contractors and suppliers, requiring them to comply with applicable laws and regulations as well as share our principles in promoting sustainable development. The strong, long-term relationships we built with our suppliers and contractors help enhance our service quality and customer satisfaction over time.

We engage a wide range of suppliers and contractors who provide cleaning service, security service, printing service, construction, amenities and food and beverage to support our operations. We commit to uphold high ethical standards when conducting business and look for partners who share the same values with us. They are required to adhere to principles in respect of service and product quality, anti-corruption, environmental practice, occupational health and safety, labour practices, etc. Aiming to exert a positive influence on our supply chain, business divisions also develop their own specific procedures or guidelines which fit their business nature. At Property division, we adopt Contractor Assessment Procedure to evaluate contractors' performance on quality, safety and environmental aspects during the selection process. Contractors are required to follow our Environmental and Social Responsibility Code of Conduct and Environmental Guidelines when carrying out facility management services. At Hospitality division, we adopt purchasing procedures which stipulate the selection criteria not only based on cost, but also with consideration of quality, environmental, health and safety performance. To ensure supplier quality, annual performance evaluation of food and beverage items will be conducted on top 20 suppliers with the highest purchasing amount, plus an additional 10 will be randomly selected. Furthermore, monthly food testing is conducted by independent external body to ensure food safety and quality.

For detailed information on our sustainability approach and performance, please review the Group's upcoming Sustainability Report 2017/18 at: http://www.hopewellholdings.com/eng/hhl_sustainability_report.htm

Corporate Governance Practices

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

Throughout the year ended 30 June 2018, the Company complied with all the code provisions as set out in the CG Code, except for the deviation from code provisions A.5.1 and A.5.6 of the CG Code which are explained below.

Code provision A.5.1

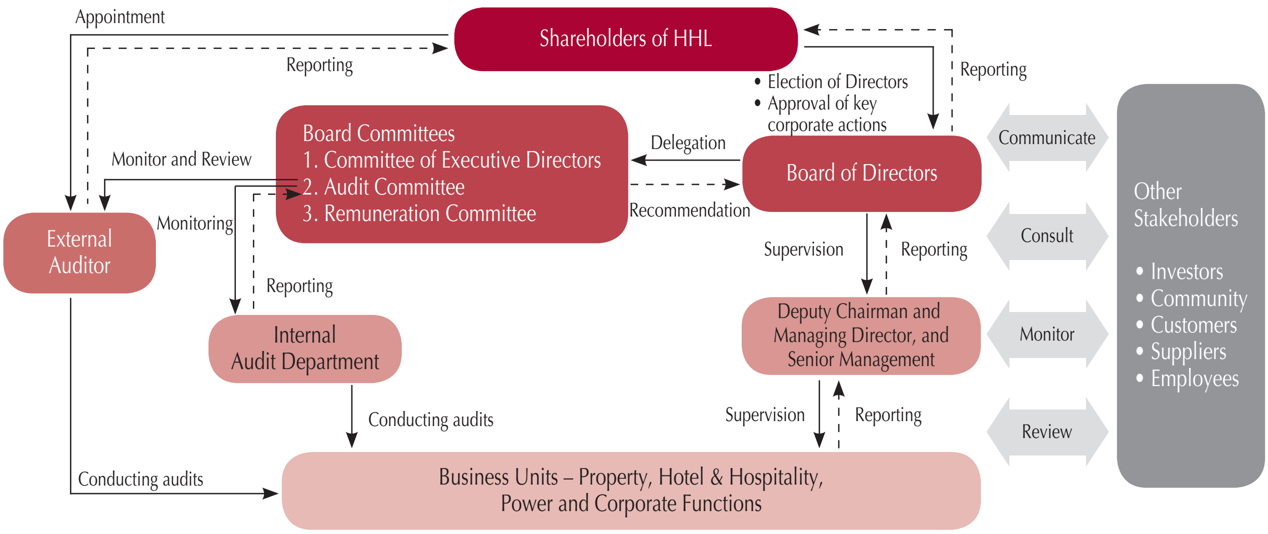
The Company does not consider it necessary to have a nomination committee as the Company already has the policies and procedures for selection and nomination of Directors in place. The Board as a whole regularly reviews the plans for orderly succession for appointments to the Board and its structure,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

Code provision A.5.6

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

Corporate Governance Report

Corporate Governance Structure



Board of Directors

The Board

The Company is managed through the Board which currently comprises seven Executive Directors (including the Chairman), three Non-executive Directors and five Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors. The names and biographical details of the Directors, and the relationship amongst them, if any, are set out on pages 11 to 20 of this Annual Report. The remuneration of the Executive Directors of the Company, who are regarded as senior management of the Company, are disclosed in note 14 to the consolidated financial statements.

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

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

Non-executive Directors and Independent Non-executive Directors are selected with the necessary skills and experience to provide a strong independent element on the Board and to exercise independent judgement. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-executive Director a written annual confirmation of independence. The Board considers that all of the Independent Non-executive Directors are independent.

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

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

Chairman and Deputy Chairman and Managing Director

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

Appointment, Re-election and Removal

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

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

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

Board Committees

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

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

Audit Committee

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

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

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

Major roles and functions of the Audit Committee include:

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

Principal works performed during the year under review included:

- to consider and approve the remuneration and terms of engagement of the external auditor
- to review the annual financial statements for the year ended 30 June 2017 and the interim financial statements for the six months ended 31 December 2017
- to review the work performed by Internal Audit Department
- to review the Group's risk management and internal control systems and the adequacy of the financial/internal auditing resources and competency
- to review the Company's policies and practices on corporate governance

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

Remuneration Committee

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

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

Major roles and functions of the Remuneration Committee include:

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

Principal works performed during the year under review included:

- to review the level of Directors' fees and make recommendations to the Board on the Directors' fees for the year ended 30 June 2018
- to review and recommend on the remuneration packages of all Executive Directors for the year of 2018 and bonus payment for the year of 2017

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

Attendance at Meetings

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings, the 2017 Annual General Meeting and the Extraordinary General Meeting held on 8 February 2018 ("Extraordinary General Meeting") are as follows:

Name of Directors	Number of meeting(s) attended/held Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	2017 Annual General Meeting	Extraordinary General Meeting
Executive Directors					
Sir Gordon WU KCMG, FICE *Chairman*	6/6	N/A	N/A	1/1	1/1
Mr. Eddie Ping Chang HO *Vice Chairman*	6/6	N/A	N/A	1/1	1/1
Mr. Thomas Jefferson WU JP *Deputy Chairman and Managing Director*	6/6	N/A	N/A	1/1	1/1
Mr. Josiah Chin Lai KWOK *Deputy Managing Director*	6/6	N/A	N/A	1/1	1/1
Mr. Albert Kam Yin YEUNG	6/6	N/A	N/A	1/1	1/1
Mr. William Wing Lam WONG	6/6	N/A	N/A	1/1	1/1
Ir. Dr. Leo Kwok Kee LEUNG	6/6	N/A	N/A	1/1	1/1
Non-executive Directors					
Lady WU JP	6/6	N/A	N/A	1/1	0/1
Mr. Carmelo Ka Sze LEE JP	6/6	N/A	4/4	1/1	1/1
Mr. Guy Man Guy WU [1]	6/6	2/2	1/1	1/1	1/1
Independent Non-executive Directors					
Ms. Linda Lai Chuen LOKE	5/6	4/4	4/4	1/1	1/1
Mr. Sunny TAN	6/6	4/4	N/A	1/1	0/1
Dr. Gordon YEN [2]	6/6	2/2	4/4	1/1	1/1
Mr. Ahito NAKAMURA	4/6	N/A	N/A	1/1	0/1
Mr. Yuk Keung IP [3]	6/6	4/4	3/3	1/1	1/1

Notes:

1 re-designated from Independent Non-executive Directors and ceased as members of both Audit and Remuneration Committees on 26 January 2018

2 appointed as members of both Audit and Remuneration Committees on 26 January 2018

3 appointed as the Chairman of the Remuneration Committee on 26 January 2018

In addition, the Chairman of the Board held a meeting with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors in May 2018.

Induction Programme and Training for Board Members

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

During the year under review, the Company provided to the Directors briefings, regular updates and presentations on changes and developments to the Group's business and operations, and on the latest developments in the Listing Rules and other applicable laws, rules and regulations relating to Directors' duties and responsibilities.

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

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

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

Company Secretary

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

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

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

Accountability and Audit

Financial Reporting

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

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

External Auditor and their Remuneration

The Company's external auditor is Deloitte Touche Tohmatsu. The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 91 to 95 of this Annual Report. The independence of the external auditor is monitored by the Audit Committee which is primarily responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration. Apart from the statutory audit of the Group's consolidated financial statements, Deloitte Touche Tohmatsu was also engaged to perform a review on the interim financial information of the Company for the six months ended 31 December 2017, and perform services in respect of the Group's HHI Disposal during the year.

During the year ended 30 June 2018, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	HK$'000
Audit services	**3,900**
Non-audit services:	
Interim review	**921**
Others	**680**
Total	**5,501**

Risk Management and Internal Controls

The Board is of the opinion that sound risk management and internal control systems will help achieve the Group's business objectives, safeguard the Group's assets and contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations. To this end, the Group commits to implement the risk management and internal control systems compatible with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) standards to provide reasonable, though not absolute, assurance against material misstatement or loss.

Roles and Responsibilities

The Board acknowledges its overall responsibility for the Group's risk management and internal control systems and for overseeing its effectiveness on an on-going basis through the Audit Committee which reports to the Board, when necessary, during the quarterly regular Board meetings. Executive Directors and management teams are delegated the roles of designing and maintaining an environment where managing risks forms the base of all activities.

Evaluation of the Group's risk management and internal control systems, including its effectiveness, proper functioning and compliance with internal policies and external regulations, is independently and consistently conducted by the Internal Audit Department for principal operations.

Risk Management and Internal Control Framework

Under the Risk Management Policy approved by the Board in 2013 and updated in 2016, the Group strives to ensure that risk management and internal controls are integrated into the normal business processes and aligned with the strategic goals of the Group. This risk management and internal control framework of the Group, integrating the principles of the COSO model, is highlighted as follows:

Control Environment

The Group, committed to ethical values, believes that honesty, integrity and fair play are its important assets in doing business. Such belief is realized through the Group's Code of Conduct under which employees at all levels are expected to conduct themselves with integrity, impartiality and honesty. To enhance the Group's internal control mechanism and the awareness of corporate justice, a Whistle Blowing Policy has also been in force since 2012. The Policy provides a platform for employees raising serious concerns internally, without fear of reprisal or victimization, in a responsible and effective manner.

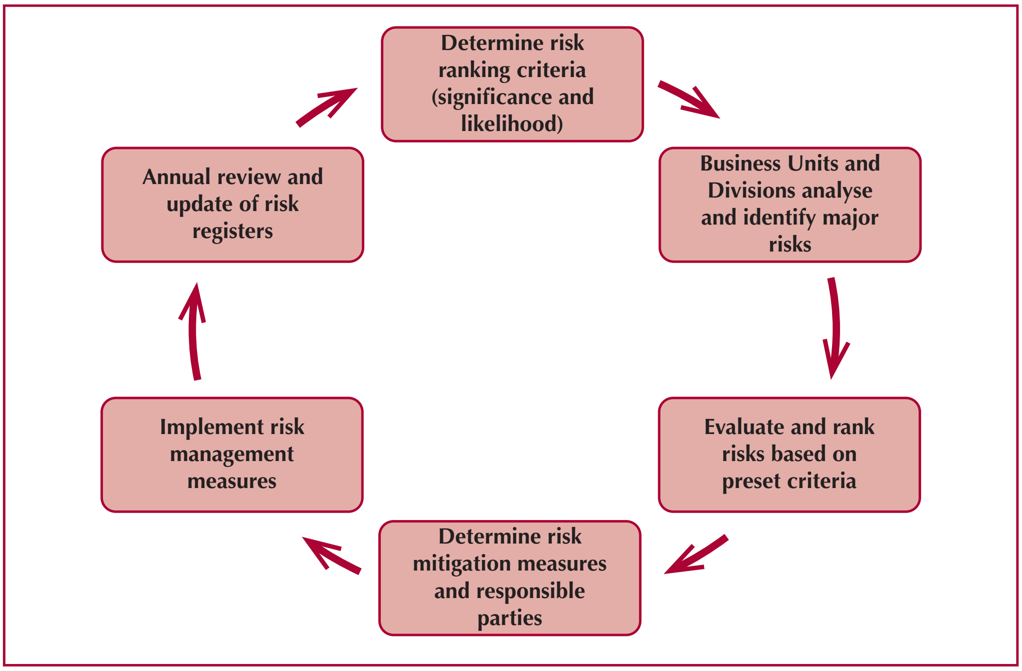
The Board, as the top strategy and policy setting body of the Group, provides oversight to the Group's management under the leadership of the Deputy Chairman and Managing Director. Clear corporate governance structure (as depicted on page 62 of our Corporate Governance Report) and reporting lines have been established with responsible parties held accountable for their own assigned areas.

Risk Assessment

A holistic risk management framework is adopted across the Group for:

(a) Identifying, communicating, mitigating and escalating major risk issues;
(b) Incorporating risk management principles and objectives into strategic, operational and resource planning activities; and
(c) Designing and implementing an effective and efficient operation, enabling the Group to respond to a variety of risks.

The Group's ongoing risk assessment program encompasses the following key steps:



Control Activities/Information and Communication

Internal control procedures of the Group include a comprehensive budgeting, information reporting and performance monitoring system.

Business plans and budgets, taking into consideration significant business risks, are prepared annually by the management of each business unit for the review and approval by the Executive Directors. These plans and budgets are then reviewed periodically against actual performance for validity and adjustments. Various policies and procedures have been established for the approval and control of operating expenses, capital expenditures, project investments, unbudgeted items and acquisitions.

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

Annually, senior management of business units conducts a self-assessment on their compliance with the Group policies, relevant regulations and the fulfillment of their risk management and internal control duties. A confirmation is then completed and submitted to the Audit Committee and reported to the Board.

Monitoring Activities

The Board, through the Audit Committee, oversees the risk management and internal controls of the Group, with assistance from external and internal auditors. External auditors inform management and the Audit Committee on the operation of financial controls reviewed as part of the statutory audits. Findings and risk concerns of internal auditors are raised to responsible management for rectification with significant items reported to the Audit Committee at least four times every year. Implementation status of audit findings would also be followed up by the Internal Audit Department and reported to the Audit Committee.

FY18 Risk Management and Internal Control Review

During the year under review, the Board, through the Audit Committee, has consistently reviewed the effectiveness and proper functioning of the Group's internal control and risk management systems, financial reporting and rules/regulations compliance. The review also covered the adequacy of the financial/internal auditing resources and competency. No major exception was noted.

Key Risk Profile of the Group

Based on the risk assessment conducted for FY18, while the Group continued to face various operating risks such as construction project completion especially for Hopewell Centre II, talent management, labour shortage and technological challenges, impacts from the macro environment contributed to the most highly-ranked risks of the Group's main business segments:

(a) Property — investment properties, property for sales and properties under development
(b) Hospitality — hotels, catering and restaurants

The key risks thus identified and their trends are further illustrated as follows:

Risk Category	Risk Description	Business Segment	Risk Change in FY18
Economic and Financial	Revenue/profit reduction due to economic downturn, trade protectionism, negative developments in financial and property markets, credit crunch, refinancing risks, currency fluctuations and interest rate increases (in particular for RMB and USD)	Property	↑
		Hospitality	↑
Regulatory and Political	Political instability and unfavourable government policies	Property	↑
		Hospitality	↔
Commercial	Market risks resulting from increasing global and local competition, reduced demand, heightened customer expectation and price sensitivity, unfavourable changes in the demographics of our main operating districts	Property	↑
		Hospitality	↑

Remarks:

↑ *Inherent risks (risks before mitigation measures) increasing*

↔ *Inherent risks remain stable*

Business Ethics

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

Remuneration Policy

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

The fixed elements of the Executive Directors' remuneration are reviewed annually by reference to the job nature, responsibilities, experience and performance of the individual as well as prevailing market salary practices. Directors' fees for the current financial year were approved by the shareholders at the 2017 Annual General Meeting.

Inside Information Policy

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

Model Code for Securities Transactions

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

Shareholders

Communication with Shareholders

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

Disclosure of Information on HHL Website

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

Annual General Meeting

The Company's annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for all the Directors (including the Chairman) and the chairmen of the Audit Committee and the Remuneration Committee together with the external auditor of the Company to attend the annual general meetings to answer shareholders' questions. The 2017 Annual General Meeting was held at The Glass Pavilion, 3/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on 26 October 2017. The 2018 Annual General Meeting has been scheduled to be held on 31 October 2018.

Investor Relations

Committed to upholding sound corporate governance practices, the Company believes that good communications with the market and shareholders as well as transparency are of high priority.

As an important component to engage market participants, the Company's open and effective communications with the investment community is well-recognised. Proactive investor relations program was continued during the year under review. Subsequent to interim and annual results announcements, conference calls with investors, analysts and media were held with the attendance of senior management team to answer queries. To further facilitate exchange of opinions, the Company regularly attended investor meetings, roadshows, and conferences engaging both local and overseas investors and analysts. In addition, enquiries from investors and analysts were also handled in a timely manner.

Achieving a high level of transparency, the Company kept its website updated by publishing essential corporate information including company announcements, press releases and financial reports on a timely and accurate basis. As a result, investors could keep track of the latest updates of the Company's business and financial performance.

Going onward, the Company will continue to advocate its high level of corporate governance framework, aiming to enhance market confidence and maximise shareholders' value. Investors can direct any comment or enquiry to the Company's investor relations team at ir@hopewellholdings.com.

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

Shareholders' Rights

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

Voting by poll

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

Convening of an extraordinary general meeting on requisition by shareholders

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

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

Procedures for putting forward proposals at general meetings by shareholders

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

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

Report of the Directors

The Directors have pleasure in presenting their report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30 June 2018.

Principal Activities

The Company is an investment holding company. After completion of disposal of toll roads investment on 4 April 2018, the Group is engaged in investments in power plants, property development and investment, property letting and management, hotel ownership and management, restaurant operations and food catering. The principal activities of the principal subsidiaries and the joint ventures are set out in notes 43 and 20 to the consolidated financial statements respectively.

Business Review

A review of the business of the Group during the year, a discussion on the Group's future business development and description of the principal risks and uncertainties the Company may be facing are provided in the Chairman's Statement on pages 4 to 9 and the Management Discussion and Analysis on pages 21 to 51 of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 41 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 30 June 2018, if applicable, are provided in the Chairman's Statement on pages 4 to 9 and Management Discussion and Analysis on pages 21 to 51 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 2 and the 5-Year Financial Summary on page 3 of this Annual Report.

In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement, the Management Discussion and Analysis, Corporate Sustainability, the Corporate Governance Report and this report on pages 4 to 9, pages 21 to 51, pages 52 to 60, pages 61 to 78 and pages 79 to 90 of this Annual Report respectively, and in the upcoming Sustainability Report to be available on the Company's corporate website www.hopewellholdings.com. All the above mentioned cross references form parts of this Report of the Directors.

Results

The results of the Group for the year ended 30 June 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 96 to 97.

Dividends

The Directors have declared a second interim dividend of HK88 cents per Share in lieu of final dividend (2017 final dividend: HK75 cents and a special final dividend of HK45 cents) per Share in respect of the year ended 30 June 2018.

Together with the first interim dividend of HK55 cents (2017: HK55 cents) per Share paid on 12 March 2018 and the special interim dividend of HK$2.00 per Share (due to the completion of HHI Disposal) paid on 2 May 2018, the total dividends for the year will amount to HK$3.43 (2017: HK175 cents) per Share.

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section headed "Business Review" as set out on pages 21 to 41 of this Annual Report.

Shares Issued

Details of the Shares issued during the year are set out in note 30 to the consolidated financial statements.

Distributable Reserve

The Company's distributable reserve at 30 June 2018 amounted to approximately HK$16,632 million (2017: HK$16,101 million) which represented retained profits of the Company as at that date.

Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK$430,000 (2017: HK$723,000).

Principal Properties

Particulars regarding the major properties and property interests of the Group are set out on pages 165 to 167 of this Annual Report.

Major Customers and Suppliers

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

Directors and Senior Management

The Directors and their profiles as at the date of this report are set out on pages 11 to 20 of this Annual Report. Changes during the year and up to the date of this report are as follows:

Mr. Thomas Jefferson WU JP	–	appointed as Deputy Chairman on 13 February 2018 and remains as Managing Director
Mr. Guy Man Guy WU	–	re-designated from Independent Non-executive Director to Non-executive Director on 26 January 2018
	–	ceased as a member of each of the Audit Committee and the Remuneration Committee on 26 January 2018
Dr. Gordon YEN	–	appointed as a member of the Audit Committee on 26 January 2018
	–	ceased as chairman but remains as a member of the Remuneration Committee on 26 January 2018
Mr. Yuk Keung IP	–	appointed as chairman of the Remuneration Committee on 26 January 2018

In accordance with the Articles of Association, every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his/her last election/re-election, and shall be eligible for re-election subject to the provisions of the Articles of Association. Mr. Eddie Ping Chang HO, Mr. Albert Kam Yin YEUNG, Ir. Dr. Leo Kwok Kee LEUNG, Dr. Gordon YEN and Mr. Yuk Keung IP shall retire from office at the 2018 Annual General Meeting and, being eligible, offered themselves for re-election.

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

Directors of Subsidiaries*

The persons who have served on the boards of the subsidiaries of the Company during the year ended 30 June 2018 and up to the date of this report included Mr. Kam Wai CHAN, Ms. Siu Hung CHONG, Mr. DENG Wei-Zhuo, Mr. Eddie Ping Cheng HO, Ms. Ching Fan KOO, Mr. Josiah Chin Lai KWOK, Ms. Josephine Wai Fun LAM, Ir. Dr. Leo Kwok Kee LEUNG, Mr. Pei Sai LEUNG, Mr. Tai On LO, Mr. Ontowirjo SOEWARNO, Mr. Stuart WANG, Mr. William Wing Lam WONG, Sir Gordon WU, Mr. Thomas Jefferson WU, Mr. XIE Chang-Li, Mr. Albert Kam Yin YEUNG, Mr. Andrew Siu Yeung YU and Mr. ZHANG Ming.

Following the completion of HHI Disposal on 4 April 2018, the following persons who have served the board of HHI and HHI subsidiaries are no longer the directors of subsidiaries of the Group:

Mr. Alan Chi Hung CHAN, Mr. Yuk Keung IP, Mr. Brian David Man Bun LI, Mr. Alexander Lanson LIN, Professor Chung Kwong POON, Mr. Daniel Chun Ho WONG and Mr. Mike Hon Cheung YAU.

* *surnames are in alphabetical order*

Permitted Indemnity Provision

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

Directors' Material Interests in Transactions, Arrangements or Contracts

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

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

As at 30 June 2018, 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:

Long Positions in the Shares and Underlying Shares

	Number of Shares(i)					
Name of 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	27,073,300(iii)	111,450,000(iv)	30,680,000(v)	244,286,540(viii)	28.10
Eddie Ping Chang HO	27,691,500	–	70,000	–	27,761,500	3.19
Thomas Jefferson WU	28,900,000	–	–	–	28,900,000	3.32
Josiah Chin Lai KWOK	1,275,000	–	–	–	1,275,000	0.14
Guy Man Guy WU	2,645,650	–	–	–	2,645,650	0.30
Lady WU	27,073,300	125,343,240(vi)	61,190,000(vii)	30,680,000(v)	244,286,540(viii)	28.10
Linda Lai Chuen LOKE	–	1,308,981	–	–	1,308,981	0.15
Albert Kam Yin YEUNG	10,000	–	–	–	10,000	0.00
William Wing Lam WONG	338,000	–	–	–	338,000	0.03

Notes:

(i) All interests in the Shares 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 27,073,300 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 his wife 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.

Save as disclosed above, as at 30 June 2018, 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

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

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

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

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

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

Share Options of HHI

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

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

The maximum number of HHI Shares in respect of which options may be granted (together with HHI Shares issued pursuant to options exercised and HHI Shares in respect of which any option remains outstanding excluding options lapsed from time to time in accordance with HHI Share Options Scheme) under the HHI Share Option Scheme and any other share option schemes of HHI will not exceed 10% in aggregate of the total number of issued HHI Shares as at the date of adoption of the HHI Share Option Scheme, unless a fresh approval from the shareholders is obtained. The maximum entitlement of each participant under the HHI Share Option Scheme in any 12-month period must not exceed 1% of the total number of issued HHI Shares. HHI ceased to be a subsidiary of the Company on 4 April 2018. As at 4 April 2018, no options were granted under the HHI Share Option Scheme and 308,169,028 HHI Shares were issuable under the HHI Share Option Scheme, representing approximately 10% of the total number of issued HHI Shares.

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

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

Share Awards of the Company

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

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

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

(C) During the year under review, cash dividend income amounting to HK$270,000 (2017: HK$93,600) was received in respect of the Shares held upon the trust for the HHL Share Award Scheme and shall form part of the trust fund of such trust. The trustee may apply such cash or Shares for the purchase of Shares which shall become returned Shares for the purpose of the HHL Share Award Scheme, or apply such cash or Shares to defray the fees, costs and expenses in relation to the establishment and administration of such scheme, or return such cash or Shares to the Company, as the trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the Remuneration Committee of the Board.

(D) There were no awarded Shares granted, forfeited, vested or outstanding during the year ended 30 June 2018.

Share Awards of HHI

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

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

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

(C) HHI ceased to be a subsidiary of the Company on 4 April 2018. There were no awarded HHI Shares granted, forfeited, vested or outstanding during the period when HHI was a subsidiary of the Company and accordingly no dividend income was received in respect of HHI Shares hold upon the trust for the HHI Share Award Scheme (2017: Nil) during the period.

Equity-Linked Agreements

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

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous sections headed "Share Options of the Company", "Share Options of HHI", "Share Awards of the Company" and "Share Awards of HHI", at no time during the year ended 30 June 2018 was the Company or any of its subsidiaries, fellow subsidiaries or its parent company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

Directors' Remuneration

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

Directors' Service Contracts

No Directors proposed for re-election at the 2018 Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation). All the Non-executive Directors and Independent Non-executive Directors are appointed for a fixed period but subject to retirement from office and re-election at the Company's annual general meeting in accordance with the Articles of Association.

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), the Group has set up the MPF Schemes. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK$30,000. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. During the year, the Group made contributions to these schemes amounted to HK$16,410,000 (2017: HK$16,683,000).

Management Contracts

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

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

As at 30 June 2018, 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 as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Number of Shares[i]	Approximate % of total number of issued Shares
Longleaf Partners Small Cap Fund	Beneficial owner	52,817,500	6.07%
Southeastern Asset Management, Inc.	Investment manager	63,168,283[ii]	7.26%

Notes:

(i) All interests in the Shares 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 63,168,283 Shares included the block of Shares beneficially owned by Longleaf Partners Small Cap Fund.

Save as disclosed above, as at 30 June 2018, the Company had not been notified of any other interests or short positions representing 5% or more of the total number of issued Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Securities

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

Month of the buy-backs	Total number of Shares bought back	Highest price paid per Share (HK$)	Lowest price paid per Share (HK$)	Aggregate consideration paid (excluding transaction costs) (HK$)
June 2018	1,218,500 (approx. 0.14% of total number of issued Shares)	27.20	26.80	32,913,575
				Average price per Shares: HK$27.01

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

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

Connected Transactions and Continuing Connected Transactions

During the year under review, there were no connected transactions and continuing connected transactions which are required to be disclosed in accordance with the requirements of the Listing Rules. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, none of the related party transactions as disclosed in note 39 to the consolidated financial statements constitutes a connected transaction under Chapter 14A of the Listing Rules.

Public Float

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

Auditor

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the 2018 Annual General Meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU KCMG, FICE
Chairman

Hong Kong, 22 August 2018

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of Hopewell Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 96 to 164, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties	
We identified the valuation of investment properties (comprising completed investment properties and investment properties under development) as a key audit matter due to significant judgement and estimation required in determining their fair values. Investment properties of the Group mainly comprise office, retail and residential properties. The fair values of completed investment properties and investment properties under development amounted to HK$32,947 million and HK$5,874 million respectively as at 30 June 2018, with the fair value gain of HK$2,539 million recognised in the profit or loss for the year then ended. As disclosed in notes 15 and 19 to the consolidated financial statements, in estimating the fair value of investment properties, the Group engaged an independent qualified external valuer (the "Valuer") to perform the valuation and worked with the Valuer to establish inputs to the valuation. The fair value of completed investment properties was arrived at by using income capitalisation method or, where appropriate, by using direct comparison method. The fair value of investment properties under development was arrived at by using direct comparison method 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. The valuations are dependent on certain significant unobservable inputs that involve judgements, including capitalisation rate for completed investment properties; and estimated costs to complete construction and profit and risk margin for investment properties under development.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Assessing the scope of the valuation, appropriateness of significant assumptions, critical judgements and data used in the valuation based on our knowledge of the properties market of the relevant locations; and • Checking the reasonableness of the key inputs used by the Valuer in the valuation, in particular the capitalisation rate for completed investment properties, estimated costs to complete construction and profit and risk margin for investment properties under development, on a sample basis, against market data and entity-specific information such as recent selling prices and rents, and development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs and signed construction contracts.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yu Kin Man.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	NOTES	2017 HK$'000 (Restated)	**2018** **HK$'000**
Continuing operations			
Turnover	5	2,360,128	**1,984,225**
Cost of sales and services		(943,575)	**(694,593)**
		1,416,553	**1,289,632**
Other income	6	115,187	**154,182**
Other gains and losses	7	(4,794)	**1,553**
Selling and distribution costs		(77,862)	**(79,904)**
Administrative expenses		(293,007)	**(296,217)**
Gain on disposal of assets classified as held for sale (Broadwood Twelve)	15(b)	39,065	**51,222**
Fair value gain of completed investment properties	15	627,489	**2,539,236**
Finance costs	8	(12,132)	**(16,941)**
Share of results of joint ventures:	9		
Power plant project		33,587	**5,061**
Property development project			
Sales and leasing of properties		43,448	**44,661**
Fair value gain of completed investment properties		–	**25,225**
Share of profit of an associate		2,084	**1,660**
Profit before taxation	10	1,889,618	**3,719,370**
Income tax expense	11	(343,936)	**(273,672)**
Profit for the year from continuing operations		1,545,682	**3,445,698**
Discontinued operation (Expressway projects)			
Share of results of joint ventures		760,386	**694,506**
Other gains		6,185	**15,070**
Administrative expenses		(46,569)	**(31,529)**
Profit before taxation		720,002	**678,047**
Income tax expense		(42,276)	**(40,539)**
Profit for the year from toll road investment		677,726	**637,508**
Gain on disposal of HHI before taxation		–	**5,782,332**
Income tax expense from gain on disposal of HHI		–	**(662,425)**
Gain on disposal of HHI after taxation	34	–	**5,119,907**
Profit for the year from discontinued operation		677,726	**5,757,415**
Profit for the year		2,223,408	**9,203,113**

	NOTE	2017 HK$'000 (Restated)	2018 HK$'000
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of subsidiaries and joint ventures		(136,406)	**528,833**
Translation reserve reclassified to profit or loss on disposal of subsidiaries		–	**(620,659)**
Other comprehensive expense for the year		(136,406)	**(91,826)**
Total comprehensive income for the year		2,087,002	**9,111,287**
Profit for the year attributable to owners of the Company:			
— Continuing operations		1,521,361	**3,439,128**
— Discontinued operation		439,912	**5,530,348**
		1,961,273	**8,969,476**
Profit for the year attributable to non-controlling interests:			
— Continuing operations		24,321	**6,570**
— Discontinued operation		237,814	**227,067**
		262,135	**233,637**
		2,223,408	**9,203,113**
Total comprehensive income attributable to:			
Owners of the Company		1,865,209	**8,710,495**
Non-controlling interests		221,793	**400,792**
		2,087,002	**9,111,287**
		HK$	**HK$**
Earnings per share			
From continuing and discontinued operations			
Basic	13	2.25	**10.31**
From continuing operations			
Basic	13	1.75	**3.95**

Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	2017 HK$'000	2018 HK$'000
ASSETS			
Non-current Assets			
Completed investment properties	15	30,318,946	**32,947,300**
Property, plant and equipment ("PPE")	16	700,246	**767,299**
Properties under development	19		
Commercial portion of HCII (investment properties)		4,645,923	**4,753,887**
Hotel portion of HCII (PPE)		2,537,700	**2,654,217**
QRE project (investment properties)		776,930	**1,119,900**
Properties for development	19	1,156,903	**838,203**
Interests in joint ventures	20		
Expressway projects		6,149,912	**–**
Power plant project		1,143,386	**1,110,554**
Property development project		662,353	**732,239**
Interest in an associate	21	38,548	**38,660**
Other assets		8,513	**3,000**
		48,139,360	**44,965,259**
Current Assets			
Inventories	22	8,070	**7,998**
Stock of properties	23		
Under development		304,766	**489,036**
Completed		128,455	**60,309**
Trade and other receivables	24	37,132	**41,429**
Deposits and prepayments		149,303	**133,863**
Amount due from a joint venture	25	305,306	**175,306**
Bank balances and cash held by:	26		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		4,035,537	**10,364,439**
HHI Group		540,365	**–**
		5,508,934	**11,272,380**
Assets classified as held for sale (Broadwood Twelve)	15(b)	292,100	**–**
		5,801,034	**11,272,380**
Total Assets		53,940,394	**56,237,639**

	NOTES	2017 HK$'000	2018 HK$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	30	11,197,829	**11,197,829**
Reserves	31	36,048,235	**41,449,398**
Equity attributable to owners of the Company		47,246,064	**52,647,227**
Non-controlling interests		2,360,763	**189,362**
Total Equity		49,606,827	**52,836,589**
Non-current Liabilities			
Deferred tax liabilities	32	549,897	**516,784**
Other liabilities		53,966	**53,966**
Bank borrowings	29	1,200,000	**1,400,000**
		1,803,863	**1,970,750**
Current Liabilities			
Trade and other payables	27	511,957	**639,423**
Rental and other deposits		546,299	**386,278**
Tax liabilities		317,148	**404,599**
Bank borrowings	29	1,150,000	**–**
		2,525,404	**1,430,300**
Liabilities associated with assets classified as held for sale	15(b)	4,300	**–**
		2,529,704	**1,430,300**
Total Liabilities		4,333,567	**3,401,050**
Total Equity and Liabilities		53,940,394	**56,237,639**

Thomas Jefferson WU
Deputy Chairman and Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Attributable to owners of the Company									
	Share capital	*Capital reserve*	*Translation reserve*	*PRC statutory reserves*	*Property revaluation reserve*	*Shares held for share award schemes*	*Retained profits*	*Sub-total*	*Non-controlling interests*	*Total*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2016	11,197,829	10,010	458,460	151,879	452,391	(2,178)	34,243,161	46,511,552	2,840,949	49,352,501
Profit for the year	–	–	–	–	–	–	1,961,273	1,961,273	262,135	2,223,408
Other comprehensive expense for the year	–	–	(96,064)	–	–	–	–	(96,064)	(40,342)	(136,406)
Total comprehensive (expense) income for the year	–	–	(96,064)	–	–	–	1,961,273	1,865,209	221,793	2,087,002
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(701,979)	(701,979)
Dividends recognised as distribution during the year (note 12)	–	–	–	–	–	–	(1,130,697)	(1,130,697)	–	(1,130,697)
At 30 June 2017	11,197,829	10,010	362,396	151,879	452,391	(2,178)	35,073,737	47,246,064	2,360,763	49,606,827
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**8,969,476**	**8,969,476**	**233,637**	**9,203,113**
Other comprehensive (expense) income for the year	**–**	**–**	**(258,981)**	**–**	**–**	**–**	**–**	**(258,981)**	**167,155**	**(91,826)**
Total comprehensive (expense) income for the year	**–**	**–**	**(258,981)**	**–**	**–**	**–**	**8,969,476**	**8,710,495**	**400,792**	**9,111,287**
Share bought back (note 30)	**–**	**–**	**–**	**–**	**–**	**–**	**(33,001)**	**(33,001)**	**–**	**(33,001)**
Change in profit sharing of a joint venture	**–**	**–**	**(10,126)**	**(4,578)**	**–**	**–**	**–**	**(14,704)**	**(7,343)**	**(22,047)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(259,734)**	**(259,734)**
Dividends recognised as distribution during the year (note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**(3,261,627)**	**(3,261,627)**	**–**	**(3,261,627)**
Disposal of HHI (note 34)	**–**	**–**	**–**	**(77,996)**	**–**	**–**	**77,996**	**–**	**(2,305,116)**	**(2,305,116)**
Transfers between reserves	**–**	**–**	**–**	**19,308**	**–**	**–**	**(19,308)**	**–**	**–**	**–**
At 30 June 2018	**11,197,829**	**10,010**	**93,289**	**88,613**	**452,391**	**(2,178)**	**40,807,273**	**52,647,227**	**189,362**	**52,836,589**

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	2017 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation (continuing and discontinued operations)	2,609,620	**10,179,749**
Adjustments for:		
Depreciation of property, plant and equipment	70,115	**74,877**
Exchange gain, net	(1,391)	**(16,623)**
Fair value gain of completed investment properties	(627,489)	**(2,539,236)**
Finance costs	12,132	**16,941**
Gain on disposal of HHI before taxation	–	**(5,782,332)**
Gain on disposal of assets classified as held for sales (Broadwood Twelve)	(39,065)	**(51,222)**
Interest income	(75,355)	**(109,490)**
Loss (gain) on disposal of property, plant and equipment	75	**(339)**
Share of results of joint ventures:		
Expressway projects	(760,386)	**(694,506)**
Power plant project	(33,587)	**(5,061)**
Property development project (The Avenue and Lee Tung Avenue)	(43,448)	**(69,886)**
Share of profit of an associate	(2,084)	**(1,660)**
Operating cash flows before movements in working capital	1,109,137	**1,001,212**
(Increase) decrease in inventories	(191)	**72**
Decrease (increase) in stock of properties	340,161	**(103,714)**
Decrease (increase) in trade and other receivables, and deposits and prepayments	13,213	**(5,614)**
Decrease in trade and other payables, and rental and other deposits	(25,989)	**(34,832)**
Cash generated from operations	1,436,331	**857,124**
Tax paid		
Hong Kong Profits Tax	(64,467)	**(74,083)**
Taxation elsewhere	(143,779)	**(48,904)**
NET CASH FROM OPERATING ACTIVITIES	1,228,085	**734,137**

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	NOTES	2017 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Interest received		69,447	**105,365**
Dividends received from joint ventures (net of income tax paid) and an associate		1,879,653	**782,976**
Additions to completed investment properties		(155,949)	**(231,505)**
Additions to properties for/under development		(558,913)	**(207,673)**
Additions to property, plant and equipment		(24,075)	**(25,784)**
Net proceeds from disposal of property, plant and equipment		32	**997**
Repayments from a joint venture		223,500	**130,000**
Net proceeds and deposit received from disposal of assets classified as held for sale		396,233	**358,683**
Net proceeds from disposal of an investment property		–	**32,852**
Net cash inflow from disposal of HHI	34	–	**9,307,115**
Tax paid in PRC for disposal of HHI		–	**(662,425)**
Other investing cash flows		(12,570)	**(8,161)**
NET CASH FROM INVESTING ACTIVITIES		1,817,358	**9,582,440**
FINANCING ACTIVITIES			
New bank borrowings raised		–	**200,000**
Repayment of bank borrowings		(200,000)	**(1,150,000)**
Dividends and distributions paid to:			
Owners of the Company		(1,130,697)	**(3,261,627)**
Non-controlling interests		(701,979)	**(259,734)**
Payment for buy-back of shares		–	**(24,242)**
Repayment to a minority shareholder of a subsidiary		–	**(8,319)**
Finance costs paid		(52,969)	**(48,204)**
NET CASH USED IN FINANCING ACTIVITIES		(2,085,645)	**(4,552,126)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		959,798	**5,764,451**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,647,149	**4,575,902**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(31,045)	**24,086**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		4,575,902	**10,364,439**

Company's Statement of Financial Position

At 30 June 2018

	NOTES	2017 HK$'000	2018 HK$'000
ASSETS			
Non-current Assets			
Investments in subsidiaries	17	1,169,340	**1,196,994**
Amounts due from subsidiaries	18	35,135,919	**31,450,611**
Investment in an associate	21	–	**–**
Other assets		3,000	**3,000**
		36,308,259	**32,650,605**
Current Assets			
Other receivables		1,220	**7,232**
Deposits and prepayments		367	**376**
Amounts due from subsidiaries	28	75,055	**224,479**
Bank balances and cash	26	2,283,281	**9,073,166**
		2,359,923	**9,305,253**
Total Assets		38,668,182	**41,955,858**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	30	11,197,829	**11,197,829**
Reserves	31	16,108,507	**16,639,548**
Total Equity		27,306,336	**27,837,377**
Current Liabilities			
Other payables		9,866	**19,590**
Amounts due to subsidiaries	28	11,351,980	**14,098,891**
Total Liabilities		11,361,846	**14,118,481**
Total Equity and Liabilities		38,668,182	**41,955,858**

Thomas Jefferson WU
Deputy Chairman and Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

1. General

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

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

The principal activities of the Group are investments in power plant, property development and investment, property management, hotel ownership and management, restaurant operations and food catering. The Group disposed of its investments in toll roads during the year ended 30 June 2018, as detailed in note 34.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Amendments to HKAS 7 *Disclosure Initiative*

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

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

A reconciliation between the opening and closing balances of these items is provided in note 42. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year.

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

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

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

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

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

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

HKFRS 9 *Financial Instruments*

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

Classification and measurement

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

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

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

HKFRS 9 *Financial Instruments* (continued)

Impairment

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

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

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

HKFRS 16 *Leases*

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

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

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

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

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

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

3. Significant Accounting Policies

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Investments in an associate and joint ventures

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

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

The results and assets and liabilities of an associate and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint ventures exceeds the Group's interest in that associate or joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. Significant Accounting Policies (continued)

Investments in an associate and joint ventures (continued)

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

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal of the relevant associate or joint venture.

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

3. Significant Accounting Policies (continued)

Investment properties

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

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

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

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

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

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

Property, plant and equipment

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

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

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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

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

Properties under development in the course of construction for production or for administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

3. Significant Accounting Policies (continued)

Non-current assets held for sale

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

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

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Loans and receivables

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 15 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity instruments

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

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

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

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

Effective interest method

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

Financial liabilities

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

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

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

Inventories

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

3. Significant Accounting Policies (continued)

Stock of properties

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

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

Leasehold land and building

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

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

3. Significant Accounting Policies (continued)

Foreign currencies

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

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Taxation

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

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

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

3. Significant Accounting Policies (continued)

Taxation (continued)

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Borrowing costs

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

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

3. Significant Accounting Policies (continued)

Retirement benefit costs

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

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Lease of properties

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

Property management

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

Property development

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

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Hotel ownership and management

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

Restaurant operations and food catering

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

Interest income

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. Key Sources of Estimation Uncertainty

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

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

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

Valuation of investment properties

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

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

4. Key Sources of Estimation Uncertainty (continued)

Valuation of investment properties (continued)

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

Completed investment properties (including assets classified as held for sale) of HK$32,947 million (2017: HK$30,611 million) and investment properties under development of HK$5,874 million (2017: HK$5,423 million) are stated at fair value based on the valuation performed by independent qualified external valuer. In determining the fair value, the independent qualified external valuer has based on valuation methods which involve certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss.

5. Turnover and Segment Information

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

The Group is organised into certain business units according to the nature of goods sold or services provided. The Group determines its operating segments based on these units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker (i.e. the executive directors of the Company).

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

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

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

5. Turnover and Segment Information (continued)

Segment revenue

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

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

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

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

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

5. Turnover and Segment Information (continued)

Segment results

	2017				2018			
	The Company and subsidiaries HK$'000	Joint ventures HK$'000	Associate HK$'000	Total HK$'000	**The Company and subsidiaries HK$'000**	**Joint ventures HK$'000**	**Associate HK$'000**	**Total HK$'000**
Property investment	752,869	13,377	2,084	768,330	**774,208**	**13,846**	**1,660**	**789,714**
Hotel, restaurant and catering operation	95,839	–	–	95,839	**127,591**	**–**	**–**	**127,591**
Property development	403,874	30,071	–	433,945	**241,407**	**30,815**	**–**	**272,222**
Power plant	(1,519)	33,587	–	32,068	**(996)**	**5,061**	**–**	**4,065**
Treasury income	75,355	–	–	75,355	**109,490**	**–**	**–**	**109,490**
Other operations	(131,276)	–	–	(131,276)	**(131,232)**	**–**	**–**	**(131,232)**
Segment results from continuing operations	1,195,142	77,035	2,084	1,274,261	**1,120,468**	**49,722**	**1,660**	**1,171,850**
Segment results from discontinued operation (Toll road investment)	(40,384)	760,386	–	720,002	**(16,459)**	**694,506**	**–**	**678,047**
Total segment results	1,154,758	837,421	2,084	1,994,263	**1,104,009**	**744,228**	**1,660**	**1,849,897**

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

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

Segment assets and liabilities

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

5. Turnover and Segment Information (continued)

Geographical information

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

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

Note:

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

The Group's entity-wide disclosures about its non-current assets and turnover from external customers by geographical location under HKFRS 8 are detailed below:

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

Turnover from external customers from continuing operations are from Hong Kong and the PRC amounting to HK$1,681,944,000 (2017: HK$1,585,609,000) and HK$302,281,000 (2017: HK$774,519,000) respectively.

6. Other Income

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

7. Other Gains and Losses

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

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

8. Finance Costs

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

The capitalisation rate on funds borrowed generally is 1.7% (2017: 1.4%) per annum.

9. Share of Results of Joint Ventures

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

10. Profit before Taxation

	2017 HK$'000 (Restated)	2018 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Continuing operations		
Auditor's remuneration	3,900	**3,900**
Depreciation of property, plant and equipment	69,897	**74,772**
Loss (gain) on disposal of property, plant and equipment	75	**(187)**
Rental expense in respect of properties under operating leases	746	**724**
Rental and other related income from investment properties, less direct attributable outgoings of HK$296,058,000 (2017: HK$297,577,000)	(770,079)	**(800,284)**
Charitable donations	723	**430**
Share of tax of an associate (included in share of profit of an associate)	446	**317**
Share of tax of joint ventures (included in share of results of joint ventures)	22,995	**12,771**
Staff costs (including Directors' emoluments)	445,751	**472,280**

11. Income Tax Expense

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

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

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

11. Income Tax Expense (continued)

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

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

Details of deferred taxation are set out in note 32.

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

	2017 HK$'000 (Restated)	***2018 HK$'000***
Profit before taxation from continuing operations	1,889,618	**3,719,370**
Tax at Hong Kong Profits Tax rate of 16.5%	311,787	**613,696**
PRC LAT (net of tax effect on deduction of EIT)	92,124	**63,573**
Tax effect of expenses not deductible for tax purposes	6,528	**5,861**
Tax effect of income not taxable for tax purposes	(115,927)	**(437,430)**
Tax effect of tax losses not recognised	8,920	**12,927**
Tax effect of utilisation of tax losses not previously recognised	(4,405)	**(1,089)**
Tax effect of share of results of joint ventures and profit of an associate	(13,054)	**(12,640)**
Overprovision in respect of prior years	(145)	**(464)**
Effect of different tax rates of subsidiaries operating in other jurisdictions	46,089	**23,364**
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	12,077	**5,847**
Others	(58)	**27**
Income tax expense for the year relating to continuing operations	343,936	**273,672**

12. Dividends

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

12. Dividends (continued)

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

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

13. Earnings per Share

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

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

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

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

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

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

Discontinued operation

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

14. Emoluments of Directors and Highest Paid Employees

(a) Directors' emoluments

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

	Year ended 30 June 2018				
	Directors' fees HK$'000	Salaries, bonus and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Sir Gordon Ying Sheung WU*	300	3,657	–	–	3,957
Mr. Eddie Ping Chang HO*	250	2,926	–	–	3,176
Mr. Thomas Jefferson WU*	219	4,761	3,981	18	8,979
Mr. Josiah Chin Lai KWOK*	200	3,840	1,158	–	5,198
Mr. Guy Man Guy WU	373	–	–	–	373
Lady WU Ivy Sau Ping KWOK	350	–	–	–	350
Ms. Linda Lai Chuen LOKE	390	–	–	–	390
Mr. Albert Kam Yin YEUNG*	200	3,979	1,112	–	5,291
Mr. Carmelo Ka Sze LEE	370	–	–	–	370
Mr. William Wing Lam WONG*	200	3,647	1,019	18	4,884
Ir. Dr. Leo Kwok Kee LEUNG*	200	3,647	1,019	18	4,884
Mr. Sunny TAN	400	–	–	–	400
Dr. Gordon YEN	396	–	–	–	396
Mr. Ahito NAKAMURA	350	–	–	–	350
Mr. Yuk Keung IP	391	–	–	–	391
	4,589	26,457	8,289	54	39,389

	Year ended 30 June 2017				
	Directors' fees HK$'000	Salaries, bonus and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Sir Gordon Ying Sheung WU*	300	3,657	–	–	3,957
Mr. Eddie Ping Chang HO*	250	2,926	926	–	4,102
Mr. Thomas Jefferson WU*	200	4,313	3,981	18	8,512
Mr. Josiah Chin Lai KWOK*	200	3,657	1,158	6	5,021
Mr. Guy Man Guy WU	390	–	–	–	390
Lady WU Ivy Sau Ping KWOK	350	–	–	–	350
Ms. Linda Lai Chuen LOKE	390	–	–	–	390
Mr. Albert Kam Yin YEUNG*	200	3,803	1,112	–	5,115
Mr. Carmelo Ka Sze LEE	370	–	–	–	370
Mr. William Wing Lam WONG*	200	3,486	1,019	18	4,723
Ir. Dr. Leo Kwok Kee LEUNG*	200	3,486	1,019	18	4,723
Mr. Sunny TAN	400	–	–	–	400
Dr. Gordon YEN	400	–	–	–	400
Mr. Ahito NAKAMURA	350	–	–	–	350
Mr. Yuk Keung IP	370	–	–	–	370
	4,570	25,328	9,215	60	39,173

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

(a) Directors' emoluments (continued)

Certain Directors were also directors of HHI, which ceased to be a subsidiary of the Company upon HHI Disposal on 4 April 2018, and they resigned as directors of HHI in May 2018. The emoluments paid or payable by HHI Group to these directors up to 4 April 2018 are as follows:

	Year ended 30 June 2018				
	Directors' fees HK$'000	***Salaries, bonus and other benefits HK$'000***	***Discretionary bonus HK$'000***	***Contributions to provident fund schemes HK$'000***	***Total HK$'000***
Sir Gordon Ying Sheung WU*	**228**	**1,386**	**–**	**–**	**1,614**
Mr. Eddie Ping Chang HO*	**190**	**1,109**	**–**	**–**	**1,299**
Mr. Thomas Jefferson WU*	**151**	**3,351**	**–**	**15**	**3,517**
Mr. Yuk Keung IP	**319**	**–**	**–**	**–**	**319**
	888	**5,846**	**–**	**15**	**6,749**

	Year ended 30 June 2017				
	Directors' fees HK$'000	*Salaries, bonus and other benefits HK$'000*	*Discretionary bonus HK$'000*	*Contributions to provident fund schemes HK$'000*	*Total HK$'000*
Sir Gordon Ying Sheung WU*	300	1,829	–	–	2,129
Mr. Eddie Ping Chang HO*	250	1,463	475	–	2,188
Mr. Thomas Jefferson WU*	200	4,313	2,023	18	6,554
Mr. Yuk Keung IP	420	–	–	–	420
	1,170	7,605	2,498	18	11,291

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

(a) Directors' emoluments (continued)

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

	Year ended 30 June 2018				
	Directors' fees HK$'000	Salaries, bonus and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Sir Gordon Ying Sheung WU*	528	5,043	–	–	5,571
Mr. Eddie Ping Chang HO*	440	4,035	–	–	4,475
Mr. Thomas Jefferson WU*	370	8,112	3,981	33	12,496
Mr. Josiah Chin Lai KWOK*	200	3,840	1,158	–	5,198
Mr. Guy Man Guy WU	373	–	–	–	373
Lady WU Ivy Sau Ping KWOK	350	–	–	–	350
Ms. Linda Lai Chuen LOKE	390	–	–	–	390
Mr. Albert Kam Yin YEUNG*	200	3,979	1,112	–	5,291
Mr. Carmelo Ka Sze LEE	370	–	–	–	370
Mr. William Wing Lam WONG*	200	3,647	1,019	18	4,884
Ir. Dr. Leo Kwok Kee LEUNG*	200	3,647	1,019	18	4,884
Mr. Sunny TAN	400	–	–	–	400
Dr. Gordon YEN	396	–	–	–	396
Mr. Ahito NAKAMURA	350	–	–	–	350
Mr. Yuk Keung IP	710	–	–	–	710
	5,477	32,303	8,289	69	46,138

	Year ended 30 June 2017				
	Directors' fees HK$'000	Salaries, bonus and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Sir Gordon Ying Sheung WU*	600	5,486	–	–	6,086
Mr. Eddie Ping Chang HO*	500	4,389	1,401	–	6,290
Mr. Thomas Jefferson WU*	400	8,626	6,004	36	15,066
Mr. Josiah Chin Lai KWOK*	200	3,657	1,158	6	5,021
Mr. Guy Man Guy WU	390	–	–	–	390
Lady WU Ivy Sau Ping KWOK	350	–	–	–	350
Ms. Linda Lai Chuen LOKE	390	–	–	–	390
Mr. Albert Kam Yin YEUNG*	200	3,803	1,112	–	5,115
Mr. Carmelo Ka Sze LEE	370	–	–	–	370
Mr. William Wing Lam WONG*	200	3,486	1,019	18	4,723
Ir. Dr. Leo Kwok Kee LEUNG*	200	3,486	1,019	18	4,723
Mr. Sunny TAN	400	–	–	–	400
Dr. Gordon YEN	400	–	–	–	400
Mr. Ahito NAKAMURA	350	–	–	–	350
Mr. Yuk Keung IP	790	–	–	–	790
	5,740	32,933	11,713	78	50,464

* Executive director of the Company

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

(a) Directors' emoluments (continued)

Other than fees and emoluments of HK$2,469,000 (2017: HK$2,720,000) paid or payable to the independent non-executive directors which have been included above, no other remuneration was paid or is payable to such directors.

(b) Highest paid employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2017: four) were directors whose emoluments are disclosed above.

The emoluments of the remaining one individual (2017: one) whose emoluments are as follows:

	2017 *HK$'000*	***2018*** ***HK$'000***
Directors' fees	200	**152**
Salaries, bonus and other benefits	3,685	**3,450**
Discretionary bonus	1,121	**1,270**
Contributions to retirement benefits plans	18	**15**
	5,024	**4,887**

15. Completed Investment Properties

	2017 *HK$'000*	***2018*** ***HK$'000***
Completed investment properties at fair value:		
At beginning of the year	30,277,276	**30,611,046**
Additions on subsequent expenditure	139,881	**238,870**
Disposals	–	**(32,852)**
Disposal of assets classified as held for sale	(345,900)	**(292,100)**
Transfer to property, plant and equipment	(87,700)	**(116,900)**
Fair value gain of completed investment properties	627,489	**2,539,236**
At end of the year	30,611,046	**32,947,300**
Included in assets classified as held for sale (Note b)	(292,100)	**–**
	30,318,946	**32,947,300**

15. Completed Investment Properties (continued)

Notes:

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

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

During the year ended 30 June 2018, all the remaining properties of Broadwood Twelve were sold, and a gain on disposal of assets classified as held for sale amounting to HK$51 million (2017: HK$39 million) has been recognised in profit or loss. Such gain is included in the segment result of property development in note 5. Deposits received of such properties as at 30 June 2017 amounting to HK$4,300,000 have been classified as "Liabilities associated with assets classified as held for sale".

Valuation of investment properties

The fair value of the Group's investment properties at the end of each reporting period and at date of transfer have been arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield Limited, an independent qualified external valuer, registered professional surveyor not connected to the Group. For investment properties, mainly comprising office, retail and residential properties, the valuation is arrived at, using income capitalisation method, by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties or, where appropriate, by using direct comparison method by making reference to comparable sales transactions as available in the relevant market. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Significant unobservable inputs used to determine fair value of the Group's investment properties, which are categorised in Level 3 throughout the year, include capitalisation rate, that ranges from 3% to 4% (2017: 3% to 4%). The valuation of completed investment properties is negatively correlated to the capitalisation rate.

16. Property, Plant and Equipment

	Hotel property HK$'000	Other properties HK$'000	Other hotel assets HK$'000	Other assets HK$'000	Total HK$'000
COST					
At 1 July 2016	474,872	350,425	318,428	429,897	1,573,622
Additions	–	2,939	8,096	11,339	22,374
Transfer from investment properties	–	87,700	–	–	87,700
Disposals	–	–	(471)	(1,547)	(2,018)
At 30 June 2017	474,872	441,064	326,053	439,689	1,681,678
Additions	–	3,153	5,913	16,718	25,784
Transfer from investment properties	–	116,900	–	–	116,900
Disposals	–	–	(387)	(4,251)	(4,638)
Disposal of subsidiaries (note 34)	–	–	–	(6,700)	(6,700)
At 30 June 2018	**474,872**	**561,117**	**331,579**	**445,456**	**1,813,024**
DEPRECIATION					
At 1 July 2016	231,797	114,635	215,310	351,486	913,228
Provided for the year	9,271	18,925	20,176	21,743	70,115
Eliminated on disposals	–	–	(372)	(1,539)	(1,911)
At 30 June 2017	241,068	133,560	235,114	371,690	981,432
Provided for the year	9,269	23,466	19,807	22,335	74,877
Eliminated on disposals	–	–	(343)	(3,637)	(3,980)
Eliminated on disposal of subsidiaries (note 34)	–	–	–	(6,604)	(6,604)
At 30 June 2018	**250,337**	**157,026**	**254,578**	**383,784**	**1,045,725**
CARRYING VALUES					
At 30 June 2018	**224,535**	**404,091**	**77,001**	**61,672**	**767,299**
At 30 June 2017	233,804	307,504	90,939	67,999	700,246

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

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

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

17. Investments in Subsidiaries

	The Company 2017 HK$'000	***The Company* 2018 HK$'000**
Unlisted shares, at cost less impairment	126	**126**
Deemed capital contribution	1,169,214	**1,196,868**
	1,169,340	**1,196,994**

Particulars of the principal subsidiaries are set out in note 43.

18. Amounts Due from Subsidiaries

The amounts due from subsidiaries classified under non-current assets are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, based on their assessment as at the end of the reporting period of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repayable within one year from the end of the reporting period, accordingly these amounts are classified as non-current. The effective interest rate on the amounts due from subsidiaries in respect of the year is 2.1% (2017: 2.2%) per annum, representing the borrowing rates of the relevant subsidiaries.

19. Properties for Development and Properties under Development

Properties for development

	2017 HK$'000	***2018 HK$'000***
COST		
At beginning of the year	799,443	**1,156,903**
Additions	357,460	**7,996**
Transfer to properties under development	–	**(326,696)**
At end of the year	1,156,903	**838,203**

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

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

Properties under development

	Commercial portion of HCII (investment properties) HK$'000	Hotel portion of HCII (PPE) HK$'000	QRE project (investment properties) HK$'000	Total HK$'000
At 1 July 2016	4,548,835	2,409,525	769,571	7,727,931
Additions	97,088	128,175	7,359	232,622
At 30 June 2017	4,645,923	2,537,700	776,930	7,960,553
Additions	107,964	116,517	16,274	240,755
Transfer from properties for development	–	–	326,696	326,696
At 30 June 2018	**4,753,887**	**2,654,217**	**1,119,900**	**8,528,004**

Included in the carrying amount of properties under development is interest capitalised totalling HK$235 million (2017: HK$192 million).

Valuation of investment properties under development

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

20. Interests in Joint Ventures

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

	2017 HK$'000	**2018** **HK$'000**
Expressway projects in the PRC		
Unlisted investments, at cost		
Registered capital contribution	2,766,500	**–**
Additional cost of investments	2,764,528	**–**
	5,531,028	**–**
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,923,247	**–**
Less: Accumulated amortisation	(1,304,363)	**–**
	6,149,912	**–**
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	511,519	**478,687**
	1,143,386	**1,110,554**
Property development project in Hong Kong		
Share of post-acquisition profits and other comprehensive income	662,353	**732,239**
	7,955,651	**1,842,793**

20. Interests in Joint Ventures (continued)

Particulars of the Group's principal joint ventures at 30 June 2017 and 30 June 2018 are as follows:

Name of company	*Fully paid registered capital*	*Proportion of issued/ registered capital held by the Group* 2017	**2018**	*Principal activities*
Incorporated in Hong Kong:				
Grand Site Development Limited ("Grand Site")	HK$2	50%	**50%**	Development and property investment
Established in the PRC:				
Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV")	Nil	Not applicable	**–***	Development, operation and management of an expressway
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV")	RMB4,899,000,000	50%	**–***	Development, operation and management of an expressway
Shenzhen Energy Hopewell Power (Heyuan) Co., Ltd. ("Heyuan JV")	RMB1,560,000,000	40%	**40%**	Development and operation of a power plant

* The Group disposed of all interests in HHI and its joint ventures during the year, as detailed in note 34.

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

Pursuant to a co-operation agreement entered into between the Group and a PRC enterprise, a joint venture company, Heyuan JV, was established in the PRC during the year ended 30 June 2008 for the joint development of a 2X600 MW power plant in Heyuan City of Guangdong Province, the PRC. The operation period of Heyuan JV is 30 years from 14 September 2007, the date of its establishment, and the Group is entitled to 40% of the results from the operation of the power plant through a non-wholly owned subsidiary. The Company has 35% effective interest in Heyuan JV.

20. Interests in Joint Ventures (continued)

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

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

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

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

	2017	
	GS Superhighway JV *HK$'000*	*West Route JV* *HK$'000*
Non-current Assets		
Property and equipment	499,471	517,460
Concession intangible assets	9,378,859	14,271,270
	9,878,330	14,788,730
Current Assets		
Bank balance and cash		
— Cash and cash equivalents	852,578	141,424
— Time deposits with original maturity over three months	57,600	–
Others	49,049	23,566
	959,227	164,990
Non-current Liabilities		
Resurfacing obligations	(378,205)	(102,514)
Non-current financial liabilities		
— Bank and other loans	(5,080,888)	(8,566,411)
Others	(342,431)	(161,252)
	(5,801,524)	(8,830,177)
Current Liabilities		
Current financial liabilities		
— Bank loans	(412,251)	–
— Dividend payable	–	–
— Interest payable	(4,645)	(10,570)
Others	(691,535)	(344,519)
	(1,108,431)	(355,089)

20. Interests in Joint Ventures (continued)

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

	2017		
	GS Superhighway JV HK$'000	*West Route JV HK$'000*	*Total HK$'000*
Net assets of the joint ventures	3,927,602	5,768,454	
Proportion of the Group's ownership interest	48%	50%	
Net assets shared by HHI Group	1,885,249	2,884,227	4,769,476
Effect for change in profit-sharing ratio of a joint venture over the operation period	(62,700)	–	(62,700)
Net assets contributable to HHI Group	1,822,549	2,884,227	4,706,776
Carrying amount of additional cost of investments and related exchange realignment	1,208,494	42,784	1,251,278
Carrying amount of the HHI Group's interests in the joint ventures	3,031,043	2,927,011	5,958,054
Carrying amount of other additional cost of investments	174,787	17,071	191,858
Carrying amount of the Group's interests in the joint ventures	3,205,830	2,944,082	6,149,912
Revenue	3,844,850	1,380,304	
Interest income	4,810	1,642	
Depreciation and amortisation charges	(887,543)	(477,883)	
Finance costs	(148,241)	(409,697)	
Income tax expenses (Note)	(521,806)	(37,733)	
Profit for the year	1,562,507	251,903	
Proportion of the Group's ownership interest	48%	50%	
Profit shared by the Group	750,003	125,952	875,955

Note: The amount of income tax expenses for West Route JV represents deferred tax expenses.

20. Interests in Joint Ventures (continued)

Aggregate information of joint ventures that are not individually material

	2017 HK$'000	**2018 HK$'000**
The Group's share of profit for the year	77,035	**74,947**

21. Interest in an Associate

	The Group	
	2017 HK$'000	**2018 HK$'000**
Cost of investments, unlisted	–	**–**
Share of post-acquisition profit and other comprehensive income, net of dividends received	38,548	**38,660**
	38,548	**38,660**

	The Company	
	2017 HK$'000	**2018 HK$'000**
Unlisted shares, at cost	–	**–**

Particulars regarding the associate at 30 June 2017 and 30 June 2018, which is incorporated and operating in Hong Kong and is not material to the Group, are as follows:

Name of company	*Proportion of nominal value of issued capital held by the Group*		*Principal activities*
	2017 %	**2018 %**	
Granlai Company Limited	46	**46**	Property investment

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

22. Inventories

	2017 HK$'000	**2018** **HK$'000**
Hotel and restaurant inventories	8,070	**7,998**

The cost of inventories recognised as an expense during the year amounted to HK$85,864,000 (2017: HK$74,439,000).

23. Stock of Properties

The cost of properties recognised as an expense during the year amounted to HK$71,610,000 (2017: HK$352,464,000).

At 30 June 2018, the stock of properties under development of HK$325 million (2017: HK$260 million) included in the consolidated statement of financial position are expected to be realised beyond one year from the end of the reporting period.

24. Trade and Other Receivables

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

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

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

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

Included in the Group's trade receivable balance are debtors with carrying amount of HK$10,130,000 (2017: HK$11,205,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

24. Trade and Other Receivables (continued)

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

	2017 HK$'000	**2018 HK$'000**
Overdue		
0 to 30 days	8,315	**8,890**
31 to 60 days	1,764	**1,193**
Over 60 days	1,126	**47**
Total	11,205	**10,130**

Movement in the allowance for doubtful debts:

	2017 HK$'000	**2018 HK$'000**
Balance at beginning of the year	2,253	**3,610**
Recognition of impairment losses	1,357	**784**
Reversal of impairment losses	–	**(3,466)**
Balance at end of the year	3,610	**928**

25. Amount Due from a Joint Venture

The amount due from Grand Site, a joint venture, is unsecured, interest-free and repayable on demand.

26. Bank Balances and Cash

The Group

Bank balances and cash comprise cash held by the Group and bank balances which carry interest at market rates ranged from 0.001% to 10% (2017: 0.005% to 10.36%) per annum during the year.

As at 30 June 2018, the Group had no restricted bank balances. As at 30 June 2017, included in the bank balances and cash are restricted bank balances of HK$447 million which can be applied in the construction and tax payments of designated property development projects in the ordinary course of business.

Included in bank balances and cash are bank balances amounting to approximately RMB2 million (2017: RMB4 million and HK$6 million) which are denominated in currencies other than the functional currencies of the respective group companies.

The Company

Bank balances and cash comprise cash held by the Company and bank balances with maturity of three months or less which carry interest at market rates ranged from 0.001% to 3.15% (2017: 0.005% to 6.0%) per annum during the year.

27. Trade and Other Payables

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

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

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

Of the retentions payable, an amount of HK$35,992,000 (2017: HK$13,094,000) is due beyond twelve months from the end of the reporting period.

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

28. Amounts due from/to Subsidiaries

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

29. Bank Borrowings

	2017 HK$'000	**2018 HK$'000**
Bank borrowings, unsecured	2,350,000	**1,400,000**
Carrying amount repayable:		
Within one year	1,150,000	**–**
More than one year, but not exceeding two years	–	**–**
More than two years, but not more than five years	1,200,000	**1,400,000**
	2,350,000	**1,400,000**
Less: Amounts due for settlement within one year under current liabilities	(1,150,000)	**–**
Amounts due for settlement after one year	1,200,000	**1,400,000**

As at 30 June 2018, all bank borrowings carry interest at floating rates ranging from 1.04% to 2.55% (2017: 1.16% to 1.92%) per annum during the year.

No bank borrowings are denominated in currencies other than the functional currencies of the respective group companies.

30. Share Capital

	Number of shares		*Share capital*	
	2017 '000	**2018 '000**	2017 HK$'000	**2018 HK$'000**
The Group and the Company				
Ordinary shares issued and fully paid				
At beginning of the year	869,839	**869,839**	11,197,829	**11,197,829**
Bought back and cancelled during the year	–	**(694)**	–	**–**
At end of the year	869,839	**869,145**	11,197,829	**11,197,829**

During the year ended 30 June 2018, the Company bought back a total of 1,218,500 ordinary shares of the Company on the Stock Exchange for a total consideration of approximately HK$33 million (including transaction costs). 694,000 ordinary shares bought back were cancelled during the year, and the remaining 524,500 ordinary share bought back were cancelled subsequent to the end of the reporting period.

At 30 June 2018, the Company's 72,000 (2017: 72,000) issued shares were held by HHL Employees' Share Award Scheme Trust (see note on share award schemes below). In accordance with the trust deed of the HHL Employees' Share Award Scheme Trust, the relevant trustee shall not exercise the voting rights attached to such shares.

30. Share Capital (continued)

Month	*Number of ordinary shares bought back*	*Purchase price per share Highest HK$*	*Purchase price per share Lowest HK$*	*Total consideration paid and payable (including transaction costs) HK$'000*
June 2018	**1,218,500**	**27.20**	**26.80**	**33,001**

Average price per share: HK$27.01

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

Share option schemes

(a) The Company

The shareholders of the Company approved the adoption of a share option scheme effective on 22 October 2013 ("HHL Share Option Scheme"). The HHL Share Option Scheme will expire on 21 October 2023, but any options then outstanding will continue to be exercisable. The HHL Share Option Scheme is designated to provide the Company with an alternative means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any eligible persons and for such other purposes as the Board may approve from time to time. During the years ended 30 June 2017 and 30 June 2018, no options were granted under the HHL Share Option Scheme.

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

(b) HHI

A share option scheme ("HHI Share Option Scheme") was approved by both the shareholders of the Company and HHI effective on 22 October 2013. The HHI Share Option Scheme will expire on 21 October 2023, but any options then outstanding will continue to be exercisable. The HHI Share Option Scheme is designated to provide HHI with an alternative means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any eligible persons (including substantial shareholders of HHI, directors or employees or consultants, professionals or advisers of/to each member of the HHI Group) and for such other purposes as the board of directors of HHI ("HHI Board") may approve from time to time. During the year ended 30 June 2018, as detailed in note 34, the Group completed the disposal of its equity interests in HHI. During the year ended 30 June 2017 and the period from 1 July 2017 to the date of HHI Disposal, no options were granted under the HHI Share Option Scheme.

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

30. Share Capital (continued)

Share award schemes

(a) The Company

An employees' share award scheme ("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 on the HHL Adoption Date. Pursuant to the rules of the HHL Share Award Scheme, the Group has set up a trust, HHL Employees' Share Award Scheme Trust, for the purpose of administering the HHL Share Award Scheme and holding the awarded shares before they are vested.

No awarded shares were granted, forfeited, vested or outstanding in both years presented.

(b) HHI

An employees' share award scheme of HHI ("HHI Share Award Scheme") was adopted by the HHI Board on 25 January 2007 ("HHI Adoption Date"). Unless terminated earlier by the 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. Pursuant to the rules of the HHI Share Award Scheme, HHI has set up a trust, HHI Employees' Share Award Scheme Trust, for the purpose of administering the HHI Share Award Scheme and holding the awarded shares before they are vested.

During the year ended 30 June 2018, as detailed in note 34, the Group completed the disposal of its equity interests in HHI.

No HHI awarded shares were granted, forfeited, vested or outstanding in the year ended 30 June 2017 and the period from 1 July 2017 to the date of HHI Disposal.

31. Reserves

The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Translation reserve

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the translation reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in note 3.

PRC statutory reserves

Pursuant to the relevant laws and regulations, a portion of the profits of the Group's subsidiaries and jointly ventures which are established in the PRC are required to be transferred to the PRC statutory reserves.

31. Reserves (continued)

The Group (continued)

Property revaluation reserve

Property revaluation reserve arises on the revaluation of office premises included in other properties. Where other properties are reclassified to investment property, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant properties.

The Company

	Capital reserve HK$'000	Shares held for share award scheme HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2016	9,872	(2,178)	13,248,835	13,256,529
Profit for the year and total comprehensive income for the year	–	–	3,982,675	3,982,675
Dividends recognised as distribution during the year (note 12)	–	–	(1,130,697)	(1,130,697)
At 30 June 2017	9,872	(2,178)	16,100,813	16,108,507
Profit for the year and total comprehensive income for the year	–	–	3,825,669	3,825,669
Share bought back (note 30)	–	–	(33,001)	(33,001)
Dividends recognised as distribution during the year (note 12)	–	–	(3,261,627)	(3,261,627)
At 30 June 2018	**9,872**	**(2,178)**	**16,631,854**	**16,639,548**

32. Deferred Tax Liabilities

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Fair value adjustments on investment properties HK$'000	Undistributed earnings of PRC subsidiaries and joint ventures HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 July 2016	455,778	4,117	210,583	(127,133)	(1,675)	541,670
Exchange realignment	–	–	(856)	–	–	(856)
Charge (credit) to profit or loss	40,811	(2,409)	54,353	14,333	(303)	106,785
Release to profit or loss upon payment of withholding tax	–	–	(97,702)	–	–	(97,702)
At 30 June 2017	496,589	1,708	166,378	(112,800)	(1,978)	549,897
Exchange realignment	–	–	6,479	–	–	6,479
Charge (credit) to profit or loss	41,399	(1,708)	46,315	16,943	345	103,294
Release to profit or loss upon payment of withholding tax	–	–	(41,454)	–	–	(41,454)
Disposal of subsidiaries (note 34)	6,647	–	(108,079)	–	–	(101,432)
At 30 June 2018	**544,635**	**–**	**69,639**	**(95,857)**	**(1,633)**	**516,784**

The deferred tax assets and liabilities have been offset for the purposes of presentation in the consolidated statement of financial position.

At the end of the reporting period, the Group had available unused tax losses of HK$1,610 million (2017: HK$1,640 million) to offset against future profits. A deferred tax asset of HK$96 million (2017: HK$113 million) in respect of tax losses of HK$581 million (2017: HK$684 million) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$1,029 million (2017: HK$956 million) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

33. Discontinued Operation

During the year ended 30 June 2018, the Group entered into a disposal agreement to transfer an aggregate of 66.69% equity interests in HHI to an independent third party for a total consideration of approximately HK$9,865 million. HHI carried out all of the Group's toll road investment business through its joint ventures. The disposal was completed on 4 April 2018.

The profit for the year from discontinued operation has been set out in the consolidated statement of profit or loss and other comprehensive income. The comparative figures have been restated to re-present the toll road investment business as discontinued operation.

	2017 *HK$'000*	***2018*** ***HK$'000***
The profit for the year from discontinued operation included the followings:		
Auditors' remuneration	1,602	**–**
Depreciation	218	**105**
Gain on disposal of property, plant and equipment	–	**(152)**
Share of tax of joint ventures (included in share of results of joint ventures)	269,333	**268,321**
Staff costs (including directors' emoluments)	36,008	**24,890**
Cash flows from discontinued operation		
Net cash outflows from operating activities	(42,256)	**(34,327)**
Net cash inflows from investing activities	1,876,566	**709,795**
Net cash outflows from financing activities	(2,052,578)	**(791,226)**
	(218,268)	**(115,758)**

34. Disposal of Subsidiaries (HHI)

During the year ended 30 June 2018, as set out in note 33, the Group completed the disposal of its entire equity interests in HHI, which carried out all of the Group's toll road investment business through its joint ventures.

	2018 *HK$'000*
Net assets (liabilities) disposed of:	
Interests in joint ventures	**6,557,443**
Property, plant and equipment	**96**
Other assets	**5,972**
Trade receivables	**1,655**
Deposits and prepayment	**4,127**
Bank balances and cash	**498,264**
Trade and other payables	**(17,303)**
Deferred tax liabilities	**(101,432)**
	6,948,822
Net assets disposed of attributable to non-controlling interests	**(2,305,116)**
Net assets disposed of attributable to owners of the Company	**4,643,706**
Gain on disposal of subsidiaries:	
Consideration received in cash	**9,865,379**
Expenses incurred on disposal	**(60,000)**
Net assets disposed of attributable to owners of the Company	**(4,643,706)**
Translation reserve reclassified to profit or loss on disposal of subsidiaries	**620,659**
Gain on disposal of HHI before taxation	**5,782,332**
Income tax from gain on disposal of HHI	**(662,425)**
Gain on disposal of HHI after taxation	**5,119,907**
Net cash inflow on disposal of subsidiaries:	
Net consideration received in cash	**9,805,379**
Less: Bank balances and cash disposed of	**(498,264)**
	9,307,115

35. Project Commitments

(a) Hopewell Centre II

As at 30 June 2018, the Group's commitment in respect of development costs of this project, which has been contracted for but not provided, was approximately HK$153 million (2017: HK$153 million).

(b) Hopewell New Town

	2017 *HK$'000*	***2018*** ***HK$'000***
Contracted for but not provided	121,625	**339,034**

(c) Heyuan Power Plant Project

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

	2017 *HK$'000*	***2018*** ***HK$'000***
Contracted for but not provided	61,391	**38,104**

(d) Property renovation

	2017 *HK$'000*	***2018*** ***HK$'000***
Contracted for but not provided	58,859	**11,174**

(e) Other property for/under development

	2017 *HK$'000*	***2018*** ***HK$'000***
Contracted for but not provided	18,662	**23,480**

36. Operating Lease Commitments

The Group as lessor

Rental and other related income from investment properties earned during the year is approximately HK$1,096 million (2017: HK$1,068 million). These properties have committed tenants for the next one to eight years without termination options granted to the tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum payments under non-cancellable operating leases:

	2017 HK$'000	**2018** **HK$'000**
Within one year	691,888	**722,547**
In the second to fifth year inclusive	794,164	**1,079,728**
After five years	45,424	**30,187**
	1,531,476	**1,832,462**

37. Contingent Liabilities

A subsidiary of the Company has acted as the guarantor for the repayment of mortgage bank loans amounting to HK$11 million as of 30 June 2018 (2017: HK$266 million) granted to purchasers of the subsidiary's properties.

The Company acted as guarantor of certain performance bonds issued by banks in respect of Grand Site, a joint venture, to the extent of HK$119 million as at 30 June 2018 (2017: HK$119 million), of which a guarantee amount of HK$100 million was expired in July 2018.

38. Retirement Benefit Scheme

The Group has established a Mandatory Provident Fund Scheme (the "MPF Scheme") for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000 per month.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total costs recognised as expense for the year of HK$16,410,000 (2017: HK$16,683,000) represent contributions paid or payable to the schemes by the Group in respect of the current accounting period. At the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

39. Related Party Transactions

In addition to the balances of the Group and transactions with related parties disclosed above, the Group has the following transactions with related parties:

Compensation of key management personnel

The remuneration of key management personnel is disclosed in note 14(a).

40. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The Directors review the capital structure periodically. As part of this review, the Directors assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the Directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of debts.

41. Financial Instruments

(a) Categories of financial instruments

	2017 *HK$'000*	***2018*** ***HK$'000***
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	4,918,340	**10,581,174**
Financial liabilities		
Liabilities at amortised cost	2,506,132	**1,564,602**

(b) Financial risk management objectives and policies

The Group's major financial instruments include amount due from a joint venture, trade and other receivables, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

41. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

The main risks arising from the Group's financial instruments are market risks (including currency risk and interest rate risk), credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below:

Market risks

(i) Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets are denominated in HK$, RMB or US$ which are currencies other than the functional currencies of the respective group entities. The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

Currency risk sensitivity analysis

As the carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period were not significant, the Directors are of the opinion that the Group's exposure to currency risk is minimal. Accordingly, no sensitivity analysis is presented.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amount due from a joint venture which is interest-free.

The Group is exposed to cash flow interest rate risk in relation to bank deposits and bank borrowings which are subject to changes in prevailing floating interest rates. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rate in Hong Kong and the PRC.

Interest rate risk sensitivity analysis

Taking into consideration of the net cash position of the Group as at 30 June 2017 and 2018, the Directors are of the opinion that the Group's exposure to cash flow interest rate risk is minimal. Accordingly, no sensitivity analysis is presented.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position and the amount of financial guarantees issued by the Group is disclosed in note 37.

The Group's credit risk is primarily attributable to its trade and other receivables, amount due from a joint venture, bank deposits and bank balances. In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

41. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

The management of the Group considers that the credit quality of the Group's financial assets that are neither past due nor impaired at the end of the reporting period is good.

The management of the Group is responsible to exercise joint control on the financial and operating activities of the joint venture with the joint venture partners to ensure the joint ventures maintaining favourable financial position in order to reduce such credit risk.

Other than the amount due from a joint venture, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risks of the Group on liquid funds are limited because the counterparties are banks with good reputation.

Liquidity risk

The Group's total assets less current liabilities and the Group's net current assets at 30 June 2018 amounted to HK$54,807 million (2017: HK$51,411 million) and HK$9,842 million (2017: HK$3,271 million) respectively.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of the available banking facilities and ensures compliance with loan covenants. As at 30 June 2018, the Group has unutilised committed and uncommitted banking facilities of HK$2,800 million (2017: HK$4,150 million) and HK$540 million (2017: HK$1,140 million), respectively.

The following tables detail the contractual maturity of the Group for its financial liabilities. Financial guarantee contracts, which represent the maximum amount of the guarantee in which the guarantee could be called, are shown separately. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

41. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity risk tables

	Weighted average interest rate %	Repayable on demand or less than 1 month HK$'000	Over 1 month but not more than 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2018							
Trade and other payables	**–**	**95,078**	**19,772**	**46,997**	**2,755**	**164,602**	**164,602**
Rental and other deposits	**–**	**36,250**	**63,678**	**172,253**	**3,811**	**275,992**	**275,992**
Bank borrowings	**2.4**	**2,876**	**31,062**	**1,443,890**	**–**	**1,477,828**	**1,400,000**
		134,204	**114,512**	**1,663,140**	**6,566**	**1,918,422**	**1,840,594**
2017							
Trade and other payables	–	128,467	13,998	13,175	492	156,132	156,132
Rental and other deposits	–	12,980	90,145	150,922	7,122	261,169	261,169
Bank borrowings	1.4	2,763	1,174,393	1,218,167	–	2,395,323	2,350,000
		144,210	1,278,536	1,382,264	7,614	2,812,624	2,767,301

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

In addition, as mentioned in note 37, the Group has, at the end of the reporting period, given financial guarantees to banks in respect of banking facilities granted to purchasers of its properties of HK$11 million (2017: HK$266 million), of which no financial liability was recognised in the consolidated statement of financial position as financial guarantee contracts. In accordance with the guarantee documents, the Group may be required to settle the maximum guaranteed amounts upon demand by the counterparties to the financial guarantee contracts. The management expected that claims from the counterparties to the financial guarantee contracts are not probable.

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

42. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings *HK$'000*	***Accrued interest on bank borrowings*** *HK$'000*	***Dividend payable*** *HK$'000*	***Amount due to a minority shareholder of a subsidiary*** *HK$'000*	***Payable for buy-back of shares*** *HK$'000*	***Total*** *HK$'000*
At 1 July 2017	2,350,000	374	–	28,091	–	2,378,465
Finance costs before capitalisation to properties under development	–	60,296	–	–	–	60,296
Amortisation of transaction costs	–	(11,434)	–	–	–	(11,434)
Dividend recognised as distribution during the year	–	–	3,521,361	–	–	3,521,361
Shares bought back	–	–	–	–	33,001	33,001
Financing cash flows:						
New bank borrowings raised	200,000	–	–	–	–	200,000
Repayments of bank borrowings	(1,150,000)	–	–	–	–	(1,150,000)
Dividends and distributions paid to:						
Owners of the Company	–	–	(3,261,627)	–	–	(3,261,627)
Non-controlling interests	–	–	(259,734)	–	–	(259,734)
Payment for buy-back of shares	–	–	–	–	(24,242)	(24,242)
Repayments to a minority shareholder of a subsidiary	–	–	–	(8,319)	–	(8,319)
Finance costs paid	–	(48,204)	–	–	–	(48,204)
At 30 June 2018	**1,400,000**	**1,032**	**–**	**19,772**	**8,759**	**1,429,563**

43. Principal Subsidiaries

The following list contains only the details of the subsidiaries at 30 June 2017 and 30 June 2018 which principally affect the results, assets or liabilities of the Group as the Directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. Except as otherwise indicated, all the subsidiaries are private companies incorporated and are operating principally in the place of incorporation and all issued shares are ordinary shares.

Name of company	*Paid up issued/ registered capital*	*Proportion of issued/ registered capital held by the Company*				*Principal activities*
		Directly		*Indirectly*		
		2017 %	***2018 %***	*2017 %*	***2018 %***	
Incorporated in Hong Kong:						
Banbury Investments Limited	HK$2	–	**–**	100	**100**	Property investment
Broadwood Twelve Management Limited	HK$1	–	**–**	100	**100**	Property management
Chee Shing Company Limited	HK$968,000	100	**100**	–	**–**	Provision of corporate management services
Cineplex Asia Limited	HK$1	–	**–**	100	**100**	Cinema
Eldridge Investments Limited	HK$1	–	**–**	100	**100**	Property investment
Exgratia Company Limited	HK$2	–	**–**	100	**100**	Property investment
GardenEast Limited	HK$1,000,000	–	**–**	100	**100**	Property investment
GardenEast Management Limited	HK$300,000	–	**–**	100	**100**	Property management
HH Finance Limited	HK$1,000,000	100	**100**	–	**–**	Loan financing
HHI Finance Limited (vii)	HK$1	–	**–**	66.69	**–**	Loan financing
HHP Finance Limited	HK$1	–	**–**	100	**100**	Loan financing
HHP Management Services Limited	HK$1	–	**–**	100	**100**	Provision of corporate management services
Hopewell Centre Management Limited	HK$20,920,000	–	**–**	100	**100**	Property management
Hopewell China Development (Superhighway) Limited (i) (vii)	Ordinary shares HK$2 and non-voting deferred shares HK$4	–	**–**	65.02	**–**	Investment in expressway project
Hopewell Construction Company, Limited	HK$20,000,000	–	**–**	100	**100**	Project management
Hopewell Guangzhou-Zhuhai Superhighway Development Limited (i) (vii)	Ordinary shares HK$2 and non-voting deferred shares HK$2	–	**–**	66.69	**–**	Investment in expressway project
Hopewell Hotels Management Limited	HK$3,000,000	–	**–**	100	**100**	Hotel management

43. Principal Subsidiaries (continued)

Name of company	*Paid up issued/ registered capital*	*Proportion of issued/ registered capital held by the Company* Directly 2017 %	Directly **2018** %	Indirectly 2017 %	Indirectly **2018** %	*Principal activities*
Incorporated in Hong Kong: (continued)						
Hopewell Project Development Limited	HK$1	–	**–**	100	**100**	Project development and investment holding
Hopewell Promotion and Entertainment Limited	HK$600,000	–	**–**	100	**100**	Event organisers and restaurant operations
Hopewell Property and Facility Management Limited	HK$1	–	**–**	100	**100**	Property management
Hopewell Property Management Company Limited	HK$200	–	**–**	100	**100**	Property management
Hopewell Real Estate Agency Limited	HK$3,000,000	–	**–**	100	**100**	Leasing and marketing services
H-Power Investor (HK) Limited	HK$1	–	**–**	87.5	**87.5**	Investment in a power station project
International Trademart Company Limited	Ordinary shares HK$2 and non-voting deferred shares of HK$10,000	–	**–**	100	**100**	Property investment and investment holding
IT Catering and Services Limited	HK$2	–	**–**	100	**100**	Restaurant operations and provision of catering and services
Kingline Enterprise Limited	HK$1	–	**–**	100	**100**	Property investment
KITEC Management Limited	HK$300,000	–	**–**	100	**100**	Property management
Kowloon Panda Hotel Limited	Ordinary shares HK$200 and non-voting deferred shares of HK$2,000,000	–	**–**	100	**100**	Property investment, hotel ownership and operation
Panda Place Management Limited	HK$300,000	–	**–**	100	**100**	Property management
QRE Plaza Limited	HK$100,000	–	**–**	100	**100**	Property investment
QRE Plaza Management Limited	HK$300,000	–	**–**	100	**100**	Property management
Wetherall Investments Limited	Ordinary shares HK$2 and non-voting deferred shares HK$2	–	**–**	100	**100**	Property investment and investment holding
Yuba Company Limited	HK$10,000	–	**–**	100	**100**	Property investment

43. Principal Subsidiaries (continued)

Name of company	*Paid up issued/ registered capital*	*Proportion of issued/ registered capital held by the Company* Directly 2017 %	Directly **2018** %	Indirectly 2017 %	Indirectly **2018** %	*Principal activities*
Established in the PRC:						
廣州市合和(花都)置業發展有限公司(ii)	RMB124,000,000 (registered capital)	–	**–**	95	**95**	Property development
廣州市冠暉物業管理有限公司(iii)	RMB3,000,000 (registered capital)	–	**–**	91.84	**91.84**	Property management
廣州誠滿物業管理有限公司 (iv)	RMB10,000,000 (registered capital)	–	**–**	100	**100**	Property management
Incorporated in the British Virgin Islands and operated in Hong Kong:						
Anber Investments Limited	US$1	–	**–**	100	**100**	Investment holding
Boyen Investments Limited	US$1	–	**–**	100	**100**	Investment holding
Hopewell (Huadu) Estate Investment Company Limited	US$1	100	**100**	–	**–**	Investment holding
Procelain Properties Ltd. (v)	US$1	–	**–**	100	**100**	Property investment
Singway (B.V.I.) Company Limited (v)	US$1	–	**–**	100	**100**	Property investment
Incorporated in the Cayman Islands:						
Hopewell Highway Infrastructure Limited (vi) (vii)	HK$308,169,028	–	**–**	66.69	**–**	Investment holding
Hopewell Hong Kong Properties Limited (v)	HK$100,000,000	–	**–**	100	**100**	Investment holding

Notes:

(i) Operating principally in the PRC
(ii) A co-operative joint venture enterprise operating in the PRC
(iii) An equity joint venture enterprise operating in the PRC
(iv) A wholly foreign owned enterprise operating in the PRC
(v) Operating principally in Hong Kong
(vi) Hopewell Highway Infrastructure Limited, a company listed on the Stock Exchange, is operating in Hong Kong and the PRC through its subsidiaries and joint ventures.
(vii) The Group disposed of all interests in HHI during the year, as detailed in note 34.

The non-voting deferred shares carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

43. Principal Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of company	Place of establishment/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non–controlling interests		Accumulated non-controlling interests	
		2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**
HHI Group*	PRC	33.31%	**–**	246,799	**227,067**	2,182,799	**–**
Individually immaterial subsidiaries with non-controlling interests				15,336	**6,570**	177,964	**189,362**
				262,135	**233,637**	2,360,763	**189,362**

* include amounts attributable to non-controlling interests of HHI and a subsidiary of HHI, and 33.31% of ownership interests and voting rights in HHI was held by non-controlling interests during the period from 1 July 2017 to the completion date of disposal of HHI.

During the year ended 30 June 2018, as detailed in note 34, the Group completed the disposal of its entire equity interests in HHI. As at 30 June 2018, there is no non-wholly-owned subsidiaries of the Company that have material non-controlling interests.

43. Principal Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

HHI Group

	2017 HK$'000	**2018** **HK$'000**
Current assets	543,364	–
Non-current assets	5,963,892	–
Current liabilities	(12,999)	–
Non-current liabilities	(92,408)	–
	6,401,849	–
Equity attributable to owners of HHI	6,366,338	–
Non-controlling interests attributable to a subsidiary of HHI	35,511	–
	6,401,849	–
Profit attributable to owners of HHI	710,451	**645,581**
Profit attributable to the non-controlling interests of a subsidiary of HHI	10,172	**9,589**
Profit for the year	720,623	**655,170**
Total comprehensive income attributable to owners of HHI	603,427	**1,158,080**
Total comprehensive income attributable to the non-controlling interests of a subsidiary of HHI	9,642	**12,482**
Total comprehensive income for the year	613,069	**1,170,562**
Net cash used in operating activities	(42,256)	**(34,327)**
Net cash from investing activities	1,902,151	**727,816**
Net cash used in financing activities	(2,052,578)	**(791,226)**
Net cash outflow	(192,683)	**(97,737)**
Dividends paid to non-controlling interests of HHI	(701,979)	**(259,734)**

44. Approval of Financial Statements

The consolidated financial statements on pages 96 to 164 and the Company's statement of financial position on page 103 were approved and authorised for issue by the Board of Directors on 22 August 2018.

A. Completed Properties

1) Investment Properties and Hotel Property (Unless Otherwise Specified, these Properties are Held Under Medium Term Leases):

Properties	*Location*	*Existing Use*	*Site area* (sq.m.)	*Gross floor area* (sq.m.)	*Group's interest* (%)
Kowloonbay International Trade & Exhibition Centre	1 Trademart Drive, Kowloon Bay, Kowloon	Conference, exhibition, restaurant, office, commercial and carparks	22,280	164,860*	100
Hopewell Centre (Long-term lease)	183 Queen's Road East, Wan Chai, Hong Kong	Commercial, office and carparks	5,207	78,102*	100
GardenEast (Long-term lease)	222 Queen's Road East, Wan Chai, Hong Kong	Residential and commercial	1,082	8,972	100
QRE Plaza (Long-term lease)	202 Queen's Road East, Wan Chai, Hong Kong	Commercial	464	7,157	100
Lee Tung Avenue	Lee Tung Street/ McGregor Street, Wan Chai, Hong Kong	Commercial	8,220(i)	8,148	50(ii)
Four commercial units, one restaurant unit and 80 carparking spaces at Wu Chung House	G/F-5/F, 213 Queen's Road East,Hong Kong	Commercial and carparks	N/A	1,642*	100
Panda Hotel — Hotel property — Shopping arcade	3 Tsuen Wah Street, Tsuen Wan, New Territories	Hotel operation, commercial and carparks	5,750	40,855*	100
				21,337*	100
				62,192*	

* Excluding carparking spaces.

2) Stock of Properties or Investment Property Held for Sale:

Properties	*Location*	*Existing Use*	*Site area* (sq.m.)	*Gross floor area*(iii) (sq.m.)	*Group's interest* (%)
Hopewell New Town	Huadu district, Guangzhou, China	Residential, commercial, logistic and social facilities	610,200(i)	19,000	95

B. Properties and Stock of Properties Under Development:

Properties/land	*Location*	*Existing Use*	*Stage of Completion*	*Expected completion date*	*Site area* (sq.m.)	*Gross floor area*(iv) (sq.m.)	*Group's interest* (%)
Hopewell New Town	Huadu district, Guangzhou, China	Residential, commercial, logistic and social facilities	Under planning stage	2020	610,200(i) & (v)	607,100(v)	95
Hopewell Centre II	Ship Street, Kennedy Road, Hau Fung Lane, Wan Chai, Hong Kong	Hotel complex with recreation, shopping, restaurant and other commercial facilities	Under construction	2021	9,840	101,600	100
153-167 Queen's Road East	153-167 Queen's Road East, Wan Chai, Hong Kong	Commercial	Under construction	2022	620	8,400	100

C. Other Properties Held by the Group:

Location	*Existing Use*	*Site area* *(sq.m.)*	*Existing Total Gross floor area* *(sq.m.)*	*Attributable to Group* *(%)*
55 Ship Street, Wan Chai (Nam Koo Terrace)	Vacant old house	685	453	100
1A Hillside Terrace, Wan Chai (St. Luke School)	Vacant school building	585	1,687	100
1-3 Hill Side Terrace, Wan Chai	Vacant land	516	–	100
53 Ship Street and 1-5 Schooner Street, Wan Chai (Miu Kang Terrace)	Commercial and Residential	342	1,476	100
Inland Lot No.9048, Schooner Street, Wan Chai, Hong Kong	Residential	270	1,350	100

Notes:
(i) This site area covers all phases of development.
(ii) This represents 50% interest in joint-venture with Sino.
(iii) This represents gross floor area of unsold completed units.
(iv) This represents approximate gross floor area under present planning.
(v) These site area and gross floor area, being plot ratio gross floor area of the land, are based on land use rights certificates obtained and the latest master layout plan approved by the relevant government authority.

Glossary

"2017 Annual General Meeting"	the annual general meeting of the Company held at The Glass Pavilion, 3/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 26 October 2017 at 11:00 a.m.
"2018 Annual General Meeting"	the annual general meeting of the Company to be held at The Glass Pavilion, 3/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 31 October 2018 at 10:00 a.m.
"AEI"	Asset Enhancement Initiative
"Articles of Association"	the articles of association of the Company as amended, supplemented or modified from time to time
"ASEAN"	the Association of Southeast Asian Nations
"Average Occupancy Rate"	the average of the Occupancy Rate as at the end of each month in the relevant period
"Board"	the board of Directors
"CAGR"	compound annual growth rate
"CBD2"	Central business district in Kowloon East, Hong Kong
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company" or "HHL" or "Hopewell Holdings"	Hopewell Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 54)
"Core Profit"	represents profit attributable to owners of the Company excluding fair value gain of completed investment properties and profit from en bloc sale of entire project
"CSR"	corporate social responsibility
"Director(s)"	director(s) of the Company

"DPS"	dividend per share
"EBIT"	earnings before interest and tax
"F&B"	food and beverage
"FY14"	the financial year ended 30 June 2014
"FY15"	the financial year ended 30 June 2015
"FY16"	the financial year ended 30 June 2016
"FY17"	the financial year ended 30 June 2017
"FY18"	the financial year ended 30 June 2018
"FY19"	the financial year ending 31 March 2019
"FY20"	the financial year ending 31 March 2020
"FY21"	the financial year ending 31 March 2021
"GDP"	gross domestic product
"GFA"	gross floor area
"Government" or "Hong Kong Government"	the Government of Hong Kong
"Grand Site"	Grand Site Development Limited, the joint venture company established for the property development project of The Avenue/Lee Tung Avenue
"Group"	the Company and its subsidiaries
"GWh"	gigawatt hour
"Heyuan JV"	Shenzhen Energy Hopewell Power (Heyuan) Co., Ltd., the joint venture company holding Heyuan Power Plant

Glossary

"Heyuan Power Plant"	the ultra super-critical coal-fired power plant project located in Heyuan City, Guangdong Province
"HHI"	Hopewell Highway Infrastructure Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Codes: 737 (HKD Counter) and 80737 (RMB Counter))
"HHI Disposal"	disposal of approximately 66.69% of total number of issued shares of Hopewell Highway Infrastructure Limited by Anber Investment Limited (the wholly-owned subsidiary of the Company) to Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd
"HHI Group"	HHI and its subsidiaries
"HHI Share(s)"	ordinary share(s) of HK$0.10 each in the capital of HHI
"HHL Share(s)" or "Share(s)"	ordinary share(s) of the Company
"Hill Side Terrace Cluster"	1-3 Hill Side Terrace, 1A Hill Side Terrace, 55 Ship Street (Nam Koo Terrace), 53 Ship Street and 1-5 Schooner Street (Miu Kang Terrace), Inland Lot No.9048 Schooner Street, Wan Chai
"HK$" or "HKD" or "HK Dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"JV/JVs"	joint venture/ventures
"KITEC"	Kowloonbay International Trade & Exhibition Centre
"KITEC F&B"	IT Catering & Services Limited, the food and beverage operations of KITEC
"Lady WU"	Lady WU Ivy Sau Ping KWOK

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau" or "Macao"	the Macao Special Administrative Region of the PRC
"Mainland China"	the PRC, excluding Hong Kong and Macao
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MPF Scheme"	the mandatory provident fund schemes set up by the Group
"MWh"	megawatt hour
"Occupancy Rate(s)"	the percentage of total area comprising those already leased and occupied by tenants, reserved for specific uses and those in respect of which leases have been committed but not yet commenced over total lettable floor area
"P&L"	Profit and Loss
"PBOC"	The People's Bank of China
"PRC" or "China"	the People's Republic of China
"QRE"	Queen's Road East
"RMB"	Renminbi, the lawful currency of PRC
"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

Glossary

"The Belt and Road initiative"	The Silk Road Economic Belt and the 21st-Century Maritime Silk Road
"United States" or "USA"	the United States of America
"URA"	Urban Renewal Authority
"USD" or "US$"	US dollars, the lawful currency of the United States
"VAT"	value added tax
"YoY" or "yoy"	year-on-year

Corporate Information

Board of Directors
Sir Gordon Ying Sheung WU[1] KCMG, FICE
Chairman
Mr. Eddie Ping Chang HO
Vice Chairman
Mr. Thomas Jefferson WU[2] JP
Deputy Chairman and Managing Director
Mr. Josiah Chin Lai KWOK
Deputy Managing Director
Mr. Guy Man Guy WU[#]
Lady WU Ivy Sau Ping KWOK[#] JP
Ms. Linda Lai Chuen LOKE[##]
Mr. Albert Kam Yin YEUNG
Mr. Carmelo Ka Sze LEE[#] JP
Mr. William Wing Lam WONG
Ir. Dr. Leo Kwok Kee LEUNG
Mr. Sunny TAN[##]
Dr. Gordon YEN[##]
Mr. Ahito NAKAMURA[##]
Mr. Yuk Keung IP[##]

[1] Also as Alternate Director to Mr. Eddie Ping Chang HO
[2] Also as Alternate Director to Sir Gordon Ying Sheung WU and Lady WU Ivy Sau Ping KWOK
[#] Non-executive Directors
[##] Independent Non-executive Directors

Audit Committee
Mr. Sunny TAN
Chairman
Ms. Linda Lai Chuen LOKE
Mr. Yuk Keung IP
Dr. Gordon YEN

Remuneration Committee
Mr. Yuk Keung IP
Chairman
Ms. Linda Lai Chuen LOKE
Mr. Carmelo Ka Sze LEE JP
Dr. Gordon YEN

Company Secretary
Ms. Ching Fan KOO

Registered Office
64th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2528 4975
Fax: (852) 2861 2068

Solicitors
Woo Kwan Lee & Lo

Auditor
Deloitte Touche Tohmatsu

Listing Information
The Stock Exchange of Hong Kong Limited
Ordinary Shares (Stock Code: 54)

Principal Bankers[+]
Bank of China (Hong Kong) Limited
BNP Paribas
Chong Hing Bank Limited
Citibank, N.A.
DBS Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Bank, Limited
MUFG Bank, Ltd.
Sumitomo Mitsui Banking Corporation
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

+ names are in alphabetical order

Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2529 6087

American Depositary Receipt

CUSIP No.	439555301
Trading Symbol	HOWWY
ADR to share ratio	1:1
Depositary Bank	Citibank, N.A., U.S.A.

Investor Relations
Tel: (852) 2528 4975
Fax: (852) 2529 8602
Email: ir@hopewellholdings.com

Website
www.hopewellholdings.com

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

Financial Calendar

Extraordinary General Meeting	8 February 2018
Interim results announcement	13 February 2018
First Interim dividend paid ***(HK55 cents per Share)***	12 March 2018
Special interim dividend paid ***(HK$2.00 per Share)***	2 May 2018
Final results announcement	22 August 2018
Ex-dividend Date	4 September 2018
Closure of Register of Members for entitlement of proposed second interim dividend	6 September 2018
Second interim dividend payable ***(HK88 cents per Share)***	14 September 2018
Closure of Register of Members for eligibility to attend the 2018 Annual General Meeting	24 October 2018 to 31 October 2018 *(both days inclusive)*
2018 Annual General Meeting	31 October 2018

HOPEWELL HOLDINGS LIMITED

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