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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

Highlights

- EBIT more than tripled to HK$3,036 million
- Profit attributable to owners of the Company rose 471% to HK$10,429 million or HK$11.95 per share
- An interim dividend of HK45 cents per share
- Proposed spin-off of Hong Kong property development and investment, property related services and hospitality businesses to enhance value for shareholders and access to capital markets
- Accepted the land premium offer from the Hong Kong Government for the land exchange of Hopewell Centre II. Site preparation works started at the end of 2012
- Revamp of Panda Place was completed and reopened in the fourth quarter of 2012
- Strong financial position, with HK$4,995 million cash and available committed banking facilities for HHL at the corporate level as at 31 December 2012

GROUP RESULTS

Overview

The Group's EBIT grew significantly during the six months ended 31 December 2012 compared to the corresponding period of 2011. A land conversion gain of approximately HK$2.2 billion was recorded in respect of the commercial portion of HCII during the period upon commencement of the development of the project. The EBIT of the property letting, agency and management operation, and the hotel, restaurant and catering operation continued to grow solidly. Increased in recognised sales of Hopewell New Town project and the higher profit of the Heyuan Power Plant were other sources of the Group's EBIT. However, these increases in EBIT were partly offset by a fall in GS Superhighway's toll revenue due to a tariff cut.

Revenue from the Group's investment properties and hospitality businesses, as well as property sales of the Hopewell New Town project, continued to rise significantly during the period. However, these increases in revenue were offset by fewer sales of Broadwood Twelve residential project and the fall in toll revenue due to a tariff cut.

The Group's revenue by activities and their respective EBIT for the six months ended 31 December 2012 were as follows:

	Revenue		**EBIT ***	
HK$ million	*2011*	***2012***	*2011*	***2012***
Property letting, agency and management	350	**388**	225	**257**
Hotel, restaurant and catering operation	228	**230**	72	**82**
Property development	413	**361**	(8)	**27**
Toll road investment (after interest and tax of JCEs)	1,224	**1,111**	575	**390**
Power plant (after interest and tax of JCE)	807	**726**	34	**67**
Treasury income	124	**124**	124	**124**
Others	-	**-**	(51)	**(64)**
Revenue/EBIT (before land conversion gain of HCII**)	3,146	**2,940**	971	**883**
Land conversion gain of HCII	-	**-**	-	**2,153**
Revenue/EBIT (Note)	3,146	**2,940**	971	**3,036**

* *These figures represent the EBIT of the Company and its subsidiaries, plus their shares of net profits (after interest and tax) of JCEs*

** *Land conversion gain refers to the initial fair value gain arising from the conversion of bare land to a revenue generating asset (HCII land conversion)*

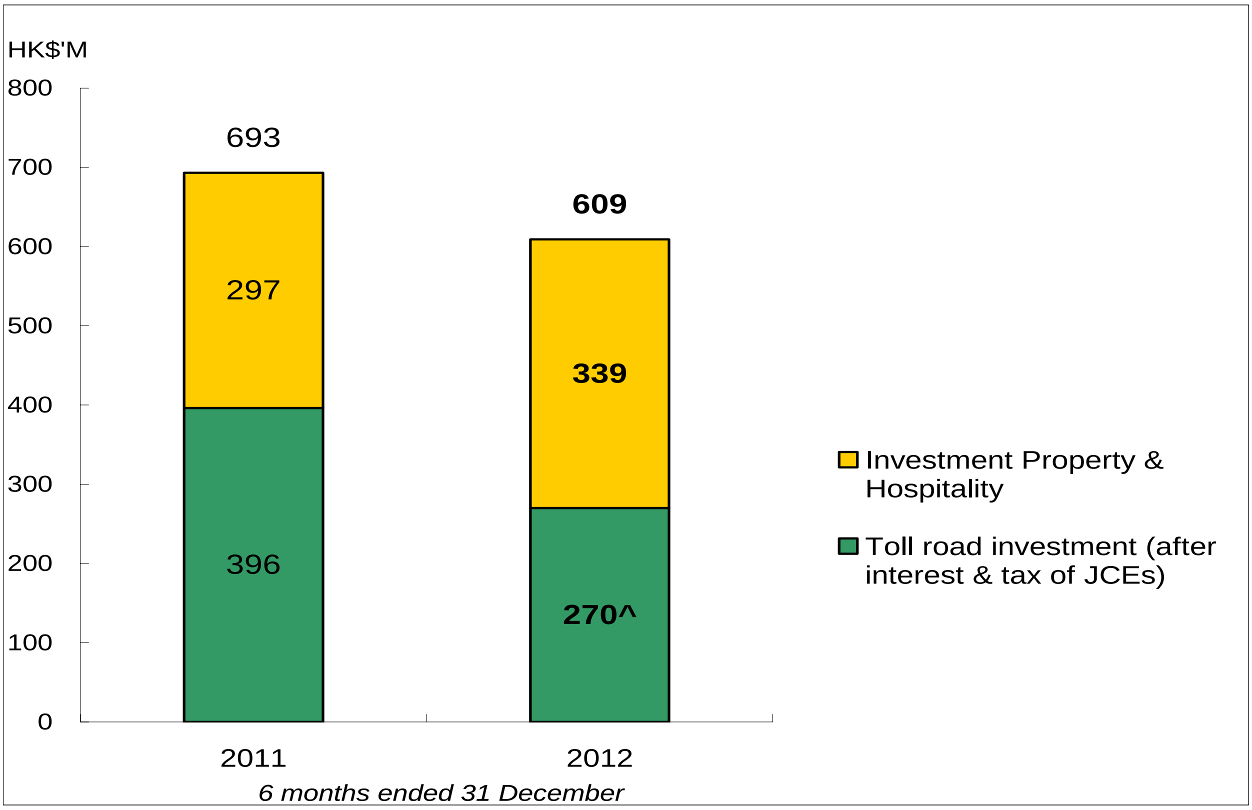
Note:

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

	Results	
HK$ million	*2011*	***2012***
Earnings before interest and tax	971	**3,036**
Finance costs	(44)	**(55)**
Exceptional item	20	**-**
Fair value gain of completed investment properties	1,143	**7,686**
Profit before taxation	2,090	**10,667**
Taxation	(89)	**(109)**
Profit for the period	2,001	**10,558**
Attributable to:		
Owners of the Company	1,825	**10,429**
Non-controlling interests	176	**129**
	2,001	**10,558**

	Turnover	
HK$ million	*2011*	***2012***
Revenue per Financial Review	3,146	**2,940**
Less:		
Sales proceeds of Broadwood Twelve units	(404)	**(239)**
Treasury income	(124)	**(124)**
Share of revenues of JCEs engaged in		
- Toll road investment	(1,224)	**(1,111)**
- Power plant	(807)	**(726)**
Turnover per Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	587	**740**

Operating Profit* from Prime-Earning Businesses



** Being the EBIT net of the proportional share by non-controlling interests*
^ Tariff cut in Guangdong since 1 June 2012

Revenue

The Group's revenue for the six months ended 31 December 2012, including sales proceeds of investment properties held for sale (i.e. Broadwood Twelve), treasury income and the attributable share of revenues of JCEs engaged in toll road and power plant operations, amounted to HK$2,940 million, which was 7% less than the HK$3,146 million reported for the corresponding period of 2011.

The Group's investment property letting, agency and management division and its hospitality businesses continued to grow. The increased recognised sales of the Hopewell New Town project in Huadu, PRC also stimulated the growth of the Group's revenue.

The decline in the Group's total revenue was mainly due to a fall in the GS Superhighway's toll revenue as the result of implementation of the tariff cut in Guangdong Province since 1 June 2012, as well as fewer sales of residential units of Broadwood Twelve sold during the period under review.

Earnings before Interest and Tax

EBIT (before land conversion gain of HCII) fell 9% to HK$883 million. This was mainly because the drop in GS Superhighway's toll revenue due to tariff cut outweighed (i) the continued growth of the Group's investment properties and hospitality businesses, (ii) the increase in the sales recognition for residential units of Hopewell New Town, and (iii) the higher profit of Heyuan Power Plant as a result of a decrease in coal price during the period under review. However, the Group's EBIT more than tripled to HK$3,036 million from HK$971 million in the corresponding period of 2011. The strong EBIT growth was primarily due to the land conversion gain of HCII. The Group obtained possession of the land for the development of HCII project in October 2012, unlocking the hidden land value. A land conversion gain attributable to the commercial portion amounting to HK$2.2 billion was recognised in the condensed consolidated financial statements during the period under review.

Fair value gain of completed investment properties

During the period, the Group's completed investment properties recorded significant revaluation gain, which was mainly contributed by the increase in fair value of Hopewell Centre, KITEC (including E-Max) and Panda Place amounting to HK$3.3 billion, HK$2.8 billion and HK$0.8 billion respectively. The increase was mainly driven by improved rental performance of such properties owing to continuous asset enhancement, marketing and brand building efforts, upgrade of facilities and services, refinement of tenant mix and the improving connectivity of the properties with surrounding areas which are undergoing face-lift.

Exceptional Item

The exceptional item for the corresponding period of 2011 represented a gain on the disposal of a non-core food processing and wholesaling business.

Enterprise Income Tax ("EIT") of HHI Joint Ventures

The tax concessions for both the GS Superhighway and Phase I West were adjusted following the PRC's 2008 tax reform, and their EIT rates have increased incrementally to 25%. The rates applicable to the GS Superhighway and Phase I West rose from 24% in 2011 to 25% in 2012. The EIT rate for the GS Superhighway and Phase I West will remain at 25% from 2012 until the expiry of their contractual operation periods. These increases in the EIT liabilities of the JV companies did not significantly impact the Group's results during the period under review. Phase II West is exempt from EIT from 2010 until 2012. Its applicable rate from 2013 to 2015 will be 12.5%, and this will rise to 25% from 2016 until the expiry of its contractual operation period. Phase III West is exempt from EIT from 2013 to 2015. Its applicable rate from 2016 to 2018 will be 12.5%, and this will rise to 25% from 2019 until the expiry of its contractual operation period.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the period under review rose 471% period-on-period, from HK$1,825 million to HK$10,429 million. This was mainly because of the land conversion gain of HCII and increase in fair value gain of completed investment properties recorded for the period. When excluding the land conversion gain, fair value gain of the Group's completed investment properties and the exceptional item, the core profit attributable to owners of the Company during the period under review was HK$590 million, a decrease of HK$72 million or 11% from the figure of HK$662 million recorded for the corresponding period of 2011.

Major Assets in Balance Sheet

As at 31 December 2012	HH Business	HHL - Other Businesses	HHL Group Total	Major Assets in Balance Sheet
HK$ million				
Completed investment properties	-	25,131	25,131	GFA (sq.ft.) Hopewell Centre 840,000 QRE Plaza 77,000 GardenEast 96,500 Wu Chung Retail 17,670 KITEC/E-Max 1,775,000 Panda Place 229,000
Property, plant and equipment	1	688	689	include Panda Hotel
Properties under development	-	7,183	7,183	include HCII (GFA: 1.1 million sq.ft.)
Interests in JCE	8,078	1,003	9,081	Toll Road JV Heyuan Power Plant
Amounts due from JCE (non-current)	970	2,211	3,181	Amount injected in Lee Tung Street project (Attributable GFA : 418,000 sq.ft.) Shareholder's loan to Phase II West
Other non-current assets	-	30	30	
Properties held for sale	-	1,941	1,941	Hopewell New Town (GFA of stock: Residential: 647,300 sq.m. Commercial and others: 201,900 sq.m.) Broadwood Twelve (GFA of stock: 36,199 sq.ft.)
Amounts due from JCE (current)	41	623	664	Shareholder's loan: - Heyuan Power Plant - Phase III West
Bank balances and cash	2,768	3,275	6,043	
Other current assets	199	131	330	
Total assets	**12,057**	**42,216**	**54,273**	
Corporate bonds & bank borrowings	(2,087)	(5,653)	(7,740)	HHL corporate bank loans HHI RMB600 million corporate bonds HHI corporate bank loans (RMB1 billion & HK$97 million)
- Current	*(97)*	*-*	*(97)*	
- Non-current	*(1,990)*	*(5,653)*	*(7,643)*	
Other non-current liabilities	(162)	(320)	(482)	
Other current liabilities	(46)	(1,065)	(1,111)	
Total liabilities	**(2,295)**	**(7,038)**	**(9,333)**	
Non-controlling interests	(3,112)	(104)	(3,216)	Equity held by HHI's minority shareholders (31.9%) Minority interest of Heyuan Power Plant (12.5%)
Shareholders' equity	**6,650**	**35,074**	**41,724**	HHI (listed, 68.1% owned): Market value HK$9.6 billion*

** Based on closing price of HK$4.55 as of 15 February 2013*

DIVIDEND

The Board has declared an interim dividend of HK45 cents per share in respect of the financial year ending 30 June 2013 (30 June 2012: HK45 cents). This represents a payout ratio of 67% of the Company's profit attributable to owners of the Company, excluding the land conversion gain and fair value gain on completed investment properties. The interim dividend will be paid on Thursday, 14 March 2013 to shareholders whose name appear on the Company's Register of Members at the close of business on Friday, 8 March 2013.

CLOSURE OF REGISTER

To ascertain shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Friday, 8 March 2013, on which date no transfer of shares of the Company will be effected. To qualify for the interim dividend, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 7 March 2013.

BUSINESS REVIEW

1. Properties

A) Rental

The revenue of the Group's property letting, agency and management operations amounted to HK$388 million during the six months ended 31 December 2012. This was 11% higher than the HK$350 million reported for the same period of the previous year. The EBIT of these operations increased by 14% to HK$257 million in period-on-period terms. The revenue of Panda Place dropped by HK$11 million as a result of change in tenant mix and its related renovation, which was completed in the fourth quarter of 2012. When excluding the impact from Panda Place revamp, the revenue of the Group's property letting, agency and management operations rose 15% to HK$371 million during the period under review, while EBIT rose 20% to HK$251 million. The five-year compound annual growth rate of revenue and EBIT of the Group's investment properties during the first half of the financial years from FY09 to FY13 were both 9% respectively.

The Group strives to achieve operational excellence by implementing comprehensive asset-management and brand-building strategies. It also continuously upgrades the facilities of its investment properties and refurbishes them with a view to enhancing their value. To promote their brand image and attract quality tenants, the Group is committed to providing premium property management and customer services that match the market's expectations. The rental performance of its investment properties is also bolstered by effective reviews of zoning, space planning, and refinement of the tenant-mix. The healthy growth in the property rental business also reflects the efforts the Group has devoted to marketing programmes that began few years ago.

The occupancy rates of the Group's investment properties remained at high levels during the period under review and the average rental rates of most of them also increased.

Occupancy and Rental Rates of Investment Properties

	Average Occupancy Rate			Change in Average Rental Rate (pop[#])
	1H FY12	1H FY13	pop[#]	
Hopewell Centre	94%	96%	+2%	+10%
KITEC Office	93%	97%	+4%	+12%
KITEC E-Max	95%	93%	-2%	+16%
Panda Place	92%	95%	+3%	n/a*
QRE Plaza	83%	86%**	+3%	+40%
GardenEast (apartments)	93%	93%	-	+3%

[#] *Period-on-period*

[*] *Panda Place was under revamp from July 2012 to mid December 2012.*

[**] *Reshuffling of tenant mix was underway during the period under review. Two high quality restaurants committed to lease approximately 6,600 square feet starting from 20 March 2013. As a result, occupancy rate would improve to 96%.*

During the period, the Group's completed investment properties recorded significant revaluation gains. These were mainly the result of improved rental performance of these investment properties owing to on-going asset enhancement programmes, marketing and brand building efforts, upgrade of facilities and services, refinement of tenant mix and the improving connectivity of the properties with surrounding areas which are undergoing face-lift. The valuation of the Group's investment properties also benefited from Hong Kong's positive economy and property market. In October 2012, the Group obtained possession of the land for the development of the HCII project, unlocking the hidden value of those land previously acquired by recognising the land conversion gain for the commercial portion of the project.

The major reasons for the revaluation gains of investment properties during the period under review were as follows:

(HK$'m)	Book Value		Revaluation Gain	Major Reasons for Change
	As of 30-Jun-12	As of 31-Dec-12	1HFY13	
Hopewell Centre	7,898	11,205	3,303	• Improved rental performance • Improved connectivity with surrounding areas incl. Lee Tung Street, MTR station • Preparation work for construction of HCII project has started • Benefit from decentralisation trend: positive rental reversion
% Change		*+42%*		
KITEC / E-Max	5,775	8,565	2,788	• Improved rental performance • Appreciation in value $5,460/sq.ft. in November 2012 land sale in Kowloon Bay[N1] • Government's initiatives on Energizing Kowloon East & CBD2 • Benefit from decentralisation trend: positive rental reversion
% Change		*+48%*		
Panda Place	982	1,790	798	• FY14 full year rental contract on hand ↑ 65% vs FY12 rental income • Completion of extensive renovation program
% Change		*+82%*		
Properties under Development				
Hopewell Centre II (commercial portion)[N2]	2,117[N3]	4,270	2,153	• Obtained possession of land in October 2012
% Change		*+102%*		

N1: A commercial site at Sheung Yuet Road (site area: 22,760 sq.ft., GFA: ~333,000 sq.ft.) was tendered at a total consideration of HK$1,818.3 million on 28 November 2012.

N2: This refers to the commercial portion of the development only. The hotel portion of the development will be booked at cost (in line with industry practice).

N3: This represents 50% of total historical land cost of HK$4.2 billion being (HK$500 million historical cost booked in FY12 plus HK$3.7 billion land premium).

Hopewell Centre

Hopewell Centre, the Group's 840,000-square-foot flagship property, had an average overall occupancy rate of 96% during the period under review. Meanwhile, its aggregate rental income increased by 13% period-on-period, and higher rents were achieved for renewals and new leases of both its office and retail spaces. The growth in rental rate of the Hopewell Centre office exceeded that of the market during the period under review.

The main contributors to Hopewell Centre's increased rental income were the continuous enhancements made to Hopewell Centre's building specifications and services, as well as its improved tenant mix.

A revamp of the podium façade is being planned and targeted to commence in early 2014. The new design will further elevate Hopewell Centre's image and increase its attractiveness on Queen's Road East.

The Group's committed efforts to add value to Hopewell Centre have enabled it to maintain its competitive edge, thus allowing it to retain existing tenants and attract prestigious new ones, including leading financial and professional firms. Average passing rent for office rose 8% to HK$30/sq.ft. in 1H FY13 from HK$27.7/sq.ft. in 1H FY12, while average spot rent rose 10% to HK$42.4/sq.ft. in 1HFY13 from HK$38.6/sq.ft. in 1H FY12.

As of 31 December 2012, the office portion's rental contracts on hand for FY13 reached HK$203 million, which represents approximately 107% of the rental revenue for FY12. The Group is aiming to achieve an average passing rent for offices of not less than HK$31/sq.ft. in FY13, which would represent 11% increase from HK$27.9/sq.ft. in FY12.

The opening of View62 by Paco Roncero, Hong Kong's only revolving restaurant, in Hopewell Centre in June 2012 has enhanced the tenant mix of "The East". As of 31 December 2012, Hopewell Centre's retail portion was fully let, and it offers the public a wide array of dining and shopping experiences.

“The East”

“The East” is the brand name of a dining and entertainment community that occupies a prime location in Wan Chai. The concept was created and launched by the Group in December 2007, and it now encompasses a cluster of retail outlets with a total lettable floor area of approximately 273,000 square feet. These are situated at Hopewell Centre, QRE Plaza, Wu Chung House and GardenEast. As the result of well-coordinated marketing and promotional efforts, “The East” has gradually gained momentum, and it presently accommodates 25 high-profile F&B outlets, plus 36 lifestyle stores. The Group expects that the synergy created by the retail elements of the buildings concerned and the new developments currently underway in Wan Chai will further enhance its rental performance in the future. The customer spending has increased remarkably, reflected by the growth in sales turnover of “The East” tenants. It indicates the success in the marketing strategies.

QRE Plaza

This 25-storey, 77,000-square-foot building boasts a broad range of dining options and unique lifestyle services. A key component of “The East”, QRE Plaza is connected to Hopewell Centre and Wu Chung House via a footbridge. Its status has now been well established as the one-stop “Quality lifestyle, Relaxation and Entertainment” hub that its name suggests.

Marketing and promotional activities for “The East” have succeeded in attracting increased traffic and renowned retailers, such as the MINI car showroom. During the period under review, its rental rate increased by 40% as compared to the same period of last financial year. As of 31 December 2012, 86% of QRE Plaza’s total floor area was let, mainly due to a reshuffling of tenant mix. To enhance its tenant mix of QRE Plaza, the Group has succeeded in attracting two high-quality restaurants that have committed to leasing approximately 6,600 sq.ft., starting from 20 March 2013. With these new tenants, the occupancy rate will then improve to 96%.

Wu Chung House

The Group owns several retail outlets with a total GFA of 17,670 sq.ft. at Wu Chung House. These form part of “The East”, and they are fully let to a number of well-known retailers. Following the opening of Rolls-Royce’s only car showroom in Hong Kong, McLaren also unveiled its first Asia showroom at Wu Chung House, thus augmenting the car showroom cluster at “The East”.

GardenEast

GardenEast, a 96,500-square-foot and 28-storey building, houses 216 premium serviced apartments, plus three retail shops on its podium level. Their convenient location in the heart of Wan Chai's commercial district and their outstanding reputation for quality service have enabled the serviced apartments to attract residents and repeat guests from around the world, especially banking, finance and investment professionals.

GardenEast's overall rental income rose by 4% period-on-period. The average occupancy rate of its serviced apartments remained high at 93% during the period under review, while the average rental rate increased by 3% compared to the same period of last financial year.

As of 31 December 2012, GardenEast's retail premises were fully let to quality F&B operators.

<u>KITEC</u>

KITEC Office

KITEC stands to benefit from Hong Kong Government's "Energizing Kowloon East" initiatives. Kowloon East will be developed into another premier CBD that will support Hong Kong's economic growth. The first berth of the Kai Tak Cruise Terminal, an important tourism infrastructure projectfor the city, will commence operation in June 2013. The proposed Environmentally Friendly Linkage System ("EFLS") and improved pedestrian connections will form a catalyst that will enhance the area's commercial activities, the Hong Kong Government intends to collect more views at the stage 2 public consultation in the first quarter of 2013.

The Company is continuing to implement flexible marketing strategies and carry out improvement works in the common areas of KITEC in order to provide its office tenants with a quality working environment. Moreover, the Group is conducting a feasibility study about redesigning the office layout to improve efficient use and marketability of their space.

The total revenue derived from office space in the period under review was 17% higher than the same period of FY12. As of 31 December 2012, the office portion's rental contracts on hand for FY13 reached HK$80 million, approximately 111% of the rental revenue for FY12. As of 31 December 2012, KITEC's offices also had an occupancy rate of 97%. Average spot rent rose 6% to HK$13.4 in 1H FY13 from HK$12.7/sq.ft. in 1H FY12, while average passing rent rose 12% to HK$10.4/sq.ft. in 1H FY13 from HK$9.3/sq.ft. in 1H FY12. The Group targets to achieve a 11% rise in average passing rent to not less than HK$10.5 in FY13.

E-Max

E-Max has a wide variety of tenants who offer food and beverage, wine & tasting service, bridal services as well as home design and furniture. It houses a tourist department store, car show and retail and entertainment businesses as well. The Ground floor and Basement 1 level of E-Max are currently planned to be revamped and new elements that will reinforce and highlight its entertainment theme will be introduced. These will include a refreshing cinema concept with a contemporary crossover of movies and music that will consist of 9 houses with a total capacity of approximately 1,100 seats. Response from the film and entertainment industry is positive and strong. Subject to the Hong Kong Government's approval, construction work is currently planned to start in July 2013, targeting to open in the first quarter of 2014. Upon completion, E-Max will then provide a perfect combination of cinemas, premieres, film festivals, exhibitions and events all under one roof.

A line up to creative promotional campaigns and sales promotion programmes jointly staged with its tenants is continuing at E-Max. The average occupancy rate at the complex was maintained at 93% during the period under review. The overall average occupancy rate for KITEC (both retail and office) was 95%.

The Group is currently studying to redevelop certain portions of KITEC.

Convention and Exhibition ("C&E")

KITEC's comprehensive range of venues and facilities for conventions trade shows, conferences, entertainment and sports events continue to sustain the growth of its revenue and attract a strong influx of customer traffic to KITEC. Its C&E business will collaborate even more with E-Max's tenant mix to strengthen its position as Kowloon East's premier entertainment hub.

Star Hall continues to stage quality entertainment events for the public, including movie premieres and musical performances, and these are boosting its customer footfall. It is also a popular venue for banquets, exhibitions and conferences and sports. The newly introduced "live house" concept in its brand-new venue "Music Zone@E-Max" has successfully tapped into the growing mini-concert market, and it attracts a variety of artists for premium performances. In fact, 43 performance events were held in this venue during the period under review.

The overall convention and exhibition revenue remained encouraging at over HK$37.6 million with a jump of 25% compared with the corresponding period of FY12.

Panda Place

Panda Place is a 229,000-square-foot shopping mall located in the heart of Tsuen Wan. The Group recently undertook an extensive renovation programme to enhance its competitiveness by offering visitors a superb shopping experience with a refined tenant mix and modern look.

With the Group's strong execution ability, the revamp was carried out timely and meticulously. With the reopening, all new tenants, including its anchor tenant AEON, completed their decoration works and opened for business during the fourth quarter of 2012.

The marketing campaign for the soft-opening and the tourism-theme design of Panda Place have received positive responses from both local residents and tourists. As at 31 December 2012, its occupancy rate was 98% and the value of its rental contracts on hand for the full year of FY14 after the renovation period, stood at HK$51 million, representing 65% growth as compared to rental income FY12, prior to the revamp.

B) Sale

Broadwood Twelve

Project Description	
Location	12 Broadwood Road, Happy Valley, Hong Kong
Total GFA	113,900 square feet
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	Construction completed, sales in progress

The Group has been the driving force behind a series of luxury property developments on Broadwood Road, Happy Valley, which was a little-known narrow trail during the 1970s. Recognising its potential, the Group contributed to the idea of widening it into a standard two-way road, and afterwards developed a number of renowned luxury hillside residential projects along it.

Broadwood Twelve is the Group’s latest residential development in Hong Kong. The top-quality finishing of its units and the stunning views they enjoy of the racecourse and Victoria Harbour have positioned them as attractive luxury residences. Broadwood Twelve was originally intended to be held for rental, targeting the premium residential market. However, having considered the property market conditions, particularly the surge in demand for and the selling prices of luxurious residential units as well as the trend of the rental yield, the Company has decided to sell Broadwood Twelve on 24 May 2010.

Sales commenced in June 2010; and as of 15 February 2013, 57 of the 76 units, or 75%, had been sold, generating total sales proceeds of around HK$2,568 million (including proceeds from the sale of car-parking spaces). 5 of these units were booked during the half-year period under review. Most of the buyers were end-users, and the average price of the units sold was around HK$33,600/sq.ft. based on saleable area (or HK$26,100/sq.ft. based on the GFA as stated in the marketing brochure). This was broadly in line with the Group's expectations. In October 2012, the Hong Kong Government introduced a 15% Buyer's Stamp Duty on non-local and corporate buyers and it also extended the period of Special Stamp Duty to stabilise residential property prices. The volume of sales transactions has fallen as a result. However, low interest rates and limited supply, especially of luxury properties in prime locations and traditional luxury districts, make it unlikely that prices will decline significantly. The Group therefore remains confident about the outlook for the Hong Kong residential property market.

Broadwood Twelve's high-end residential units have also attracted leasing offers from large and well-known corporations, as well as individual professionals. To maximise its income, the Group has leased 8 unsold units at an average monthly rental rate of about HK$69/sq.ft. based on their saleable area (or HK$54/sq.ft. based on the GFA as stated in the marketing brochure) as of 15 February 2013. These units will still be available for sale.

Hopewell New Town

Project Description	
Location	Huadu, Guangzhou, the PRC
Total site area	Approx. 610,200 square metres
Total plot ratio GFA	Approx. 1.11 million square metres
Basement car park GFA	Approx. 0.45 million square metres
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 3 kilometres from Baiyun International Airport in Guangzhou, and close to the highway that connects the airport with Guangzhou city centre. Approximately 260,800 sq.m. of the development (consisting of 154 townhouses and 1,813 apartments) had been sold and booked up to 31 December 2012.

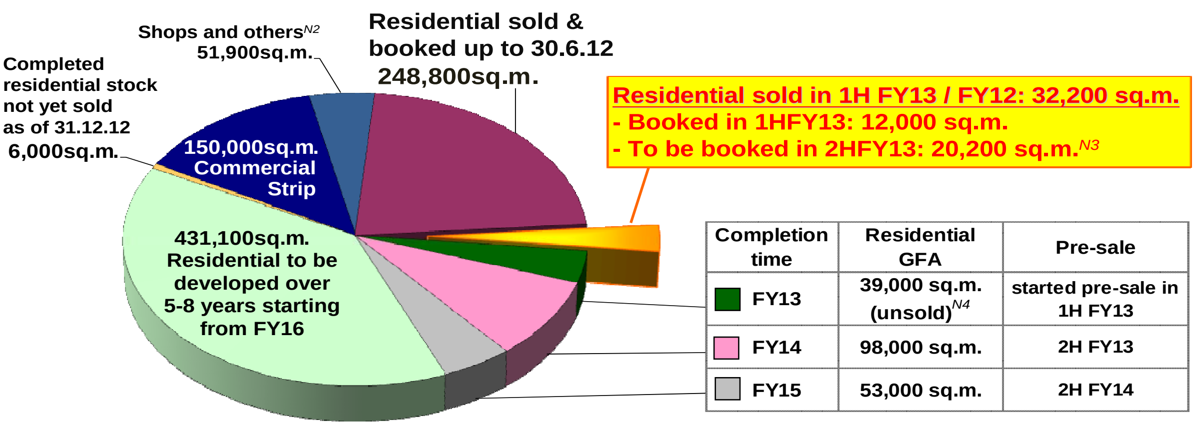
According to the current development plan for the project, a total of 206,000 sq.m. of its residential development will be completed between FY13 and FY15. Of these, 55,000 sq.m. with 336 apartments will be completed in FY13, 98,000 sq.m. with 896 apartments in FY14, and 53,000 sq.m. with 420 apartments and 38 townhouses in FY15.

Pre-sales of units that are completing in FY13 began in October 2012. The market's response has been encouraging by fetching an average unit price of RMB8,440 for apartment units of the project. The average selling price was 8% higher than that of the apartments sold in FY12. As of 15 February 2013, 16,000 sq.m. or 29% of the units completing in FY13 have been sold. They consist of 96 units of apartments. The Group expects demand for housing in the area will continue to support the sales of residential units of Hopewell New Town. In addition, 336 units or 27,000 sq.m. of apartments are currently planned for pre-sale in 2H FY13, which represents 38% of the units completing in FY14.

The development of a commercial strip with a permissible GFA of approximately 150,000 sq.m. or 1.6 million sq.ft. is currently under planning stage.

Plot Ratio GFA breakdown

Approx. plot ratio GFA: 1.11M sq.m.[N1]



Completion time	Residential GFA	Pre-sale
FY13	39,000 sq.m. (unsold)[N4]	started pre-sale in 1H FY13
FY14	98,000 sq.m.	2H FY13
FY15	53,000 sq.m.	2H FY14

N1: Plot ratio GFA does not include 0.45 million sq.m. basement car parks
N2: Others include community facilities and clubhouse
N3: of which 4,200 sq.m. was completed before 1H FY13 and will be booked in 2H FY13 or afterwards
N4: As of 15 February 2013

Development Plan[N1]

	Plot Ratio GFA (sq.m.)				
Sales Booking	Apartments	Townhouses	Residential sub-total	Commercial & Others[N2]	Total
Sold & booked up to 30.6.12	206,000	42,800	248,800	-	248,800
Sold & booked in 1HFY13	11,400	600	12,000	-	12,000
Sold & to be booked in 2HFY13[N3]	17,000	3,200	20,200	-	20,200
Planned Completion					
FY13 (unsold)[N4]	39,000	-	39,000	8,000	47,000
FY14	98,000	-	98,000	5,000	103,000
FY15	42,000	11,000	53,000	-	53,000
FY16 & Beyond	383,200	47,900	431,100	183,200	614,300
Remaining stock not yet sold as of 31.12.12	300	5,700	6,000	5,700	11,700
Total	**796,900**	**111,200**	**908,100**	**201,900**	**1,110,000**

N1: Present planning, subject to change
N2: Including 13,400 sq.m. shops, and approximately 150,000 sq.m. commercial strip planned to be developed
N3: of which 4,200 sq.m. was completed before 1H FY13 and will be booked in 2H FY13 or afterwards
N4: As of 15 February 2013

C) Hospitality

Turnover and EBIT of the hospitality business for the period under review were HK$230 million and HK$82 million respectively. Panda Hotel performed satisfactorily, while the restaurant and catering services business also grew steadily.

Panda Hotel

The total revenue of Panda Hotel increased by 4% to HK$178 million during the period under review. Robust Mainland Chinese tourist arrival figures fuelled the demand for hotel rooms, Panda Hotel's average room occupancy rate remained high at 94%. Meanwhile, its average room rate rose by 8% compared to the same period of last financial year. Room revenue rose by 7% to HK$132 million period on period.

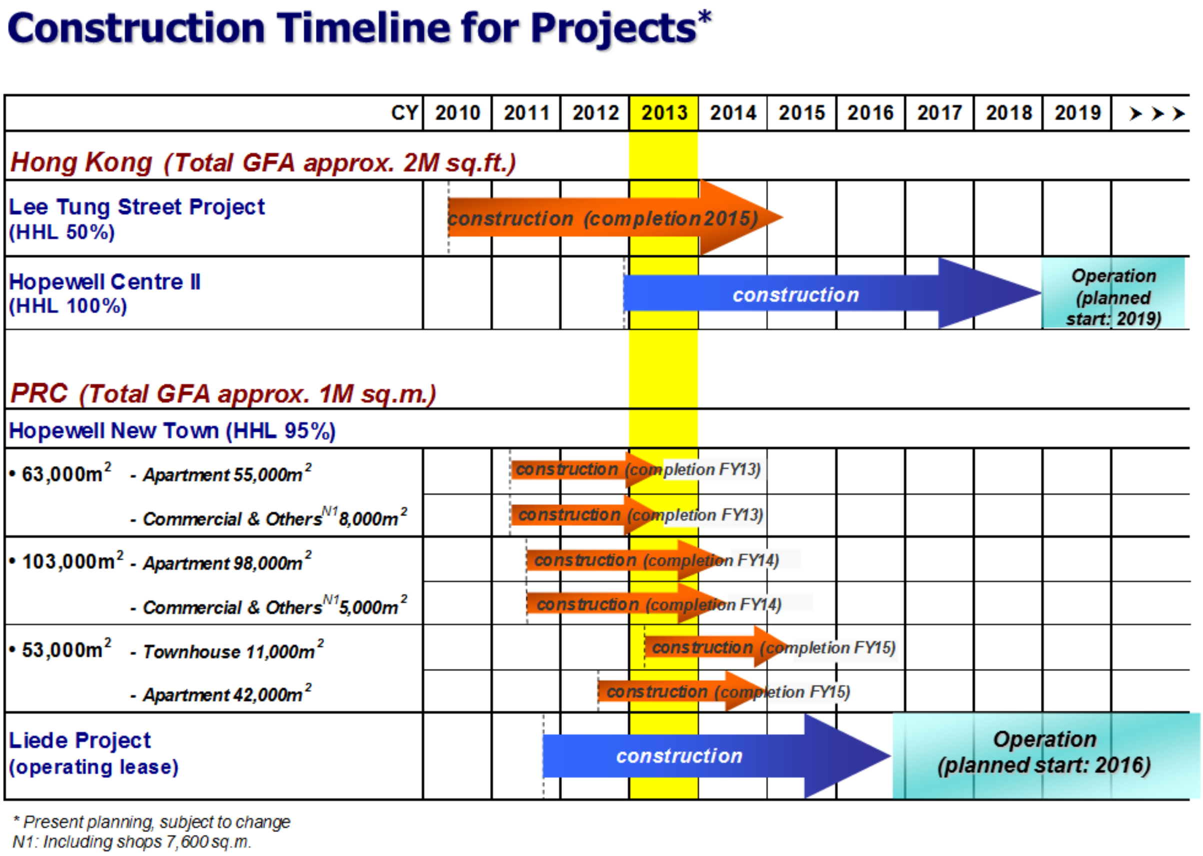
To maintain its competitiveness and enhance its image, Panda Hotel has undertaken a series of guestroom renovation and refurbishment initiatives that have included the upgrading its deluxe and executive rooms. These renovated and refurnished guestrooms are expected to attract more high-spending corporate travellers and guests from online bookings. In addition, the Group will dedicate more resources to sales and marketing promotions, and it will strive to achieve the healthy and sustained growth of its hospitality business.

Restaurant & Catering Services

KITEC F&B business provided the Group with a stable source of revenue during the period under review, and it achieved a turnover of HK$46 million. The growing number of private events and corporate functions held at KITEC also contributed to the growth of its banqueting business.

Food and service quality are the major keys to success in this industry. The Group has therefore implemented a Service Orientation Programme to enhance the standards of its F&B customer services. It will also further intensify its food quality controls and revamp its menu in the coming months.

D) Development

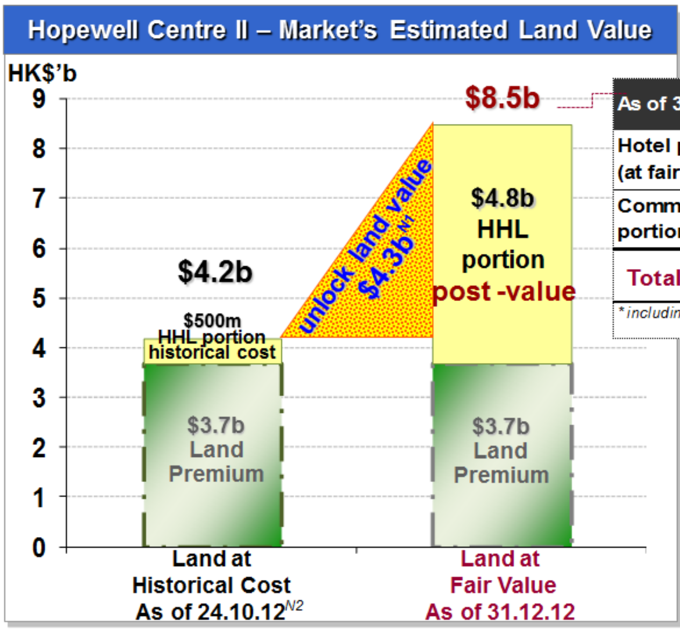


Hopewell Centre II

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

The Group accepted the Hong Kong Government's land premium offer of HK$3,726 million for the Land Exchange of HCII on 25 July 2012. It subsequently completed the Land Grant execution, made the land premium payment, and took possession of the site of HCII on 24 October 2012. Site preparation work began at the end of 2012 and construction works are expected to be completed in 2018. The estimated total investment cost (including land premium) is currently planned to be around HK$9 billion. This will be financed by the Group's internal resources and/or external bank borrowings. Upon completion, HCII is expected to be one of the largest conference hotels in Hong Kong.

As of 31 December 2012, the market's estimated value of the site of HCII was about HK$8.5 billion. On this basis, after deducting the land premium of about HK$3.7 billion, the market's estimated value of the portion of land already owned by the Group would amount to HK$4.8 billion, compared to its book value stated at historical cost of around HK$500 million as of 24 October 2012. Therefore, HK$4.3 billion of land value would be unlocked.

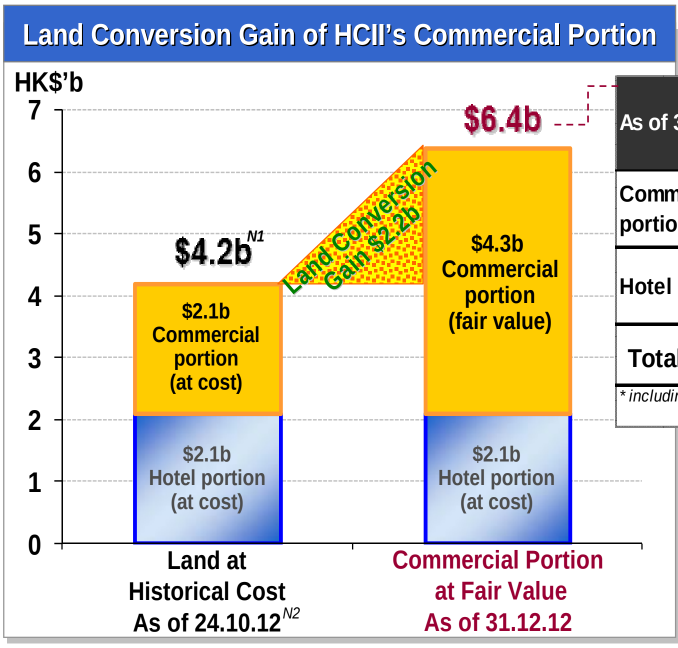


As of 31.12.12	HK$/sqft	GFA sqft	Land Fair Value	Fair Value mix
Hotel portion (at fair value)	5,600	758,700	HK$4.20b	50%
Commercial portion*	12,700	335,600	HK$4.27b	50%
Total			HK$8.47b	100%

** including retail GFA 298,000sqft and office GFA 37,000sqft*

N1: Of which a land conversion gain of commercial portion of HK$2.2b was booked in HHL's profit & loss account in 1HFY13
N2: HHL completed the land grant execution on 24 October 2012

Since the project has now started, the gain on the commercial portion arising from the conversion of bare land to a revenue generating asset was recorded in the Group's profit and loss account during the review period. As of 31 December 2012, the market's estimated value of the commercial portion was about HK$4.3 billion, compared to its book value stated at historical cost of around HK$2.1 billion. Therefore, a land conversion gain of HK$2.2 billion for the commercial portion has been booked during the period under review. The value of the hotel portion of the project is still stated at cost in the Group's balance sheet in accordance with general market practice.



As of 31.12.12	HK$/sqft Historical cost	HK$/sqft Book value	GFA sqft	Book value
Commercial portion*	6,300	12,700 (at fair value)	335,600	HK$4.3b
Hotel portion	2,800	2,800 (at cost)	758,700	HK$2.1b
Total				HK$6.4b

** including retail GFA 298,000 & office GFA 37,000sqft*

N1: - Represents $500 million historical cost booked in FY12 + $3.7 billion land premium paid in October 2012
- The attributable cost of hotel and commercial portions are based on 50:50 split in their fair values as of 31 December 2012 as shown in previous chart
N2: HHL completed the land grant execution on 24 October 2012

The HCII Green Park Committee has been formed to strive for a better design of the green park. The Group is also looking into the best way to preserve Nam Koo Terrace while maximising its potential.

A road improvement scheme, a green park open to the public and an extensive tree-planting plan will be implemented together with the project. The road improvement scheme will help to improve the area's traffic and enhance the safety of pedestrians, while the green park will provide a venue for public recreation and enjoyment.

As part of the Group's Wan Chai Pedestrian Walkway proposal, the project will provide a convenient pedestrian connection between the Kennedy Road residential area in Mid-Levels and Wan Chai MTR Station, via Hopewell Centre and the Lee Tung Street Project. This will help to integrate Wan Chai District and make the Group's "The East" premises more accessible. It will also synergise with the Group's property portfolio and enhance its recurrent income base.

Lee Tung Street Project

Project Description	
Location	Wan Chai, Hong Kong
Project nature	URA Project
JV partner	Sino Land Company Limited
Nature of development	Residential, Commercial and Government, Institution or Community
Planned investment	Around HK$9 billion (HHL's share: HK$4.5 billion)
Total site area	Around 88,500 square feet
Total GFA	Around 835,000 square feet
Residential GFA	Around 731,000 square feet (around 1,300 residential units)
Retail GFA	Around 86,000 square feet
Area to be handed over to the URA	Around 18,000 square feet
Revenue sharing with the URA	• Residential sales proceeds in excess of HK$6.2 billion will be shared equally between the URA and joint venture • Net rental income and sales proceeds from commercial portion will be shared 40:60 by the URA and joint venture

The Lee Tung Street Project is a URA redevelopment project with residential, commercial and government, institution and community elements. The Group and Sino Land Company Limited (Sino) formed the 50:50 JV that won the tender for this project in June 2009. The JV creates synergy by combining the Group's long-term presence and experience in Wan Chai with Sino's strong track record in residential development and its experience of URA projects.

The Lee Tung Street/McGregor Street area is widely known as an iconic landmark in the district, and it is full of historical significance. The project will highlight its unique and distinctive characteristics by incorporating redevelopment, heritage conservation, revitalisation, and green elements. A cluster of three historic buildings on Queen's Road East that forms part of the project will be revitalised as well. The project will also promote the continuous growth of Wan Chai District for the benefit of the community and future generations, which is in line with the Group's sustainability strategy.

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

The JV currently plans to invest around HK$9 billion to provide the project with premium quality and environmentally friendly features. In July 2011, the JV signed bank loan facilities for an aggregate principal amount of up to HK$5 billion, which should be more than sufficient to fund the project. As of 31 December 2012, the Group had also injected approximately HK$2.2 billion of its own funds into it.

Superstructure work on the Lee Tung Street Project is currently underway. Pre-sales of the residential portion are currently planned to start in the first half of 2013. The commercial portion, which will comprise a mixture of stylish shops and restaurants, and the residential portion are planned for completion in 2015. It will further enlarge the Group's rental property portfolio, and it is expected to create synergy among the Group's existing properties in Wan Chai, which include Hopewell Centre, QRE Plaza and GardenEast, as well as the future HCII.

Wan Chai Pedestrian Walkway – connects mid-levels to Wan Chai MTR station through Lee Tung Street and Hopewell Centre

Amalgamation Properties

The Group has acquired individual units in several sites in Hong Kong, which are being reserved for future development. The assembly of amalgamation properties into sites is part of our strategy for the acquisition of land reserves in strategic locations for future development. The Group believes that the assembly and subsequent development of the amalgamation properties could generate attractive investment returns.

Liede Integrated Commercial (Operating Lease) Project

Project Description	
Location	Zhujiangxincheng, Guangzhou's CBD, PRC
Total GFA	Around 230,000 square metres (including basement car parks)
Nature of Development	A high-quality commercial complex
Planned investment	Not less than RMB1 billion
Landlord	Guangzhou Liede Economic Company Limited
Tenant	A subsidiary wholly owned by the Group
Investment structure	Operating lease of the buildings with landlord
Status	Under construction

Pursuant to an agreement entered into by a subsidiary of the Group and the development's landlord, Guangzhou Liede Economic Company Limited, the Group's subsidiary will be responsible for fitting out and equipping this commercial complex development. Once construction work on it has been completed, the premises will be leased to the Group's subsidiary under an operating lease. It will begin paying rent to the landlord when its commercial operations commence.

Construction of the project began in the third quarter of 2011, and it is currently planned for completion in 2016.

2. Infrastructure

A) Toll Roads – HHI

<u>Business Performance</u>

During the period under review, the aggregate average daily traffic volume on the GS Superhighway, Phase I West and Phase II West increased by 10% to 548,000 vehicles, while their aggregate average daily toll revenue decreased by 10% to RMB10.44 million. Their combined toll revenue amounted to RMB1,921 million. The decline in toll revenue was mainly due to a fall in the toll revenue of the GS Superhighway following the implementation of the Tariff Proposal in June 2012, but it was partly offset by the strong growth of Phase II West's toll revenue.

The average daily toll revenue of the GS Superhighway dropped by 15% to RMB8.7 million during the six months under review. Although its toll revenue fell after the implementation of the Tariff Proposal in June 2012, the effect of this policy on GS Superhighway has stabilised within two months from the commencement of the implementation and is in line with the estimate contained in the voluntary joint announcement issued by HHI and HHL on 31 May 2012. The average daily toll revenue of the GS Superhighway has been picking up after a drop, increasing from RMB8.3 million in June 2012 to around RMB9 million since August 2012 (except for October 2012, due to the Holiday Toll-free Policy). The average daily traffic of Class 1 small cars grew continuously during the period under review. The traffic of Classes 4 and 5 commercial trucks also continued to grow, due to greater price sensitivity to the tariff cut implemented since 1 June 2012. This policy had minimal impact on Phase I West and Phase II West.

Phase I West recorded stable growth and Phase II West maintained strong growth during the period under review. The average daily traffic volume and average daily toll revenue of Phase I West grew by 14% and 7%, and they amounted to 41,000 vehicles and RMB451,000 respectively. During the same period, the average daily traffic and average daily toll revenue of Phase II West were 76,000 vehicles and RMB1,286,000 respectively, representing growth of 30% and 29%. The average daily toll revenue of Phase II West has remained above RMB1.3 million since August 2012 (except for October 2012, due to the Holiday Toll-free Policy), thereby approaching the RMB1.5 million profit breakeven level. The portion of toll revenue derived from Phase I West and Phase II West rose to 17% of HHI Group's proportionately shared aggregate toll revenue, compared to 12% during the same period in FY12.

HHI Group's revenue base was further enlarged when Phase III West commenced operation on 25 January 2013. Completion of all three phases of the Western Delta Route has added fresh momentum to the growth of toll revenue and traffic, and it has created synergy with Phase I West and Phase II West.

Despite the slowdown in China's economic growth since the first quarter of 2012, due to weakened global demand, its national GDP still grew by a steady 7.8% over the year. Guangdong's imports and exports also showed signs of regaining growth momentum in the second half of 2012, and they grew by 7.7% during the year as a whole. National car sales increased by a modest 4% with around 19.3 million vehicles sold in 2012. China remained the world's largest market for domestic vehicle sales for the fourth consecutive year. According to the media, more than one million vehicles were newly registered in Guangdong

Province in 2012. As a result, the total car ownership of Guangdong increased from 9.1 million vehicles in 2011 to over 10 million vehicles in 2012. These factors will increase the economic momentum of the PRC and Guangdong, and they will in turn benefit HHI Group's expressways.

Opening of Phase III West

Phase III West was completed and commenced operation on 25 January 2013, earlier than originally scheduled. Together with Zhuhai's existing expressway networks, it is now the most direct and convenient link between the city centres of Zhongshan and Zhuhai, and road users can travel to and fro the town centres of these two cities via Phase III West without making any detours. The completion of Phase III West also marks the completion of the entire Western Delta Route, which has become the main artery of a regional expressway network that covers the most prosperous cities on the PRD's western bank, including Guangzhou, Foshan, Shunde, Zhongshan and Zhuhai. It will also offer direct access to Hengqin State-level Strategic New Zone, Macau and Hong Kong via its connection with the HZM Bridge, which is targeted to be opened by the end of 2016 as reported by the media. The Western Delta Route provides the most direct and convenient route for road users to and fro the town centres of Guangzhou and Zhuhai, and it has substantially reduced the travelling time between them from more than two hours by existing local roads to approximately one hour.

Completion of the Western Delta Route also marks the completion of the PRD expressway network that HHI Group proposed in the late 1970s, with its vision of the potential that could be unleashed in Guangdong and particularly the PRD region following the PRC's economic reforms in the 1970s. This strategic network consists of the GS Superhighway, the Western Delta Route, the Humen Bridge and the Guangzhou East-South-West Ring Road. The high-quality and well-connected expressways initiated by HHI have helped to boost the economic growth of the cities along these routes.

The completion of all three phases of the Western Delta Route in January 2013 has enlarged HHI Group's revenue base. The synergy between Phase I West, Phase II West and Phase III West will further stimulate the growth of traffic and toll revenue of the Western Delta Route. Based on the annual toll revenues the GS Superhighway, Phase I West and Phase II West recorded during their first full year of operation, HHI Group estimates that Phase III West may achieve cash flow breakeven (after taking interest expense payments into account) once its average daily toll revenue reaches RMB800,000 (equal to annual toll revenue of RMB7.6 million per kilometre).

Further Notice on the Revised Tariffs for Certain Routes

As reported in HHI's Annual Report 2011/12, the JV companies received the notice from the Guangdong Provincial Communications and Transportation Bureau and the Price Control Administration of Guangdong Province on 26 July 2012 that all toll expressways in Guangdong Province must revert certain toll charges that had been revised in accordance with the Tariff Proposal ("Revised Toll Charges") to their previous levels before the implementation of Tariff Proposal ("Original Toll Charges") if those Revised Toll Charges are higher than the Original Toll Charges. This requirement was implemented at all the expressways in Guangdong in three stages between August and December 2012. The GS Superhighway, Phase I West and Phase II West implemented the requirement since 1 December 2012. Its impact on the toll revenue of HHI Group's expressways has been minimal.

Implementation of the Holiday Toll-free Policy

As HHI announced on 14 August 2012, the State Council issued the Notice Regarding the Holiday Toll-free Policy ("Notice") on 2 August 2012. The Notice stipulates that small passenger vehicles with 7 or fewer seats should be entitled to use the relevant toll roads free of charge during the four major statutory holidays including Lunar New Year, the Ching Ming Festival, Labour Day and National Day, as well as the prescribed rest days immediately before and/or after these statutory holidays. In addition, vehicles carrying dangerous goods and trucks weighing over 15 tons were prohibited to travel on the expressways in Guangdong from 07:00 to 21:00. The GS Superhighway, Phase I West and Phase II West implemented this policy during the National Day holidays from 30 September 2012 to 7 October 2012 during the period under review and during the Chinese New Year holidays from 9 February 2013 to 15 February 2013. Small cars with 7 or fewer seats were exempted from the toll charges on HHI Group's expressways. Comparing the statistics during those two periods with the relevant statutory holidays the previous year, it is estimated the aggregate annual toll revenues of the GS Superhighway, Phase I West and Phase II West would be reduced by 3% to 3.5% as a result of the policy, which is in line with the figures disclosed in the announcement dated 14 August 2012.

Partial Opening of a Parallel Road

A 41-kilometre stretch of the 59-kilometre Guangzhou-Dongguan section of the Coastal Expressway was opened in mid-January 2012. Between July and December 2012, the average daily traffic volume of the GS Superhighway increased by 6%. The impact of the opening of this 41-kilometre section of the Coastal Expressway on the GS Superhighway's traffic was immaterial. In fact, the GS Superhighway remains a more competitive option for road users. Its strategic geographical location provides convenient access to populous downtown areas and major expressways, while the Coastal Expressway is designed to connect ports along the eastern shore of the PRD, and it mainly serves trucks destined for those ports. Thus, they attract different target customers. Together with Guangdong's continuous economic growth, HHI Group believes the GS Superhighway will maintain its leading position as the main traffic artery on the eastern bank of the PRD region.

According to the latest media reports, the remaining 18 kilometres of the Coastal Expressway's Guangzhou-Dongguan section will be opened before mid-2013, and the 30-kilometre Shenzhen section is scheduled for completion by the third quarter of 2013. Thus, the Coastal Expressway will be completely opened by the third quarter of 2013. HHI Group will continue to monitor its progress.

There are two misconceptions concerning the GS Superhighway and the Coastal Expressway. The first is that the travelling distance between Hong Kong and Guangzhou is longer via the GS Superhighway than via the Coastal Expressway, and the second is that the GS Superhighway tariff is higher than that of the Coastal Expressway. If one includes the connecting roads at both ends of the Coastal Expressway, i.e. the Hong Kong-Shenzhen Western Corridor and the connecting roads to Hong Kong's highway networks and to Guangzhou Ring Road, the total travelling distances from Hong Kong to Guangzhou via the GS Superhighway and Coastal Expressway are almost the same. More specifically, when we compare the entire length of the Coastal Expressway from its starting point to the ending point with that of the corresponding section of the GS Superhighway, i.e. the section between Huochun and Nantou, the travelling distances via both routes are also nearly the same. Besides, following the implementation of the Tariff Proposal in June 2012, the tariff rate for all expressways in Guangdong with 6 or more lanes has been made the same. Thus, there is no difference between the tariff rates of the GS Superhighway and that of the Coastal Expressway.

Launch of the First RMB-traded Share Placing Under "Dual Tranche, Dual Counter" Model

Responding to the market's strong interest in its shares and RMB investment products, HHI placed 120,000,000 RMB-traded new Shares at RMB3.22 on the Stock Exchange on 29 October 2012 (under stock code 80737)(the "Placing"), thus becoming the first listed company in the world to offer both RMB-traded Shares and HKD-traded Shares under the "Dual Tranche, Dual Counter" model. This pioneering placing has enhanced the average daily trading volume of HHI's shares, which increased 134% during the 3-month period after the Placing (from 25 October 2012 to 24 January 2013) compared to the 3-month period before the Placing from 23 July 2012 to 22 October 2012) and broadened its shareholder base. Moreover, it has helped to increase HHI's funding sources and raised long-term capital in RMB, which benefits HHI's development of PRC projects. The net proceeds from the Placing of approximately RMB375 million are being used for HHI Group's general working capital.

Operating Environment

Nine cities in the Pearl River Delta Region – namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, Jiangmen and Zhaoqing – began to recognise each other's annual tickets at the end of December 2012. This means vehicles bearing annual tickets issued by one of the nine cities no longer need to pay any fee for an entry ticket when they cross the boundaries between them. The change will lower overall transportation costs and increase the traffic on roads within the PRD region, thereby boosting inter-city traffic along the GS Superhighway and the Western Delta Route.

The Guangdong Government is currently studying the implementation of a toll-by-weight system on the PRD region's expressways. Those expressways in which HHI Group has invested may benefit from such an initiative, since it will reduce the number of overloaded trucks.

The Ministry of Public Security's revised regulation concerning applications for driving licences and their use ("機動車駕駛証申領和使用規定") came into force on 1 January 2013. Under the new requirements, drivers of passenger coaches or trucks carrying dangerous goods should not drive for more than four hours and must take a rest not shorter than 20 minutes for every such interval. It also provides for more-stringent penalties when drivers commit traffic offences, such as drink driving, drug driving, serious speeding and illegal stops by passenger coaches on expressways, which may result in the cancellation of the driver's licence. This revised regulation implies that traffic safety is of increasing concern of the PRC Government, who is now paying more attention to the issue. It is expected that this revised regulation will help to increase the road safety awareness of drivers and reduce the number of traffic accidents.

With around 2 million vehicles, Guangzhou has the second-highest car-ownership figure in Guangdong. Since 1 July 2012, the city capped the increase in the ownership of small and medium-sized passenger vehicles at 120,000 per year, on a trial basis for one year. The policy aims to enhance the transportation system of Guangzhou by relieving traffic congestion in its downtown districts. According to the media, more than one million vehicles were newly registered in Guangdong Province in 2012. As a result, the total car ownership of Guangdong increased from 9.1 million vehicles in 2011 to over 10 million vehicles in 2012.

In December 2012, the Guangzhou Municipal Government announced the implementation of restrictions on trucks that are not registered in Guangzhou and which weigh 15 tons or above. Such vehicles have been prohibited from travelling on the Guangzhou Ring Road between 07:00 and 20:00 since 10 January 2013 for a one-year period. HHI Group will continue to monitor the situation and its impact on HHI Group’s expressways.

During the past three years, the Municipal Governments of Guangzhou, Dongguan, Shenzhen and Foshan have announced new regulations regarding the erection of billboards along expressways in order to minimise distractions to drivers and standardise the operation and management of the industry. In a province-wide campaign, all illegal and expired billboards will be demolished and the locations for billboard erection will be re-planned. Since revenue from advertising billboards contributes an insignificant amount to HHI Group’s income, the impact of the new requirements is negligible.

The first phase of the cross-border Ad-hoc Quota Trial Scheme for private cars was launched in late March 2012. Under the scheme, Hong Kong private cars with five seats or less can be driven into Guangdong Province via Shenzhen Bay Port and remain in Guangdong for up to seven days. As of 31 December 2012, over 700 drivers had brought their private cars from Hong Kong to China under the scheme. HHI Group’s expressways may benefit from it in the longer term, as more travellers are allowed to drive their cars across the border.

Sustained Efforts to Enhance Operational Efficiency

Automation

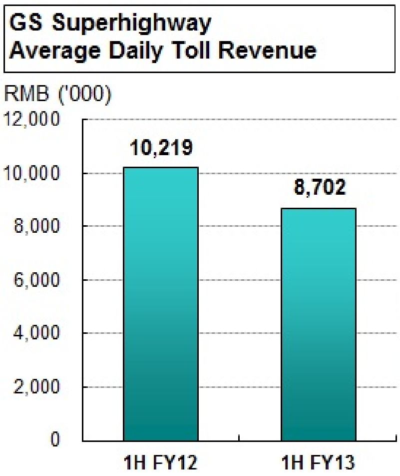
The GS Superhighway JV and West Route JV have installed automated equipment to increase the operational efficiency of their toll expressways and contain increasing operating costs. Electronic toll collection ("ETC") lanes have been installed at nearly every entrance and exit on HHI Group's expressways, and this has reduced the average length of time vehicles spend at them. The GS Superhighway has 68 ETC lanes, the highest number on any toll expressway in Guangdong Province. Meanwhile, a total of 24 ETC lanes have been installed on the Western Delta Route. Since the number of Guangdong Unitoll Cards users has been growing in the past few years, the use of ETC lanes has been increasing significantly. This trend looks set to continue in the future. In addition, 80 automatic card-issuing machines have been installed and have gone into operation at entrances to the GS Superhighway. Of these, 19 are installed at entrances to the Western Delta Route. ETC lanes and automatic card issuing machines have now been installed at about 60% and 50% of all the toll lanes at entrances to the GS Superhighway and Western Delta Route, respectively. These automated facilities help to keep the number of toll collection staff at a reasonable level and control the JV companies' operating cost.

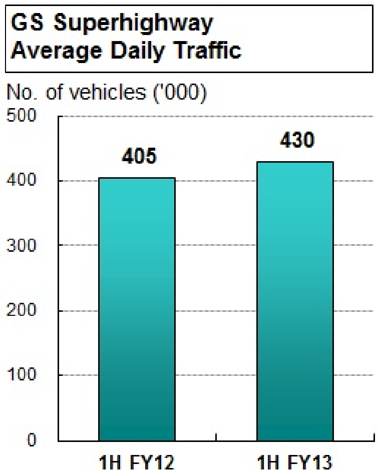
Strengthened Monitoring of Toll Integration

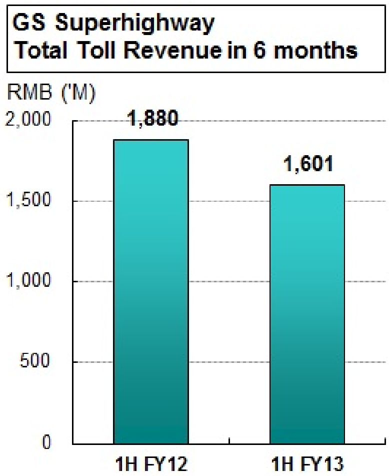
The GS Superhighway, Phase I West, Phase II West and Phase III West have formed parts of Guangdong's toll integration network since 2005, 2010 and 2013 respectively. As reported in HHI's Annual Report 2011/12, HHI Group has entered into a conditional agreement to become a shareholder of Guangdong Unitoll Collection Incorporated ("Guangdong Unitoll"), which operates the clearing house that centralises and manages data on daily toll revenues collected by all the expressways in Guangdong for settlement via its toll integration network. This will enable HHI Group to communicate better and more closely with Guangdong Unitoll, so as to monitoring its operations and development plans better. The relevant government authority has approved the transaction in January 2013. After the completion of the transaction and certain restructuring of Guangdong Unitoll, HHI will hold 2% shareholding in Guangdong Unitoll.

Guangzhou-Shenzhen Superhighway

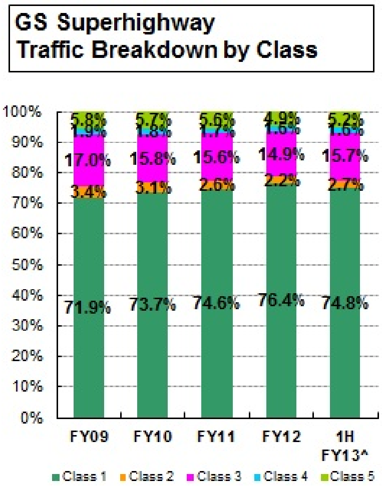
The GS Superhighway is the main expressway connecting the PRD region's three major cities – Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, its average daily toll revenue decreased by 15% year-on-year to RMB8.7 million, whereas its total toll revenue amounted to RMB1,601 million. Meanwhile, its average daily traffic volume increased by 6% to 430,000 vehicles.

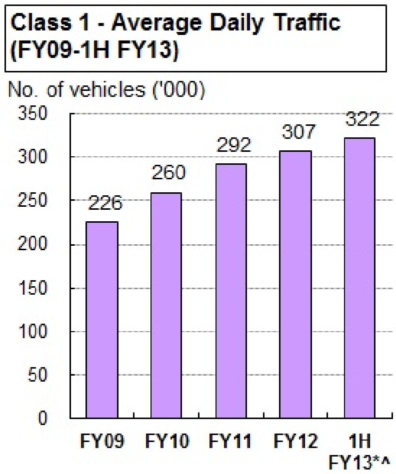


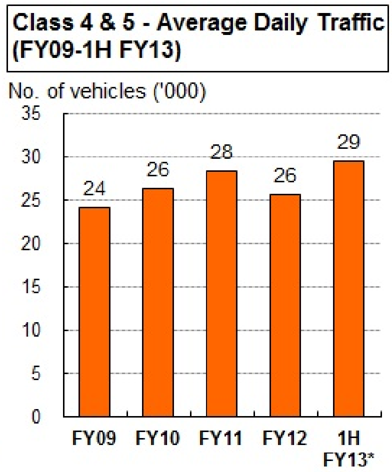


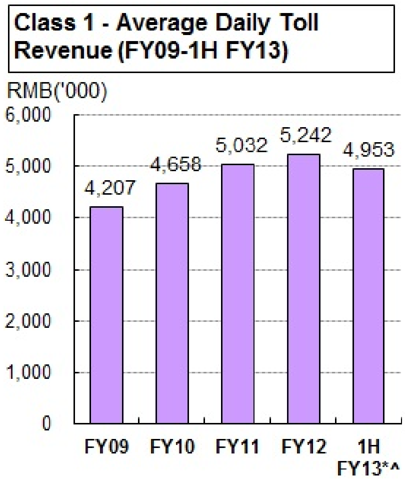


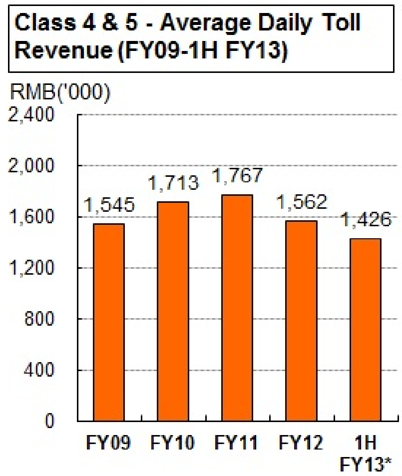
The decline in toll revenue since the implementation of the Tariff Proposal on 1 June 2012 has been in line with the forecast in HHI's announcement dated 31 May 2012. Despite this fall, the policy's impact on the GS Superhighway has stabilised within two months from the commencement of the implementation. The average daily toll revenue of the GS Superhighway has been picking up after a drop, increasing from RMB8.3 million in June 2012, to around RMB9 million since August 2012 (except for October 2012, due to the Holiday Toll-free Policy). The average daily traffic of all classes of vehicles of the GS Superhighway recorded growth during the six months under review following the implementation of the Tariff Proposal on 1 June 2012. The traffic of Classes 3, 4 and 5 vehicles continued to grow due to greater price sensitivity. Their average daily traffic recorded a year-on-year growth of 10% during the six months ended 31 December 2012. However, the average toll revenue per vehicle per kilometre dropped 11% from RMB0.89 to RMB0.79, mainly due to the reduced tariffs for Classes 2 to 5 vehicles.











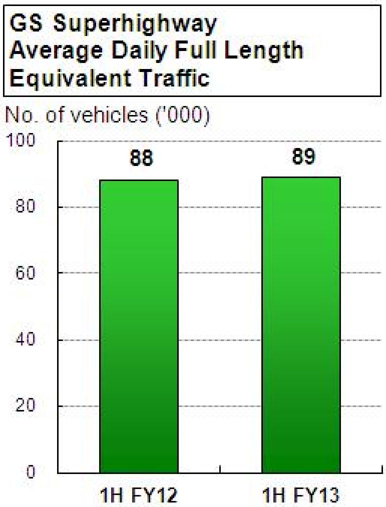
** Tariff cut was implemented since 1 June 2012*

^ Holiday Tol1-free Policy was implemented from 30 September 2012 to 7 October 2012

Driven by the continuous growth in passenger car sales in Guangdong, the traffic of Class 1 small cars continued to grow. The implementation of the Holiday Toll-free Policy during the National Day holidays was the main reason for the decrease in its average daily toll revenue during the period under review. Under this policy, small cars with 7 or fewer seats were exempted from toll charges. In addition, the average travelling distance of Class 1 small cars also decreased in the same period. Class 1 small cars accounted for 74.8% of the GS Superhighway's total traffic volume and contributed 56.9% to its total toll revenue.

The average daily traffic volume of Classes 4 and 5 commercial trucks also continued to grow, due to greater price sensitivity concerning the tariff cut implemented on 1 June 2012. However, the average daily toll revenue dropped due to the tariff cut.

Average daily full-length equivalent traffic is defined as the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the period under review. This is a standard operational statistic used throughout the industry, and it is also commonly used in presentations to reflect road usage. During the period under review, despite the increased traffic resulting from the implementation of the tariff cut since 1 June 2012, the average daily full-length equivalent traffic of the GS Superhighway remained at a similar level of 89,000 vehicles as the previous year. This indicates there is still room for traffic growth for the GS Superhighway.



As discussed earlier in the section headed "Partial Opening of a Parallel Road", the impact on the GS Superhighway of the opening of the 41-kilometre stretch of the Guangzhou-Dongguan section of the Coastal Expressway has been minimal. Between July and December 2012, the average daily traffic volume of the GS Superhighway increased by 6%, year-on-year. The GS Superhighway is comparable in length and it charges the same tariff rate as the Coastal Expressway. However, they have different target customers and the GS Superhighway offers a number of competitive advantages, such as convenient access to populous downtown areas, well-equipped facilities and high-quality services. All these factors, together with Guangdong's continuous economic growth, lead HHI Group to believe that the GS Superhighway will remain a more competitive of the two, as well as the main traffic artery on the eastern bank of the PRD region. According to the media, the entire Coastal Expressway will be fully completed by the third quarter of 2013.

A new entry/exit of the Changhu Expressway connecting directly to Xinluen and the GS Superhighway was opened in January 2013. The new connection provides an alternative entry/exit for the by-pass traffic between Taiping interchange of the GS Superhighway and Changhu Expressway, and it will help to ease the pressure of traffic on the section of the GS Superhighway between the Taiping and Wudianmei interchanges during peak hours.

Following the inauguration of the second runway of Shenzhen Baoan International Airport in 2011, the airport will be further expanded by the opening of a new passenger terminal in 2013. This will be located near the GS Superhighway's Hezhou interchange. The Hezhou interchange will be reconfigured to provide a smooth and convenient connection with the new passenger terminal and its access road. Construction work on this is now in progress, and certain entrance and exit plazas of the Hezhou interchange are being closed in phases between January and August 2013 to facilitate it. Vehicles travelling to and fro the Hezhou interchange currently need to enter and exit via adjacent interchanges of the GS Superhighway, including the Fuyong interchange and Baoan interchange. The temporary closure of the Hezhou interchange is having a minimal impact on the GS Superhighway, which will benefit from the expansion of Shenzhen Baoan International Airport and the increased volume of passengers and freight that it will entail.

The GS Superhighway Guangzhou toll station has been reconstructed and reconfigured to facilitate the merger of the toll networks in Guangdong’s Central District and Guangzhou District, and some toll plazas on it were removed during the second quarter of 2012. Besides reducing the number of stops required for the toll collection process and thus increasing throughput, the reconfiguration has helped to reduce GS Superhighway’s operating costs. The merger of the province’s toll networks has also greatly boosted the efficiency of its expressway transportation system, thus benefiting all its users.

The GS Superhighway JV has been making continuous progress in increasing its operational efficiency and its ability to cope with increasing traffic by installing automated equipment. ETC lanes or automatic card-issuing machines have now been installed at around 60% of all the toll lanes at the entrances to the GS Superhighway, and it becomes the expressway with the highest number of ETC lanes in Guangdong. These help to maintain the number of toll collectors it needs at a reasonable level, and they also help to control GS Superhighway JV’s operating costs.

In addition, the GS Superhighway is fully illuminated, it has more than 160 traffic surveillance cameras monitoring its entire main alignment, and 5 traffic police stations, 4 service areas and petrol stations are in operation along its route. Moreover, it has a fleet of more than 60 patrol vehicles and towing vehicles, plus a professional patrol and rescue team consisting of more than 200 staff members who provide highly efficient services in the event of vehicle breakdowns and accidents. All these facilities ensure that users of the GS Superhighway enjoy a safe, convenient and comfortable journey.

The GS Superhighway JV has also put a lot of effort into environmental protection. All the light bulbs at its toll plazas have now been replaced with energy-saving lights, including LEDs to reduce energy consumption. All T8 fluorescent light tubes at the management centre and staff living areas have been replaced with more energy-efficient T5 tubes. Following the satisfactory outcome of a pilot project to install LED lights along a 10-kilometre test section of the main alignment, the GS Superhighway has proceeded to install LED lights along its entire main alignment. This task is expected to be completed in

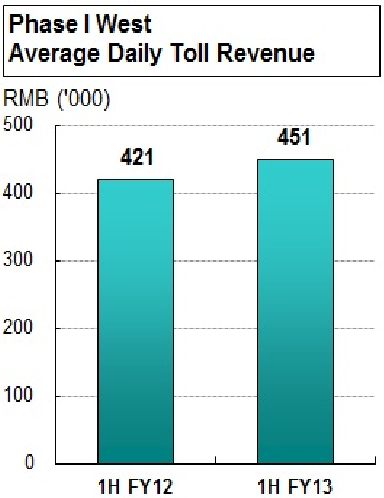
March 2013 and around 60% of the expressway alignment have been replaced with LED lights up to January 2013.

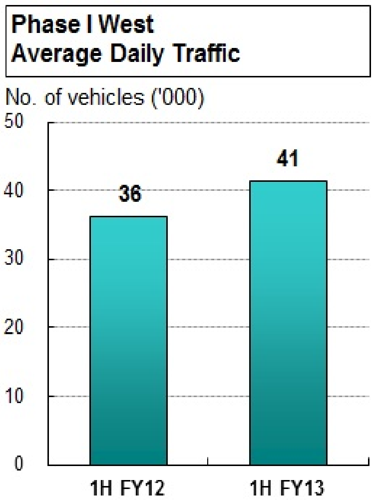
Moreover, the GS Superhighway JV has installed weighing equipment at 30 toll lanes. This helps to identify overloaded green-lane trucks that are not entitled to toll exemption more efficiently and effectively.

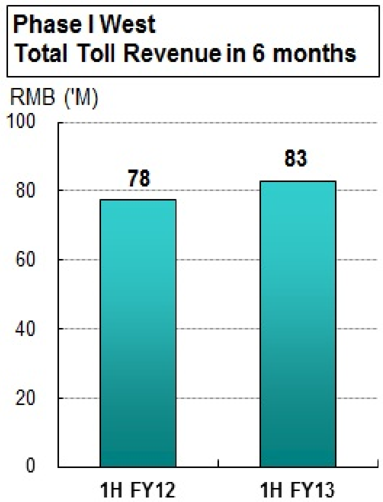
Phase I of the Western Delta Route

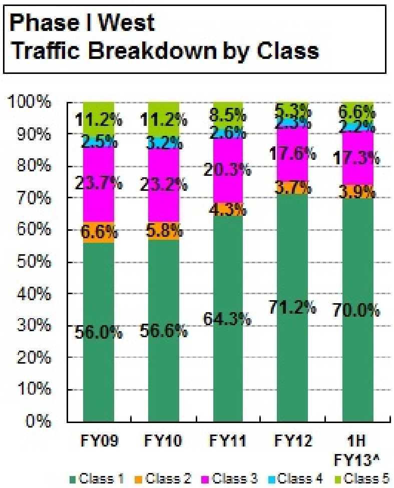
Phase I West is a 14.7-kilometre closed expressway with a total of six lanes in dual directions. It connects with the Guangzhou East–South–West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. Phase I West and Phase II West form the main expressway between Guangzhou and downtown Zhongshan. Between them they have reduced the travelling time between the two cities from one hour via local roads to approximately 30 minutes. The synergies between the two phases and the economic growth of Foshan have resulted in the stable growth of Phase I West's traffic volume and toll revenue.

During the period under review, Phase I West's average daily traffic volume increased by 14% year–on-year to 41,000 vehicles, whereas its average daily toll revenue increased by 7% to RMB451,000. Its total toll revenue for the period amounted to RMB83 million.



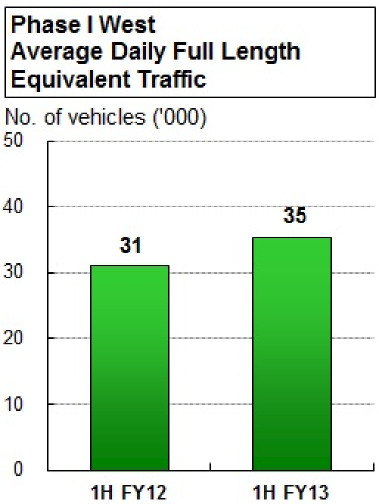






^ Holiday Tol1-free Policy was implemented from 30 September 2012 to 7 October 2012

Between July and December 2011, restrictions on trucks weighing more than 15 tons were intensified at Yajisha Bridge on the Guangzhou East-South-West Ring Road. The average daily traffic and average daily toll revenue of Phase I West have rebounded since these restrictions were lifted in December 2011, from 35,000 vehicles and RMB409,000 in August 2011 to 44,000 vehicles and RMB469,000 in December 2012. The traffic and toll revenue of Class 1 small cars continued to grow during the period under review, and they accounted for 70% of the total traffic volume of Phase I West. The traffic and toll revenue for Classes 4 and 5 vehicles rebounded, and thus the average toll revenue per vehicle per kilometre of Phase I West increased by 4%, from RMB0.8 to RMB0.83, year-on-year. However, they had not returned to the levels seen before the intensified restriction measures at Yajisha Bridge. This was mainly due to the removal of the toll station on National Highway 105 near Phase I West's Bijiang interchange in January 2012 and the fact that the section between Guangzhou and Bijiang on National Highway 105 has been toll free since then. Some trucks travelling to and from Guangzhou that previously used Phase I West now divert to National Highway 105. The average daily full-length equivalent traffic on Phase I West amounted to 35,000 vehicles during the period under review, a 14% growth, year-on-year.



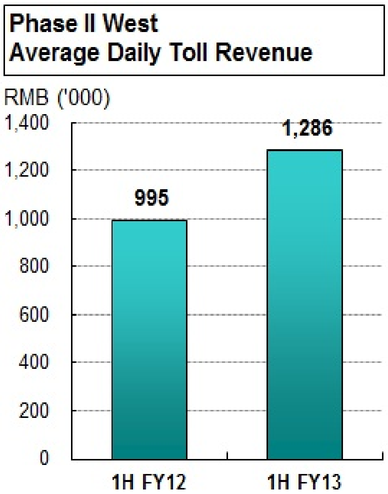
The opening of Phase III West on 25 January 2013 marked the completion of the entire Western Delta Route. The synergy between its three phases will further boost the growth of Phase I West's traffic volume and toll revenue.

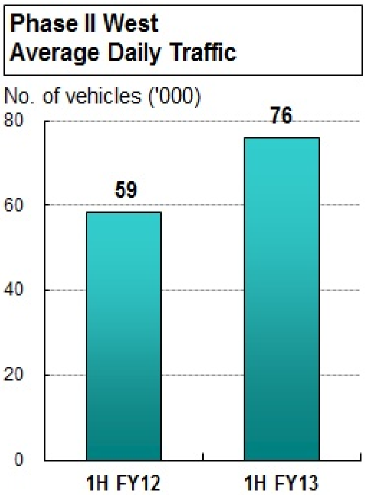
In December 2012, the Guangzhou Municipal Government announced the imposition of restrictions on trucks not registered in Guangzhou and weighing 15 tons or above. They have been prohibited from travelling on the Guangzhou Ring Road between 07:00 and 20:00 for a period of one year, commencing 10 January 2013. HHI Group will continue to monitor this situation and its impact on Phase I West.

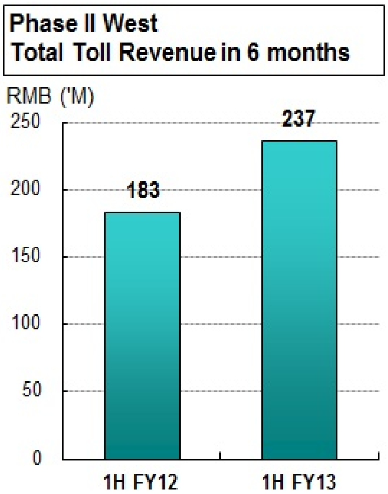
Phase II of the Western Delta Route

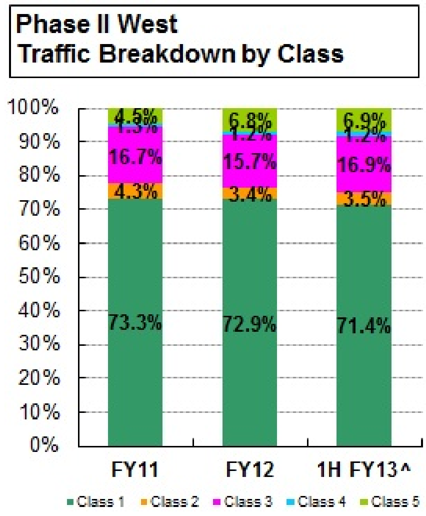
A 45.5-kilometre closed expressway with a total of six lanes in dual directions, Phase II West is connected to Phase I West at Shunde to the north and Phase III West at Zhongshan to the south. It is also inter-connected with National Highway 105, Guangzhou Southern Second Ring Road, Jiangmen-Zhongshan Expressway and Xiaolan Highway (which has been partially opened).

Phase II West's traffic volume and toll revenue have continued to grow strongly ever since it opened in June 2010. During the period under review, its average daily traffic volume rose by 30% to 76,000 vehicles, whereas its average daily toll revenue grew by 29% to RMB1,286,000. Its total toll revenue for the period under review amounted to RMB237 million. Class 1 small cars were the main contributors which accounted for 71.4% of the total traffic volume. The traffic of Classes 3 and 5 vehicles also grew strongly during the period under review, thus the average toll revenue per vehicle per kilometre increased by 2% period-on-period, from RMB0.79 to RMB0.81. The average daily full-length equivalent traffic on Phase II West during the period under review was 33,000 vehicles, representing period-on-period growth of 26%.

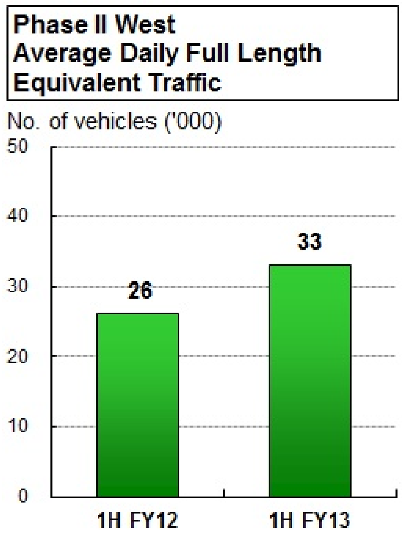








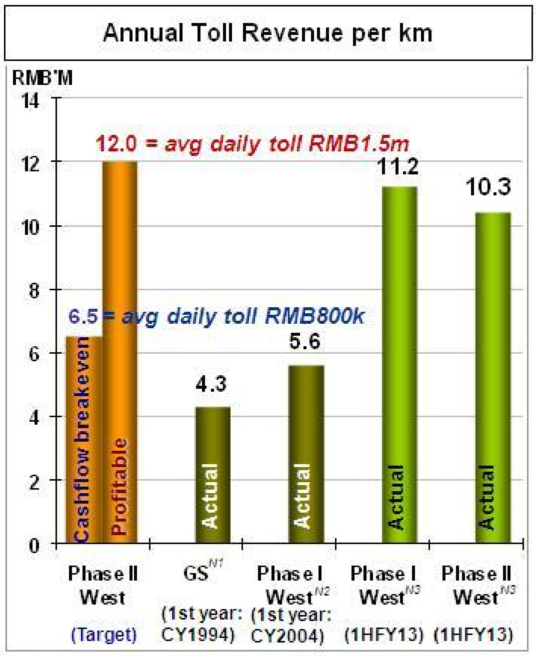
^ Holiday Tol1-free Policy was implemented from 30 September 2012 to 7 October 2012



A direct connection to Zhongshan downtown that links with the southern end of Phase II West was opened on 28 April 2012. This provides a faster and more convenient route that enables vehicles to reach downtown Zhongshan directly through the Zhongshan West Interchange without making a detour. This enhanced connectivity with downtown Zhongshan and its western district will encourage more drivers heading there to take Phase II West, thus further boosting the growth of its traffic and toll revenue.

As Phase III West opened on 25 January 2013, the entire Western Delta Route is now fully completed. The synergy between its three phases will further boost the growth of Phase II West's traffic volume and toll revenue.

By the second half of FY11, Phase II West's toll revenue had achieved HHI Group's target of operating cash flow breakeven (after taking interest expense payments into account) i.e. average daily toll revenue of RMB800,000 during its first year of operation. In fact, Phase II West has continued to exceed this target, and it recorded a net cash inflow (from operations and after taking interest expense payments into account) and a 26% increase in EBITDA during the period under review. As Phase II West's operating performance continued to improve, the loss it recorded during the period decreased. With the momentum of economic growth in the surrounding regions and Phase II West's improved connectivity, HHI Group expects it to achieve a profit (i.e. an average daily toll revenue exceeding RMB1.5 million) in 2014. Since August 2012, Phase II West's average daily toll revenue has exceeded RMB1.3 million (except during October 2012, when the Holiday Toll-free Policy was implemented), approaching the RMB1.5 million profit breakeven level. With the opening of Phase III West on 25 January 2013 and its synergy with Phase II West, HHI Group expects that Phase II West will become profitable sooner than originally expected.



N1: Annualized figure for CY94 (GS started operation on 18.7.94)
N2: Annualized figure for CY04 (Phase I West started operation on 30.4.04)
N3: Annualized figure

The relevant PRC authorities are currently processing the West Route JV's application to increase the investment in Phase II West to RMB7,200 million. Once approval has been obtained, additional registered capital can be injected into the West Route JV and additional project loans can be borrowed. To settle the outstanding project payments for Phase II West and use its internal resources efficiently, HHI advanced shareholder's loans of a total of RMB1,000 million to the West Route JV in December 2012 and January 2013 as interim financing for Phase II West. This enabled the West Route JV to repay in December 2012 the intercompany borrowings of RMB731 million that the GS Superhighway JV previously provided, together with the interest incurred. The GS Superhighway JV subsequently paid RMB351 million in dividends to HHI from the funds provided by this repayment.

Phase III of the Western Delta Route

A 37.7-kilometre closed expressway with a total of six lanes in dual directions, Phase III West is connected to Phase II West at Zhongshan to the north, and it extends southwards to link with the Zhuhai expressway network, thus providing direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai, Macau, and a connection to the forthcoming HZM Bridge.

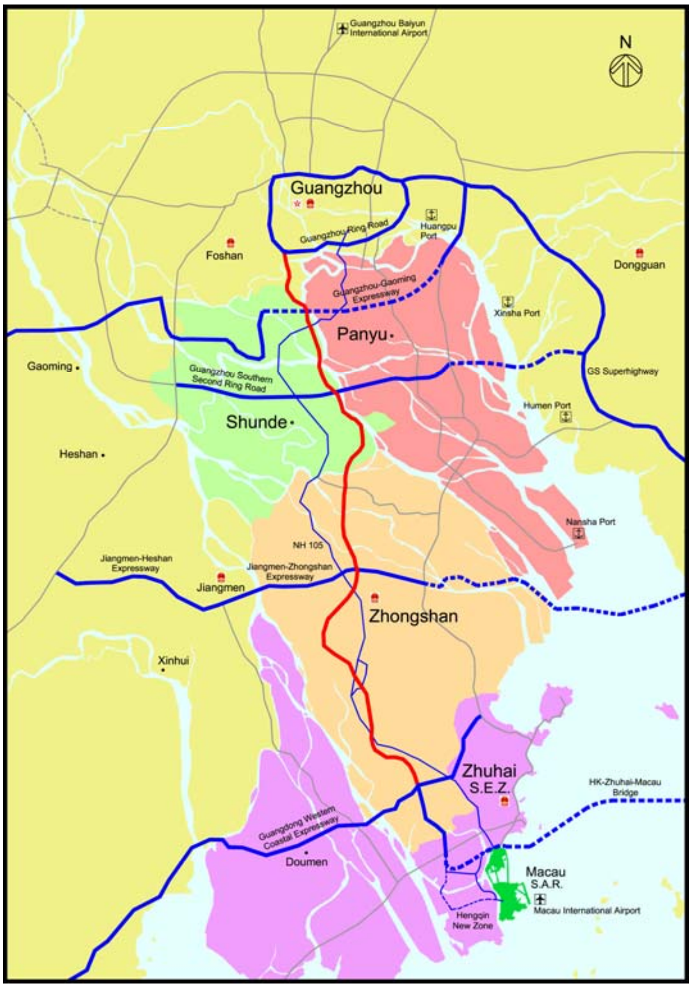
Phase III West commenced operation on 25 January 2013, earlier than originally scheduled. It provides the most direct and convenient expressway link between the town centres of Zhongshan and Zhuhai. Road users can now travel to and fro the town centres of these two cities via Phase III West without making any detour.

Phase III West – A Direct Route Connecting Town Centres of Zhongshan and Zhuhai

The entire Western Delta Route, with a total length of 97.9 kilometres, has now been completed, providing new momentum for the growth in HHI Group's revenue and expanding the total length of the toll expressways in which HHI has invested by 20%, to around 220 kilometres. It forms the main artery of a regional expressway network that covers the most prosperous cities on the PRD's western bank, including Guangzhou, Foshan, Shunde, Zhongshan and Zhuhai. It also offers direct access to Hengqin State-level Strategic New Zone, Macau and Hong Kong via its connection with the HZM Bridge, which targets to be opened by the end of 2016 as reported by the media. The

Western Delta Route is also the most direct and convenient route for road users travelling to and fro Guangzhou and Zhuhai, and it has substantially reduced the travelling time between the two cities from more than two hours via existing local roads to approximately one hour. As the central axis lying at the heart of the western bank of the PRD region, the Western Delta Route is also well connected with the region's expressway network, including the Guangzhou Ring Road, Guangzhou–Gaoming Expressway, Guangzhou Southern Second Ring Road, Zhongshan–Jiangmen Expressway, Western Coastal Expressway, and the expressway that will link Hengqin and the HZM Bridge.

Completion of the entire Western Delta Route



Based on the annual toll revenues of the GS Superhighway, Phase I West and Phase II West during their first full year of operation, HHI Group estimates that Phase III West's toll revenue will achieve operating cash flow breakeven (after taking interest expense payments into account) once its average daily toll revenue reaches RMB800,000 (the equivalent of annual toll revenue of RMB7.6 million per kilometre). The completion of all three phases of the Western Delta Route in January 2013 has enlarged HHI Group's revenue base, while the synergy created between Phase I West, Phase II West and Phase III West will further stimulate the Western Delta Route's traffic and toll revenue growth.

The Western Delta Route runs through the most prosperous cities on the western bank of the PRD region, including Foshan, Shunde, Zhongshan and Zhuhai. Foshan is Guangdong's third-largest economic region, with a GDP amounting to RMB671 billion in 2012, following closely behind Guangzhou and Shenzhen. Shunde, which is entirely connected from north to south by the Western Delta Route, is Foshan's most prosperous district. In addition, Zhongshan's GDP leaped by 11% in 2012 compared with Guangdong's moderate 8.2% GDP growth during the year.

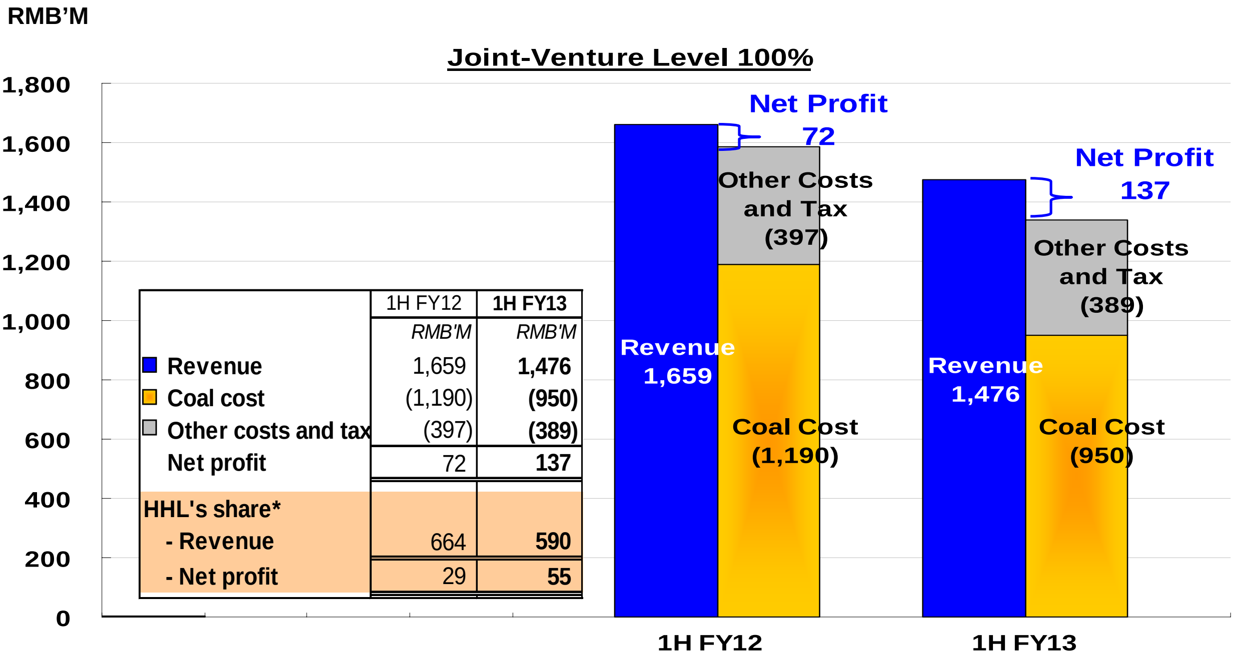
The entire Guangzhu Light Rail was fully completed upon the opening of the remaining section to Gongbei in December 2012. Although it provides an alternative way for passengers to travel between Guangzhou and Zhuhai, its operating mode is different to that of the Western Delta Route, and each attracts a different category of travellers. Unlike the Western Delta Route, which facilitates all-weather, 24-hour point-to-point freight and passenger transportation, Guangzhou Light Rail has fixed routes and fixed schedules to specific destinations. Similarly, the Guangzhou-Shenzhen Railway runs near the GS Superhighway. Over the last 19 years, the traffic and toll revenue of the GS Superhighway have grown continuously while the Guangzhou-Shenzhen Railway has expanded from its originally one railway line to four railway lines plus one high-speed railway line. HHI Group therefore believes the full opening of the Guangzhou Light Rail will have a minimal impact on the Western Delta Route.

B) Power

Heyuan Power Plant Phase I

Project Description	
Location	Heyuan City, Guangdong Province, PRC
Installed Capacity	2 x 600MW
HHL's stake	35%
JV partner	Shenzhen Energy Group
Total investment	RMB 4.7 billion (as per final account)
Status	Both units are operational

Key operating data	1H FY12	1H FY13
Gross Generation	4,100GWh	**3,500GWh**
Utilisation rate [N1] (hours)	77% (3,406 hrs)	**66%** **(2,932 hrs)**
Availability factor [N2]	89%	**93%**
No. of days in which Daily Utilisation rate [N3] >80%	113 days	**24 days**
Average on-grid tariff rate (excluding VAT) (RMB/MWh)	429.7	**445.3**
Approximate cost of coal (including transportation cost and excluding VAT) (RMB/ton)	750	**715**



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

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

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

N3: Daily Utilisation rate =
$$\frac{\text{Daily electricity generation during the period under review}}{\text{24 hours X Installed capacity}}$$

Heyuan Power Plant is a coal-fired power plant with two 600MW generating units located in Heyuan City, Guangdong Province, PRC. Besides being one of the province's most efficient and environmentally friendly coal-fired power plants, it was also the first in China to be equipped with a flue gas desulphurisation wastewater treatment system.

During the period under review, Heyuan Power Plant's utilisation decreased by 14% to 2,932 hours, due to the slowdown of China's economic growth. The approximate coal cost (including transportation cost and excluding VAT) fell by 5% to RMB 715/ton. On the other hand, its average on-grid electricity tariff rate (excluding VAT) increased by 4% to RMB445.3/MWh. The Heyuan JV will continue to endeavour to formulate and implement suitable cost-control strategies and measures.

The plant's financial performance is sensitive to fluctuations in the price of coal and the on-grid electricity tariff. A decrease in the coal price and an increase in the on-grid electricity tariff have offset the impact of the decrease in Heyuan Power Plant's utilisation rate and improved its net profit margin to 9% from 4%. As a result, Heyuan Power Plant's net profit increased by 90% to RMB137 million.

As of 31 December 2012, the Group had provided shareholder's loans for a total amount of RMB500 million to the Heyuan JV in order to increase its financial resources and reduce its finance costs. As of the same date, the Heyuan JV had repaid RMB1.15 billion or 45% of the project's debt (including the shareholder's loans) of RMB2.55 billion.

Guangdong Province's continued economic growth indicates that demand for electricity will remain strong in the long run. The Group therefore expects that the Heyuan Power Plant will continue to provide it with relatively stable profit contributions.

Heyuan Power Plant Phase II

The Heyuan JV is currently studying a second phase of Heyuan Power Plant, i.e. the development of 2 x 1000MW coal-fired power plants. Now in its preliminary planning stages, such a project would be subject to approval by the relevant PRC authorities.

Renewable Power

The Group has terminated its research on wind power and ocean current power development as the research would require enormous resources and take a long time to develop the technology, which would not be in line with the direction for the Group's future development.

PROSPECTS

The European sovereign debt crisis and the region's gloomy economic outlook are both expected to continue in 2013. In the US, the third round of quantitative easing measures announced by the Federal Reserve in September 2012, coupled with the recent resolution of the "fiscal cliff" crisis, are helping to boost its economic development and financial markets. However, it will also lead to exchange rate fluctuation and higher inflation. Japan's monetary easing measures have intensified since the election of the new prime minister, and this will further flood the financial markets with liquidity. The low interest rate environment is expected to continue for some time in the future, which will help to support the global economic recovery and stabilise financial markets.

China's GDP grew by 7.8% year-on-year in 2012, in line with the target growth rate though the weakest expansion in a decade. The PRC's new leadership will pay particular attention to fine tuning the pace of economic progress in order to achieve stability. While the Central Government will maintain its austerity measures, they are likely to be adjusted from time to time to suit the ever-changing environment. For instance, the PRC's Central Bank has relaxed its monetary policy slightly to support the country's economic growth. Maintaining price stability – especially in the property market - will remain the top priority of the Central Government's macroeconomic policy. Measures to tighten the property market are likely to continue, and it is believed property prices might decline gradually to what is considered a "reasonable level".

Hong Kong's economic fundamentals remain sound, despite the global economic uncertainties. Supported by local residents and visitors from Mainland China, the retail property market will continue to grow. This should benefit the Group's retail leasing business. The retail sector will be kept resilient by the mainland visitors and the buoyant business and leisure travel industry throughout the Greater China region will ensure that Hong Kong's hospitality industry continues to perform well. The Hong Kong Government's introduction of a Buyer's Stamp Duty of 15% on purchases of residential property by non-permanent residents in November 2012 has driven down the transaction volume but which has begun to pick up again after a short-term decline.

In October 2012, HHI successfully placed 120 million RMB-traded shares on the Stock Exchange, making it the first listed company in the world to offer both RMB-traded shares and HKD-traded shares under the "Dual Tranche, Dual Counter" model. This has proved to be a good means of increasing HHI's trading liquidity, and it matches functional currency using by HHI. The HHI Group will continue to explore and make the best possible use of various financing channels that become available in the course of the RMB's internationalisation. Although the GS Superhighway's toll revenue declined after the implementation of a revised tariff since 1 June 2012 pursuant to the requirements of the Tariff Proposal in Guangdong Province, the toll revenue has since been rebounding as the result of growth in traffic volume. In addition, the implementation of the Holiday Toll-free Policy approved by the State Council is expected to have an insignificant negative effect on the toll revenue of the GS Superhighway, Phase I West and Phase II West. Phase III West has commenced operation on 25 January 2013. Its opening has marked the completion of the Western Delta Route, and it will create synergy between Phase I West, Phase II West and Phase III West.

Regarding its rental properties, the Group has adopted strategies to enhance their design and layout as well as their trade and tenant mix. Moreover, it is focusing on increasing their competitive edge by upgrading the quality of their services and image. The planned introduction of a new cinema concept in EMax at KITEC will attract an increased footfall and thus help to drive the complex's rental performance.

The Group's projects under development are advancing full-steam forwards. The Group took possession of the HCII project site and started site preparation work towards the end of 2012. HCII is expected to become one of the largest conference hotels in Hong Kong, and it will synergise with the Group's property portfolio and enhance its recurrent income base. Construction of the Lee Tung Street Project is also proceeding on schedule and pre-sale of its residential units is scheduled to begin in the first half of 2013.

Proposed Spin-off of Hopewell HK Properties

As disclosed in the announcement made by the Company on 8 February 2013, it had submitted a proposal to the Stock Exchange pursuant to Practice Note 15 to the Listing Rules ("PN15") to spin-off its property development and investment, property related services and hospitality businesses in Hong Kong by way of a global offering and the separate listing of shares of Hopewell HK Properties on the Main Board of the Stock Exchange (the "Proposed Spin-off"). The Stock Exchange granted approval on the PN15 submission of the Company on 6 February 2013 and confirmed that the Company may proceed with the Proposed Spin-off. On 8 February 2013, Hopewell HK Properties submitted an application to the Stock Exchange for listing of, and permission to deal in, its shares on the Main Board of the Stock Exchange.

The Proposed Spin-off is in the interests of the Company and the shareholders of the Company taken as a whole. The separate listing of Hopewell HK Properties creates a more defined business focus for both the Group (excluding Hopewell HK Properties and its subsidiaries (the "Hopewell HK Properties Group")) (the "Remaining Group") and the Hopewell HK Properties Group and allows the respective management of the Remaining Group and the Hopewell HK Properties Group to efficiently allocate their resources on their respective businesses. The Proposed Spin-off also enhances access to capital markets for the Hopewell HK Properties Group and increases financing flexibility. Through the Proposed Spin-off, investors will be provided with more details of the operating performance of each of the Remaining Group and the Hopewell HK Properties Group so that they can better analyse their respective businesses and the shareholder base of the

Group will be diversified as a whole. Moreover, a separate listing of the businesses of the Hopewell HK Properties Group will enhance value for the shareholders by better identifying and establishing the fair value of the businesses of the Hopewell HK Properties Group.

There is no assurance that the Proposed Spin-off and the separate listing of shares of Hopewell HK Properties will take place or as to when it may take place. The listing of shares of Hopewell HK Properties is, subject to, amongst others, the Proposed Spin-off being approved by the shareholders of the Company, the approval by the Listing Committee of the Stock Exchange and the final decisions of the Board and of the board of directors of Hopewell HK Properties.

FINANCIAL REVIEW

Liquidity and Financial Resources

As of 31 December 2012, the cash position and available committed banking facilities of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	*30.6.2012*	***31.12.2012***
Cash	3,394	**3,275**
Available Committed Banking Facilities	5,620	**1,720**
Cash and Available Committed Banking Facilities	9,014	**4,995**

As of 31 December 2012, the cash balance of HHL and its subsidiaries (excluding the HHI Group) amounted to HK$3,275 million. This included RMB1,809 million (equal to HK$2,250 million) and HK$1,025 million.

The net debt position of HHL and its subsidiaries, which represents the cash balance after deducting bank loans totalling HK$5,653 million, was HK$2,378 million. The Group entered a net debt position for the first time since 2003 mainly due to the payment of the land premium for HCII in October 2012.

As of 31 December 2012, the gearing ratio and debt to total asset ratios of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	*30.6.2012*	***31.12.2012***
Total debt	1,746	**5,653**
Net debt *(Note 1)*	Net Cash	**2,378**
Total assets	28,505	**42,216**
Shareholders' equity (excluding equity shared from HHI Group)	25,273	**35,074**
Total debt / total assets ratio	6%	**13%**
Net gearing ratio *(Note 2)*	Net cash	**7%**

Note 1: Net debt is defined as total debts less bank balances and cash

Note 2: Net gearing ratio is calculated by dividing the net debt by Shareholders' equity (excluding equity shared from HHI Group)

The Group expects its strong financial resources will be sufficient to meet the funding requirements of the projects it is currently developing. It currently plans to spend a total of approximately HK$2.9 billion on these projects (excluding the land premium of HK$3.7 billion for the Land Exchange of HCII which was paid in October 2012) between FY13 and FY15. The Group's cash on hand and, available committed banking facilities, together with the healthy cash flow from its prime-earning businesses and proceeds from sales or pre-sales at Broadwood Twelve, Lee Tung Street and Hopewell New Town projects, should provide adequate funding for the projects that the Group is currently developing.

Major Projects Plan

Projects	Target Completion	Total Investment[N1] HK$'M	Interest %	HHL's Portion of Total Investment[N1] HK$'M	HHL's Injection FY13 to FY15[N1] HK$'M
Hong Kong					
Lee Tung Street Project	2015	9,000	50%	4,500	0 [N2]
Hopewell Centre II	2018	9,000	100%	9,000	4,553 *(Including HK$3.7b land premium paid)*
PRC					
Hopewell New Town					
Residential portion (with shops)					
• **63,000m^2**	FY13	289	95%	270	1,190
• **103,000m^2**	FY14	658		630	
• **53,000m^2**	FY15	306		290	
Commercial strip					
• **150,000m^2**	FY17	1,244		1,180	560
Liede Project	2016	1,244	Operating Lease	1,244	286
Total				**17,114**	**6,589**

N1: Present planning, subject to change
N2: The investment is mainly financed by the project's bank loan
Based on exchange rate RMB1 = HK$1.244 (December 2012)

As at 31 December 2012, the HHI Group (consisting of HHI and its subsidiaries but excluding its JCEs) had a cash balance of RMB2,225 million, equal to HK$2,768 million (30 June 2012: RMB3,756 million, equal to HK$4,582 million). Taking into account the RMB600 million raised by HHI's RMB corporate bond issue in May 2011, and corporate loans of HK$1,341 million, that amounted to a total debt of HK$2,087 million, the HHI Group had net cash in hand of RMB547 million (equal to HK$681 million) at corporate level. On 10 May 2012, the HHI Group arranged a 3-year RMB1.6 billion facility, of which the term loan facility of RMB1.0 billion was fully drawn on 29 June 2012. It was used together with the Group's internal resources to repay the RMB1.38 billion corporate bonds that matured on 13 July 2012. The HHI Group's issue of the RMB-traded shares in October 2012 raised net proceeds of RMB375 million. The facility, the second tranche of RMB corporate bonds, and its own internal resources will provide the HHI Group with sufficient financial resources for its remaining funding requirements in relation to the Western Delta Route.

Maturity Profile of Major Committed Banking Facilities

	Maturity Date
HK$7,000 million syndicated loan	September 2014

As at 31 December 2012, HK$1,720 million of the Group's syndicated loan remained undrawn.

Apart from the above-mentioned facility, the Group had other available undrawn and uncommitted banking facilities amounting to HK$450 million as at 31 December 2012 (30 June 2012: HK$450 million).

In 2011, Grand Site Development Limited ("Grand Site"), a joint venture company with Sino Land Company Limited, successfully arranged a secured loan facility for an aggregate principal amount of up to HK$5,000 million to repay the land premium and construction costs of the Lee Tung Street Project. Its loan facilities are currently expected to be more than adequate to fund the Lee Tung Street Project. Their maturity date will be the earlier of (a) 42 months from 8 July 2011 or (b) six months after the issuance of a certificate of compliance by the Director of Lands in respect of the Lee Tung Street Project.

The Group's financial position remains strong. Its cash balance on hand and available undrawn banking facilities will provide it with sufficient financial resources for its recurring operating activities, and for its present and potential future investment activities.

Treasury Policies

The Group maintains prudent and conservative treasury policies. Their objectives are to minimise finance costs and optimise the return on financial assets.

The Group did not have any arrangements to hedge its exposure to interest or exchange rates during the period under review. However, it will continue to monitor these forms of risk exposure closely and regularly.

In general, all the Group's cash is placed as deposits denominated mainly in HK Dollars and RMB. The Group did not invest in any accumulator, equity-linked note or other financial derivative instruments during the period under review.

Charges on Assets

The Group's equity interest in the Lee Tung Street Project has been pledged to the banks concerned in order to secure banking facilities granted to the JCE for the Lee Tung Street Project. The carrying amount of the pledged equity interest at the end of the reporting period was insignificant to the Group.

Project Commitments

(a) HCII

HCII is one of the new major property projects of the Group. Under the current plan, the estimated total investment cost (including land premium) for the development will be around HK$9 billion, which has taken into account the estimated investment cost for a road improvement scheme, a green park open to the public, and an extensive tree-planting plan. Up to the end of the reporting period, the Group has incurred approximately HK$4.2 billion (including land premium paid) in the project (30 June 2012: HK$500 million).

(b) Lee Tung Street Project

The Group and a joint venture partner jointly hold and are developing the Lee Tung Street Project in Wan Chai through their shareholdings of 50% each in a joint venture company. The Group's total commitment to the project was approximately HK$4.5 billion at the end of the reporting period. This represented 50% of its total budgeted development and related costs. Up to the end of the reporting period, a total of approximately HK$2.2 billion (30 June 2012: HK$2.1 billion) had been contributed by the Group to the joint venture company to finance project development costs. The remaining development costs are expected to be funded by bank borrowings of Grand Site.

(c) Liede Integrated Commercial Project

Under a cooperation agreement entered into by the Group and a PRC party to develop and lease a commercial and hotel complex property in Guangzhou, the PRC, the Group is mainly responsible for fitting-out the property and purchasing the machinery and equipment required for its operation at a total cost of not less than RMB1,000 million. When its development has been completed, the Group will be entitled to operate the property for a specified period by paying fixed amounts of monthly rental. These will increase progressively to a maximum annual rental of RMB148 million. The total rental payable during the operating period will be approximately RMB3.0 billion. Up to the end of the reporting period, the Group had not incurred any material cost concerning this property project.

(d) Hopewell New Town

	30.06.2012	***31.12.2012***
	HK$'000	***HK$'000***
Authorised but not yet contracted for	302,749	**283,690**
Contracted for but not provided	565,239	**396,429**
	867,988	**680,119**

(e) Expressway projects

As at 31 December 2012, the Group had agreed, subject to the approval of relevant authorities, to make additional capital contributions totalling approximately RMB403 million (30 June 2012: RMB403 million) to a jointly controlled entity, West Route JV, for the development of Phase II West.

In addition to the above, the Group's attributable share of the commitments of certain jointly controlled entities of the Group in respect of the acquisition of property and equipment and the construction of Phase III West, which had been contracted for but not provided, totalled approximately HK$274 million at 31 December 2012 (30 June 2012: HK$511 million).

(f) Heyuan Power Plant Project

The Heyuan JV is currently studying a second phase of Heyuan Power Plant, i.e. the development of 2 x 1000MW coal-fired power plants. Now in its preliminary planning stages, such project would be subject to approval by the relevant PRC authorities.

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

	30.06.2012	***31.12.2012***
	HK$'000	***HK$'000***
Contracted for but not provided	85,459	**71,456**

(g) Property renovation

	30.06.2012	***31.12.2012***
	HK$'000	***HK$'000***
Authorised but not contracted for	-	**5,827**
Contracted for but not provided	11,499	**23,080**
	11,499	**28,907**

Contingent Liabilities

(a) Disposal of CEPA

In connection with the disposal by the Group of its interests in Consolidated Electric Power Asia Limited (“CEPA”) in previous years, the Group has entered into an agreement with the purchaser under which the purchaser and its affiliates have agreed to release and discharge the Group from all claims whatsoever that they may have against the Group arising under the sale agreement. The Group has also agreed to release and discharge the purchaser and its affiliates from all claims whatsoever that the Group may have against them. In this connection, the Group has given certain performance undertakings and indemnities to the purchaser and its affiliates, for which a provision totalling approximately HK$54 million was made in the consolidated financial statements for previous years. This provision represents management's best estimate of the costs and expenses that would be required to discharge the Group's obligations and liabilities under the agreement. The Directors are of the opinion that the provision is not expected to be payable within one year from the end of the reporting period, and it is therefore classified as non-current.

(b) Guarantees

A subsidiary of the Company acted as the guarantor for the repayment of mortgage bank loans amounting to HK$331 million as of 31 December 2012 (30 June 2012: HK$441 million) granted to purchasers of the subsidiary’s properties.

The Company acted as the guarantor of bank loan facilities granted to Grand Site, a jointly controlled entity, to the extent of HK$2,500 million (30 June 2012: HK$2,500 million), of which HK$1,493 million had been utilised as of 31 December 2012 (30 June 2012: HK$1,445 million). In addition, the Company also provided corporate guarantee of up to HK$1,031 million (30 June 2012: Nil) for Grand Site to a bank in respect of a letter of undertaking issued by the bank to the Hong Kong Government for the purpose of facilitating the application of Grand Site to the Government for pre-sale consent of the Lee Tung Street project.

In the opinion of the Directors, the fair values of such financial guarantee contracts are insignificant at initial recognition. Accordingly, no financial guarantee contract has been recognised in the condensed consolidated statement of financial position.

Material Acquisition or Disposal

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

CORPORATE SUSTAINABILITY

As a leading advocate of corporate sustainability, HHL believes that promoting sustainable community growth is just as important as achieving long-term business success. The Group has committed significant resources to launching a series of sustainable programmes for the communities in which it operates. To further strengthen its sustainability performance, a Corporate Social Responsibility ("CSR") Sub-committee consisting of senior management representatives from relevant business units and corporate functions was established in 2012 under the Sustainability Steering Committee. It oversees the Group's CSR initiatives, reviews its community investment strategies and their progress, and assesses its performance in prioritised CSR areas.

HHI, a major subsidiary of the Group, has published its first CSR Report to demonstrate its commitment to sustainable development, following the Group's direction. The Group's efforts to promote sustainability have been well recognised, and both HHL and HHI have been selected as constituents of the Hang Seng Corporate Sustainability Benchmark Index for two consecutive years.

Corporate Governance

The Company is strongly committed to the principles and practices of good corporate governance and capable management, which it regards as vital elements in ensuring its on-going success. To this end, it reviewed the effectiveness of its corporate governance structure during the period under review.

On 17 December 2012, the Board appointed Mr. Ahito NAKAMURA as an additional Independent Non-executive Director in order to enhance the Company's corporate governance.

Under its well-regarded and capable leadership, the Board will maintain a high degree of transparency and corporate governance practices, and the Company will surely retain its competitive edge in the market.

During the period under review, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules except for the deviation from code provision A.5.1 of the Corporate Governance Code which requires the establishment of a nomination committee, with explanation described below.

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

Awards and Recognition

- HHL & HHI were selected as constituents of the Hang Seng Corporate Sustainability Benchmark index for two consecutive years
- The HHL Sustainability Report achieved GRI B+ standing
- The HHL Sustainability Report garnered the Silver Award in the "Websites: Sustainability Report" category of the Galaxy Awards 2012
- HHL received a 'LOOP Silver Label' in the Low-carbon Office Operation Programme (LOOP) organised by World Wildlife Fund-Hong Kong (WWF-HK).

Environmental

Electric Vehicles

As a pioneer in the use and promotion of electric vehicles (EVs), HHL was the first corporation in Hong Kong to purchase a new Renault Electric Vehicle (EV) with zero carbon dioxide emissions. This has further increased the Group's green car fleet and it helps to mitigate the environmental impact of our operations.

EV Charging Stations

The Group recognises that the development of efficient EV charging stations is crucial for the wide acceptance of EVs. To support academic research and development, it has sponsored and supported an Innovation Technology Fund (ITF) application research project entitled "A 100kW Quick EV Charger with Active Filtering and Smart Charging Topologies" undertaken by the Hong Kong Polytechnic University. This aims to devise a 100kW Quick EV Charger that could help in the development of more user-friendly EV charging stations and popularise the use of EVs.

Carbon Footprint

The Group has been actively implementing measures to monitor and reduce its carbon emissions. It conducts annual carbon audits on the major properties it owns and manages and it has developed a solid carbon footprint management system that facilitates the formulation of long-term carbon reduction plans. The Group has received the Silver Label in the "Low-carbon Office Operation Programme (LOOP) Labelling Scheme" organised by the WWF-HK. This recognises its continuous efforts to manage and verify carbon footprint of its daily operations.

Our People

Caring for Our People

The Group believes that work-life balance helps to maintain a productive, cohesive and healthy workforce. To this end, it began to implement a five-day working week policy in 2010. The policy's implementation has since been extended to include the office staff of its hospitality division.

As a responsible and caring employer, the Group takes great pride in its Employee Assistance Programme (EAP) which aims to facilitate a happy, healthy and productive workforce by providing confidential hotline and face-to-face professional counselling to its employees. It also organises regular workshops and training programmes to help staff cope with work-related or personal needs including psychological, emotional, social and family and mental health issues.

Staff Development

The Group encourages and supports life-long learning and continuous personal development. The newly structured Human Resources team provides a broad range of training programmes and workshops covering topics such as a new staff orientation programme, corporate governance, risk management, soft skills and functional training, in order to help employees raise their levels of competence and drive business development. The Group believes Hopewell offers employees not just a job, but also a career and personal growth.

Staff Engagement

The Group places great emphasis on staff communication, ensuring that information relating to employment matters, company policies and guidelines, as well as staff events and volunteer service activities are communicated and disseminated to employees through their supervisors, HH Social Club meetings and its intranet. The Group believes effective communication is crucial in building a motivated and engaged workforce.

The Group has deep roots in the local communities in which it operates and it actively participates and invests in a variety of social development initiatives. This strengthens the pride and sense of belonging among staff members, who are encouraged to participate as volunteers in such activities. The dedicated voluntary efforts of its employees have earned them a "Certificate of Appreciation 2011-12" from the Hong Kong Agency for Volunteer Services.

Customers and Communities

Long-Term Partnership

The Group has developed long-term partnerships with selected NGOs that share the same values and focus on youth development and education, climate change and community engagement. It continued to support various organisations through sponsorships, donations, venue sponsorships, and the launch of new initiatives during the period under review. The major beneficiary organisations of these included:

- The Business Environment Council
- Friends of the Earth
- The Playright Children’s Play Association
- St. James’ Settlement
- The Community Chest of Hong Kong
- The Hong Kong Federation of Youth Groups
- The Hong Kong Outstanding Students’ Association
- The Hong Kong Red Cross
- The Hong Kong Student Army Camp
- WWF-HK
- Yan Oi Tong

Supporting Communities

The Group actively encourages its employees to support and participate in community programmes and initiatives. The HH Social Club, an organisation consisting of staff from the Group’s business units and subsidiaries, is an active platform for mobilising staff to volunteer to work with the Group’s NGO partners in serving the community. The Club’s members engaged in a broad range of charitable and voluntary programmes during the period under review. Some of their major activities were as follows:

Charitable and community programmes:	Organiser / Co-organiser
● “Hopewell-Yan Oi Tong Green Adventure – Mount Everest Programme” ● Plastic Recycling programme	Yan Oi Tong
● “Hopewell-Playright Christmas Playday” supporting and caring for chronically ill children ● “Playright Youth Ambassadors for Hospital Play”	The Playright Children's Play Association

• Volunteer visits to single elderly people during the Tuen Ng Festival • “Strike Bowling Programme”, Hong Kong’s first bowling training programme for intellectually disabled youngsters • “Happy Family Poon Choi Feast”, an event to provide warmth and care to the elderly in Wan Chai district. • “Green Ladies” fostering environmental protection and creating employment opportunities • “Greenshop” promoting organic food	St. James’ Settlement
• Hong Kong & Kowloon Walk for Millions • Dress Casual Day 2012 • Green Day 2012 • Love Teeth Day 2012	The Community Chest of Hong Kong
• Red Décor Day	The Hong Kong Red Cross
• Earth Hour • LOOP	WWF-HK
• Take a ”Brake”	Friends of the Earth
• Green Monday Low Carbon Lunch	Green Monday

Procurement and Supply Chain

HHL has completed internal reviews on supply chain sustainability for some of its key business units and is formulating a roadmap for the establishment of a group-wide supply chain policy and education of various business units and subsidiaries about how they can implement their own practices and procedures.

Stakeholder Engagement

The Group has been actively engaging with its stakeholders and it has further strengthened its stakeholder engagement channels and communications. It has undertaken extensive interviews and discussions with stakeholder groups, including JV companies and end users, regarding its corporate sustainability performance and CSR programmes. These interviews were conducted in accordance with ISO26000 recommendations, and their findings would help the Group to align its policies and practices with the expectations of stakeholders.

OTHER INFORMATION

Review of Interim Results

The Group's unaudited interim results for the six months ended 31 December 2012 have been reviewed by the Audit Committee and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

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 provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 31 December 2012, the Group had 1,157 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family-friendly employment policies and practices. The Group has arranged stress management workshops and Employees Assistance Program for employees, which were delivered by professionals who shared their experiences and methods handling stress. The Group also invests in human capital development by providing relevant training programmes to enhance employee productivity. In collaboration with Independent Commission Against Corruption, Equal Opportunities Commission and Office of Privacy Commissioner for Personal Data, the Group held different kinds of seminars and workshops for the employees to enhance their awareness towards corporate governance.

In 2012, the Group continues to hire graduate with potential under a 24-month Management Trainee Programme. The graduate acquired essential business knowledge and management skills through well planned job rotations within the Group's core business units and corporate offices.

The Group's training programmes are designed and tailor-made to increase the knowledge of its employees 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 individual interests in order to prepare their future roles and enable them to make greater contributions to the success of the Group's businesses. Besides formal training programmes, the Group also provides comprehensive and relevant training and self-learning opportunities to employees such as on-the-job training and educational sponsorships. During the period, the Group organised a number of seminars on subjects like counseling and crisis management, MPF investment management, by external consultants or service providers to enhance employees' general knowledge in the topics concerned.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 31 December 2012.

Model Code for Securities Transactions

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

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

Hong Kong, 21 February 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	NOTES	Six months ended 31.12.2011 *HK$'000* (unaudited)	Six months ended **31.12.2012** ***HK$'000*** **(unaudited)**
Turnover	3	587,124	**739,925**
Cost of sales and services		(239,030)	**(299,640)**
		348,094	**440,285**
Other income	4	164,119	**159,126**
Selling and distribution costs		(37,858)	**(33,849)**
Administrative expenses		(163,380)	**(173,255)**
Gain on disposal of investment properties (Broadwood Twelve)		14,867	**8,354**
Gain on disposal of a subsidiary		20,408	**-**
Fair value gain of completed investment properties		1,142,909	**7,685,973**
Fair value gain on investment properties (commercial portion of HCII) after land conversion		-	**2,153,000**
Finance costs	5	(43,836)	**(55,253)**
Share of profits of			
Jointly controlled entities	6	633,348	**477,066**
Associates		11,752	**5,642**
Profit before taxation	7	2,090,423	**10,667,089**
Income tax expense	8	(89,163)	**(109,600)**
Profit for the period		2,001,260	**10,557,489**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gain arising from revaluation of other properties before reclassification to investment properties		102,230	**-**
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of subsidiaries and jointly controlled entities		273,110	**235,886**
Other comprehensive income for the period		375,340	**235,886**
Total comprehensive income for the period		2,376,600	**10,793,375**
Profit for the period attributable to:			
Owners of the Company		1,824,963	**10,428,555**
Non-controlling interests		176,297	**128,934**
		2,001,260	**10,557,489**
Total comprehensive income for the period attributable to:			
Owners of the Company		2,133,353	**10,608,033**
Non-controlling interests		243,247	**185,342**
		2,376,600	**10,793,375**
		HK$	***HK$***
Earnings per share	9		
Basic		2.08	**11.95**
Diluted		2.08	**11.94**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	NOTE	30.6.2012 *HK$'000* (audited)	**31.12.2012** ***HK$'000*** **(unaudited)**
ASSETS			
Non-current Assets			
Completed investment properties		17,429,282	**25,130,666**
Property, plant and equipment ("PPE")		715,560	**688,905**
Properties under development			
Commercial portion of HCII (investment properties)		-	**4,270,000**
Hotel portion of HCII (PPE)		-	**2,103,751**
Properties for development		1,170,897	**809,116**
Interests in jointly controlled entities		9,072,789	**9,080,736**
Interests in associates		21,241	**26,883**
Loan receivable		410	**-**
Available-for-sale investments		3,000	**3,000**
Amounts due from jointly controlled entities		2,116,788	**3,181,456**
		30,529,967	**45,294,513**
Current Assets			
Inventories		7,261	**9,067**
Stock of properties			
Under development		635,831	**866,999**
Completed		154,140	**91,421**
Trade and other receivables	11	402,929	**228,646**
Deposits and prepayments		81,342	**93,047**
Amounts due from jointly controlled entities		651,532	**663,746**
Cash and cash equivalents held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		3,393,906	**3,275,148**
Hopewell Highway Infrastructure Limited and its subsidiaries ("HHI Group")		4,582,018	**2,767,996**
		9,908,959	**7,996,070**
Assets classified as held for sale (Broadwood Twelve)		1,202,200	**982,300**
		11,111,159	**8,978,370**
Total Assets		41,641,126	**54,272,883**

Cash and cash equivalents (included in bank balances and cash) held by:		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)	*3,245,708*	***2,734,182***
HHI Group	*3,984,218*	***2,021,657***
	7,229,926	***4,755,839***

	NOTE	30.6.2012 *HK$'000* (audited)	**31.12.2012** ***HK$'000*** **(unaudited)**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		2,179,658	**2,186,946**
Share premium and reserves		29,618,290	**39,536,840**
Equity attributable to owners of the Company		31,797,948	**41,723,786**
Non-controlling interests		2,784,041	**3,215,530**
Total Equity		34,581,989	**44,939,316**
Non-current Liabilities			
Warranty provision		53,966	**53,966**
Deferred tax liabilities		360,472	**373,847**
Amount due to a minority shareholder of a subsidiary		60,253	**54,315**
Corporate bonds		732,000	**746,400**
Bank borrowings of:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		1,746,000	**5,653,200**
HHI Group		1,220,000	**1,244,000**
		4,172,691	**8,125,728**
Current Liabilities			
Trade and other payables	12	574,370	**594,681**
Rental and other deposits		283,253	**273,673**
Amounts due to associates		887	**444**
Amount due to a jointly controlled entity		10,057	**11,856**
Tax liabilities		256,286	**228,285**
Corporate bonds		1,683,600	**-**
Bank borrowings of HHI Group		70,800	**96,900**
		2,879,253	**1,205,839**
Liabilities associated with assets classified as held for sale		7,193	**2,000**
		2,886,446	**1,207,839**
Total Liabilities		7,059,137	**9,333,567**
Total Equity and Liabilities		41,641,126	**54,272,883**

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 31 December 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2012.

The Group had early applied the amendments to HKAS 12 *Income Taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 *Investment Property* since the Group’s financial year beginning on 1 July 2010.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

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

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’ and an ‘income statement’ is renamed as a ‘statement of profit or loss’. The amendments to HKSA 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the statement of comprehensive income has been renamed and the presentation of items of other comprehensive income has been modified to reflect the changes.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income - continued*

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to HKFRSs	Annual Improvement to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised 2011)	Employee Benefits[1]
HKAS 27 (as revised 2011)	Separate Financial Statements[1]
HKAS 28 (as revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 January 2014

HKFRS 10 *Consolidated Financial Statements* replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including cases where an investor may control an investee with less than majority of voting rights. Overall, the application of HKFRS 10 requires extensive use of judgement.

2. PRINCIPAL ACCOUNTING POLICIES - continued

HKFRS 11 *Joint Arrangements* replaced HKAS 31 *Interest in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly control operations.

HKFRS 10 and 11 are effective for the Group for annual period beginning on 1 July 2013. The Directors anticipate that the application of HKFRS 10 and HKFRS 11 will have no material impact on the results and financial position of the Group.

HKFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS *7 Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for the Group for annual period beginning on 1 July 2013, with earlier application permitted. The Directors anticipate that the application of the new standard may result in more extensive disclosures of the valuation basis of investment properties in the consolidated financial statements

The Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the results and financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Turnover comprises mainly income from property letting, agency and management, property development and service 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.

3. TURNOVER AND SEGMENT INFORMATION - continued

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

Property investment	- property letting, agency and management
Hotel, restaurant and catering operation	- hotel ownership and management, restaurant operations and food catering
Property development	- development and sale of stock of properties and investment properties held for sale, property under development and project management
Toll road investment	- investments in expressway projects
Power plant	- power plant investments and operation
Treasury income	- interest income from bank balances and amounts due from jointly controlled entities
Other operations	- project management and others

Information regarding the above segments is reported below.

Segment revenue

	Six months ended 31.12.2011			**Six months ended 31.12.2012**		
	External	Inter-segment	Combined	**External**	**Inter-segment**	**Combined**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	***HK$'000***	***HK$'000***
Property investment	350,394	27,993	378,387	**387,980**	**20,770**	**408,750**
Hotel, restaurant and catering operation	227,518	158	227,676	**230,141**	**106**	**230,247**
Property development	412,812	353	413,165	**361,104**	**-**	**361,104**
Toll road investment	1,224,420	-	1,224,420	**1,110,852**	**-**	**1,110,852**
Power plant	807,333	-	807,333	**726,134**	**-**	**726,134**
Treasury income	123,582	-	123,582	**123,741**	**-**	**123,741**
Total segment revenue	3,146,059	28,504	3,174,563	**2,939,952**	**20,876**	**2,960,828**

Segment revenue includes the turnover as presented in condensed consolidated statement of profit or loss and other comprehensive income, sale of completed investment properties held for sale and treasury income of the Group, and the Group's attributable share of revenue of jointly controlled entities engaged in toll road investment and power plant.

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

3. TURNOVER AND SEGMENT INFORMATION - continued

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

	Six months ended	
	31.12.2011	**31.12.2012**
	HK$'000	***HK$'000***
Total segment revenue from external customers	3,146,059	**2,939,952**
Less:		
Sale of completed investment properties held for sale	(403,600)	**(239,300)**
Treasury income	(123,582)	**(123,741)**
Share of revenue of jointly controlled entities engaged in:		
Toll road investment	(1,224,420)	**(1,110,852)**
Power plant	(807,333)	**(726,134)**
Turnover as presented in condensed consolidated statement of profit or loss and other comprehensive income	587,124	**739,925**

Segment results

	Six months ended 31.12.2011				**Six months ended 31.12.2012**			
	The Company and subsidiaries	Jointly controlled entities	Associates	Total	**The Company and subsidiaries**	**Jointly controlled entities**	**Associates**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Property investment	217,934	1,152	6,418	225,504	**250,343**	**1,313**	**5,642**	**257,298**
Hotel, restaurant and catering operation	71,998	-	-	71,998	**81,498**	**-**	**-**	**81,498**
Property development	(12,791)	(36)	5,334	(7,493)	**2,184,816**	**(4,429)**	**-**	**2,180,387**
Toll road investment	(23,817)	598,352	-	574,535	**(22,226)**	**412,565**	**-**	**390,339**
Power plant	(1,734)	35,229	-	33,495	**(999)**	**67,617**	**-**	**66,618**
Treasury income	123,582	-	-	123,582	**123,741**	**-**	**-**	**123,741**
Other operations	(5,998)	(1,349)	-	(7,347)	**(13,566)**	**-**	**-**	**(13,566)**
Total segment results	369,174	633,348	11,752	1,014,274	**2,603,607**	**477,066**	**5,642**	**3,086,315**

Fair value gain on investment properties (commercial portion of HCII) after land conversion amounting to HK$2,153 million forms part of the segment result of property development.

Segment results represent the profit earned by each segment without allocation of corporate administrative expenses and exchange differences, fair value gain of completed investment properties, gain on disposal of a subsidiary and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. TURNOVER AND SEGMENT INFORMATION - continued

	Six months ended	
	31.12.2011	**31.12.2012**
	HK$'000	***HK$'000***
Segment results	1,014,274	**3,086,315**
Unallocated other income	23,170	**18,290**
Unallocated corporate expenses	(66,502)	**(68,236)**
	970,942	**3,036,369**
Fair value gain of completed investment properties	1,142,909	**7,685,973**
Gain on disposal of a subsidiary	20,408	**-**
Finance costs	(43,836)	**(55,253)**
Profit before taxation	2,090,423	**10,667,089**

4. OTHER INCOME

	Six months ended	
	31.12.2011	**31.12.2012**
	HK$'000	***HK$'000***
Included in other income are:		
Interest income from bank deposits	92,896	**101,541**
Interest income from amounts due from jointly controlled entities	30,686	**22,200**
Exchange gain, net	24,738	**18,176**

5. FINANCE COSTS

	Six months ended	
	31.12.2011	**31.12.2012**
	HK$'000	***HK$'000***
Interests on:		
Corporate bonds	30,932	**7,415**
Bank borrowings wholly repayable within 5 years	6,581	**42,904**
Loan commitment fees and others	6,323	**8,934**
	43,836	**59,253**
Less: interests capitalised in properties under development	-	**(4,000)**
	43,836	**55,253**

6. SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

	Six months ended	
	31.12.2011	**31.12.2012**
	HK$'000	***HK$'000***
Share of profits of jointly controlled entities before amortisation of additional cost of investments in jointly controlled entities	683,776	**531,874**
Amortisation of additional cost of investments in jointly controlled entities	(50,428)	**(54,808)**
	633,348	**477,066**

7. PROFIT BEFORE TAXATION

	Six months ended	
	31.12.2011	**31.12.2012**
	HK$'000	***HK$'000***
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	36,466	**34,081**
Share of tax of jointly controlled entities (included in share of profits of jointly controlled entities)	211,377	**169,842**
Share of tax of associates (included in share of profits of associates)	996	**204**

8. INCOME TAX EXPENSE

	Six months ended	
	31.12.2011	**31.12.2012**
	HK$'000	***HK$'000***
Hong Kong Profits Tax		
Current period	39,836	**40,386**
Under(over)provision in respect of prior periods	40	**(1,748)**
	39,876	**38,638**
Taxation elsewhere - current period		
PRC Enterprise Income Tax ("EIT")	27,562	**47,626**
PRC Land Appreciation Tax ("LAT")	833	**13,472**
	28,395	**61,098**
Deferred tax	20,892	**9,864**
	89,163	**109,600**

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

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

8. INCOME TAX EXPENSE- continued

PRC EIT for the period includes PRC withholding tax on dividends declared during the period by the Group's jointly controlled entities amounting to approximately HK$31,266,000 (six months ended 31.12.2011: HK$19,951,000).

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

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

Deferred tax is mainly attributable to the withholding tax on undistributed earnings of certain jointly controlled entities established in the PRC.

9. EARNINGS PER SHARE

	Six months ended	
	31.12.2011	**31.12.2012**
	HK$'000	***HK$'000***
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purpose of basic and diluted earnings per share	1,824,963	**10,428,555**

	Number of shares	**Number of shares**
Weighted average number of ordinary shares for the purpose of basic earnings per share	876,136,457	**873,050,106**
Effect of dilutive potential ordinary shares in respect of share options	44,967	**564,670**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	876,181,424	**873,614,776**

10. DIVIDENDS

	Six months ended	
	31.12.2011	**31.12.2012**
	HK$'000	***HK$'000***
Dividends recognised as distribution during the period:		
Final dividend for the year ended 30 June 2012 of HK54 cents per share (six months ended 31.12.2011: for the year ended 30 June 2011 of HK58 cents per share)	508,496	**472,052**
Special final dividend for the year ended 30 June 2012 of HK40 cents per share (six months ended 31.12.2011: for year ended 30 June 2011 of HK45 cents per share)	394,523	**349,669**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(74)	**(68)**
	902,945	**821,653**
Dividend declared:		
Interim dividend for the year ending 30 June 2013 of HK45 cents per share (six months ended 31.12.2011: for the year ended 30 June 2012 of HK45 cents per share)	392,338	393,729
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(32)	(32)
	392,306	393,697

Subsequent to 31 December 2012, the Directors declared that an interim dividend in respect of the financial year ending 30 June 2013 of HK45 cents per share shall be paid to the shareholders of the Company whose names appear on the Register of Members on 8 March 2013.

The amount of interim dividend declared for the year ending 30 June 2013 is calculated based on the number of shares in issue, less the dividend for shares held by HHL Employees' Share Award Scheme Trust, at the date of approval of this condensed consolidated interim financial statements.

11. TRADE AND OTHER RECEIVABLES

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

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

	30.6.2012	**31.12.2012**
	HK$'000	***HK$'000***
Receivables aged		
0 - 30 days	21,469	**22,166**
31 - 60 days	1,922	**2,702**
Over 60 days	8,648	**8,253**
	32,039	**33,121**
Less: Allowance for doubtful debts	(62)	**(361)**
	31,977	**32,760**
Interest receivable on bank deposits	30,811	**34,544**
Dividend receivable from a jointly controlled entity	340,141	**161,342**
	402,929	**228,646**

12. TRADE AND OTHER PAYABLES

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

	30.6.2012	**31.12.2012**
	HK$'000	***HK$'000***
Payables aged		
0 - 30 days	106,409	**69,293**
31 - 60 days	26,864	**59,624**
Over 60 days	25,550	**63,509**
	158,823	**192,426**
Retentions payable	42,467	**50,801**
Accrued costs for properties and other accruals	310,328	**276,405**
Accrued staff costs	36,056	**45,276**
Accrued interest on corporate bonds and bank borrowings	26,696	**29,773**
	574,370	**594,681**

13. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2012 amounted to approximately HK$53,065 million (30.6.2012: HK$38,755 million).

The net current assets of the Group at 31 December 2012 amounted to approximately HK$7,771 million (30.6.2012: HK$8,225 million).

GLOSSARY

"1H FY12"	the first half of FY12
"1H FY13"	the first half of FY13
"1H FY14"	the first half of FY14
"2H FY13"	the second half of FY13
"2H FY14"	the second half of FY14
"Average Occupation Rate"	the average of the Occupancy Rate as at the end of each month in the relevant period
"Board"	the Board of Directors of the Company
"CBD"	Central business district
"Coastal Expressway"	Guangzhou-Shenzhen Coastal Expressway
"Company" or "HHL"	Hopewell Holdings Limited
"Director(s)"	director(s) of the Company
"DPS"	dividend per share
"EBIT"	earnings before interest and tax
"EPS"	earnings per share
"F&B"	food and beverage
"FY07"	the financial year ended 30 June 2007
"FY08"	the financial year ended 30 June 2008
"FY09"	the financial year ended 30 June 2009
"FY10"	the financial year ended 30 June 2010
"FY11"	the financial year ended 30 June 2011
"FY12"	the financial year ended 30 June 2012
"FY13"	the financial year ending 30 June 2013
"FY14"	the financial year ending 30 June 2014
"FY15"	the financial year ending 30 June 2015
"FY16"	the financial year ending 30 June 2016
"GDP"	Gross Domestic Product
"Group"	the Company and its subsidiaries
"GS Superhighway"	Guangzhou-Shenzhen Superhighway
"GS Superhighway JV"	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture company established for the GS Superhighway
"GWh"	Gigawatt hour
"HCII"	Hopewell Centre II
"Heyuan JV"	SEC & Hopewell Power (Heyuan) Co., Ltd., the joint venture company holding Heyuan Power Plant
"Heyuan Power Plant"	The ultra super-critical coal-fired power plant project located in Heyuan City, Guangdong Province
"HHI"	Hopewell Highway Infrastructure Limited
"HHI Group"	HHI and its subsidiaries
"HK$" or "HKD"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of PRC
"Hong Kong Government"	the Government of Hong Kong
"Hopewell HK Properties"	Hopewell Hong Kong Properties Limited

"HZM Bridge"	the Hong Kong-Zhuhai-Macau Bridge
"JCE/JCEs"	jointly controlled entity/entities
"JV"	joint venture
"KITEC F&B"	the food and beverage business operated by IT Catering & Services Limited at KITEC
"KITEC"	Kowloonbay International Trade and Exhibition Centre
"Liede Project"	Liede Integrated Commercial (Operating Lease) Project
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	Macau Special Administrative Region of PRC
"MICE"	meeting, incentives, convention and exhibition
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MWh"	Megawatt hour
"NGO"	Non-Government (Voluntary) Organisations
"Occupancy rate"	the percentage of total area comprising those already leased and occupied by tenants, reserved for specified uses and those where in respect of which leases have been committed but not yet commenced over total lettable floor area
"Phase I West"	Phase I of Western Delta Route
"Phase II West"	Phase II of Western Delta Route
"Phase III West"	Phase III of Western Delta Route
"PRC" or "China"	the People's Republic of China
"PRD"	Pearl River Delta
"RMB"	Renminbi, the lawful currency of the PRC
"Shenzhen Energy Group"	Shenzhen Energy Group Company Limited
"sq.ft."	square foot
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"URA"	Urban Renewal Authority
"US"	United States of America
"VAT"	value-added tax
"West Route JV"	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the Western Delta Route
"Western Delta Route"	the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West

As at the date of this announcement, the Board comprises eight Executive Directors namely, Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Managing Director), Mr. Josiah Chin Lai KWOK (Deputy Managing Director), Mr. Albert Kam Yin YEUNG, Mr. Eddie Wing Chuen HO Junior, Mr. William Wing Lam WONG and Ir. Leo Kwok Kee LEUNG; two Non-Executive Directors namely, Lady WU Ivy Sau Ping KWOK and Mr. Carmelo Ka Sze LEE; and five Independent Non-Executive Directors namely, Mr. Guy Man Guy WU, Ms. Linda Lai Chuen LOKE, Mr. Sunny TAN, Dr. Gordon YEN and Mr. Ahito NAKAMURA.