HOPEWELL HOLDINGS LIMITED

Stock Code: 54

2013/14
Interim Report

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

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

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Group Results

Overview

The Group's EBIT (before land conversion gain of Hopewell Centre II) increased during the six months ended 31 December 2013 compared to the corresponding period of 2012. The EBIT of the property letting, agency and management operation, GS Superhighway and Phase II West continued to grow solidly. The increases in the EBIT from these operations were partly offset by (i) a net loss on Phase III West and (ii) a decrease in the EBIT of Panda Hotel resulting from decline in the number of group tour customers from Mainland China following the implementation of the new PRC Tourism Law in October 2013. In the absence of the one-off land conversion gain of Hopewell Centre II, the Group's EBIT decreased by HK$2,115 million to HK$921 million.

The Group's revenue for the six months ended 31 December 2013 was 3% lower than the figure for the corresponding period of 2012. The revenue from its investment properties, the GS Superhighway and Phase II West continued to grow healthily. The opening of Phase III West also boosted its revenue. However, these positive factors were offset by a decrease in the recognition of sales of residential units at Broadwood Twelve, as well as a decline in Heyuan Power Plant's sales of electricity.

The Group's revenue by activities and their respective EBIT for the six months ended 31 December 2013 were as follows:

	Revenue		***EBIT****	
HK$ million	*2012*	***2013***	*2012*	***2013***
Property letting, agency and management	388	**442**	257	**293**
Hotel, restaurant and catering operation	230	**209**	82	**59**
Investment properties and hospitality sub-total	618	**651**	339	**352**
Property development	361	**137**	27	**44**
Toll road investment (after interest and tax of JVs)	1,111	**1,284**	390	**380**
Power plant (after interest and tax of JV)	726	**640**	67	**69**
Treasury income	124	**130**	124	**130**
Others	–	**–**	(64)	**(54)**
Revenue/EBIT (before land conversion gain of Hopewell Centre II**)	2,940	**2,842**	883	**921**
Land conversion gain of Hopewell Centre II	–	**–**	2,153	**–**
Revenue/EBIT (Note)	2,940	**2,842**	3,036	**921**

* These figures represent the EBIT of the Company and its subsidiaries, plus their shares of net profits (after interest and tax) of JVs engaged in toll road and power plant operations

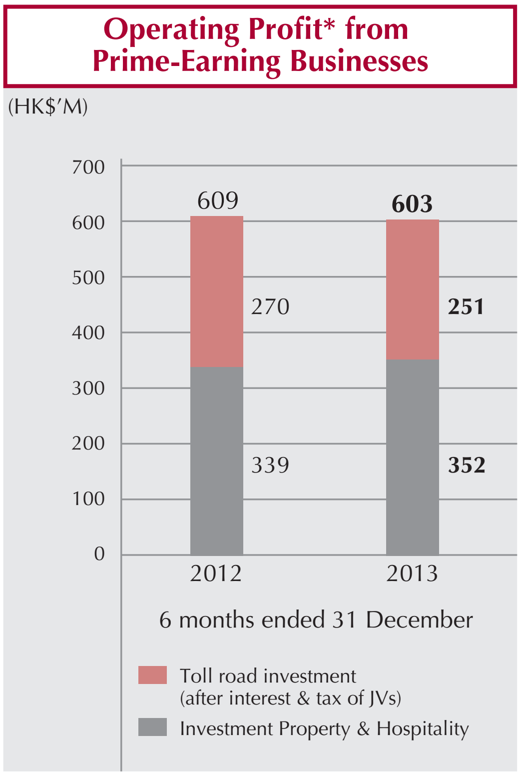
** Land conversion gain refers to the initial fair value gain arising from the conversion of bare land to a revenue generating asset (Hopewell Centre II land conversion)

Note:

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

	Results	
HK$ million	*2012*	***2013***
Earnings before interest and tax	3,036	**921**
Finance costs	(55)	**(48)**
Fair value gain of completed investment properties	7,686	**133**
Profit before taxation	10,667	**1,006**
Taxation	(109)	**(124)**
Profit for the period	10,558	**882**
Attributable to:		
Owners of the Company	10,429	**739**
Non-controlling interests	129	**143**
	10,558	**882**

	Turnover	
HK$ million	*2012*	***2013***
Revenue per Group Results	2,940	**2,842**
Less:		
Sales proceeds of Broadwood Twelve units	(239)	**–**
Treasury income	(124)	**(130)**
Share of revenues of JVs engaged in		
– Toll road	(1,111)	**(1,284)**
– Power plant	(726)	**(640)**
Turnover per Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	740	**788**



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

Revenue

The Group's revenue for the six months ended 31 December 2013 amounted to HK$2,842 million, which was 3% less than the HK$2,940 million reported for the corresponding period of 2012. This revenue included the sales proceeds of investment properties held for sale (i.e. Broadwood Twelve), treasury income, and the Group's shares of the revenues of JVs engaged in toll road and power plant operations.

The Group's investment property letting, agency and management division, the GS Superhighway and Phase II West businesses continued to grow healthily. The opening of Phase III West in January 2013 provided a new source of revenue. However, these positive factors were offset by the recognition of fewer sales of residential units at Broadwood Twelve, and a decline in the amount of electricity sold by Heyuan Power Plant during the period under review.

Earnings before Interest and Tax

Excluding the one-off land conversion gain of Hopewell Centre II recorded in the corresponding period of 2012, the Group's EBIT grew by 4% to HK$921 million. This increase was mainly due to the fact that the continued growth of earnings from its investment properties, the GS Superhighway and Phase II West was partly offset by (i) a net loss on Phase III West, and (ii) a reduction in the EBIT of Panda Hotel resulting from a decline in the number of group tour customers from Mainland China following the implementation of new PRC Tourism Law in October 2013. The management will endeavour to formulate and implement cost-control measures for the Group's corporate administrative costs to enhance shareholder's value.

The Group's EBIT for the six months ended 31 December 2013 was HK$921 million, which was lower than the HK$3,036 million reported for the corresponding period of 2012. This was because the Group recognised a one-off land conversion gain amounting to HK$2,153 million in respect of the commercial portion of the Hopewell Centre II project, after it obtained possession of the site, in the condensed consolidated financial statements for the corresponding period of 2012.

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

The EIT rate applicable for both the GS Superhighway and Phase I West is 25% since 2012 and until the expiry of their contractual operation periods. Phase II West is exempt from EIT from 2010 to 2012. Its applicable rate from 2013 to 2015 is 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 was HK$739 million. Excluding land conversion gain and fair value gain of the Group's completed investment properties, the core profit attributable to owners of the Company during the period was HK$606 million, an increase of HK$16 million or 3% compared with the HK$590 million recorded for the corresponding period of 2012.

The profit attributable to owners of the Company decreased, from HK$10,429 million to HK$739 million. This was mainly due to the lower fair value gain of completed investment properties recorded for the period under review and the absence of the one-off land conversion gain of Hopewell Centre II that was recognised in the corresponding period of 2012.

Major Assets in Balance Sheet

As at 31 December 2013 HK$ in million	HHI Business	HHL-Other Businesses	**HHL Group Total**	Major Assets In Balance Sheet
Completed investment properties	–	26,550	**26,550**	• GFA of investment properties: Hopewell Centre 840,000 sq.ft.; KITEC/E-Max 1,775,000 sq.ft.; Panda Place 229,000 sq.ft.; GardenEast 96,500 sq.ft.; QRE Plaza 77,000 sq.ft.; Wu Chung Retail 17,670 sq.ft.
Property, plant and equipment	1	688	**689**	• include Panda Hotel (911 rooms)
Properties under/for development	–	7,545	**7,545**	• include HCII (GFA: 1.1 million sq.ft.)
Interests in JV	8,222	1,108	**9,330**	• Toll Road JV • Heyuan Power Plant
Amounts due from JV (non-current)	1,281	1,383	**2,664**	• Amount injected in 200 Queen's Road East Project (Attributable GFA: 418,000 sq.ft.) • Shareholder's loan to Phase II West
Other non-current assets	6	36	**42**	
Properties held for sale	–	1,819	**1,819**	• Hopewell New Town (GFA of stock: Residential: 604,100 sq.m.; Commercial and others: 201,900 sq.m.) • Broadwood Twelve (saleable area of stock: 21,759 sq.ft.)
Amounts due from JV (current)	2	1,642	**1,644**	• Amount injected in 200 Queen's Road East Project • Shareholder's loan: Heyuan Power Plant
Bank balances and cash	1,812	3,069	**4,881**	
Other current assets	169	219	**388**	
Total assets	**11,493**	**44,059**	**55,552**	
Corporate bonds & bank borrowings – *Current* – *Non-current*	(1,632) *(769)* *(863)*	(5,114) *(384)* *(4,730)*	**(6,746)** **(1,153)** **(5,593)**	• Corporate bank loans: – HHL (RMB300 million and HK$4,730 million) – HHI (RMB500 million and HK$223 million) • HHI RMB600 million corporate bonds
Other non-current liabilities	(173)	(351)	**(524)**	
Other current liabilities	(28)	(1,364)	**(1,392)**	
Total liabilities	**(1,833)**	**(6,829)**	**(8,662)**	
Non-controlling interests	(3,081)	(133)	**(3,214)**	• Equity held by minority shareholders (HHI 31.9%; Heyuan 12.5%)
Shareholders' equity	**6,579**	**37,097**	**43,676**	• HHI (listed, 68.1%), Market value HK$7.6 billion*

* Based on closing price of HK$3.62 as of 15 January 2014

Dividend and Closure of Register

Dividend

The Board has declared an interim dividend of HK50 cents per share in respect of the financial year ending 30 June 2014 (30 June 2013: HK45 cents). This represents a payout ratio of 72% of the Company's profit attributable to owners of the Company, excluding the fair value gain on completed investment properties. The interim dividend will be paid on Wednesday, 19 February 2014 to shareholders whose names appear on the Company's Register of Members at the close of business on Thursday, 13 February 2014.

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 Thursday, 13 February 2014, 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 Wednesday, 12 February 2014.

Properties

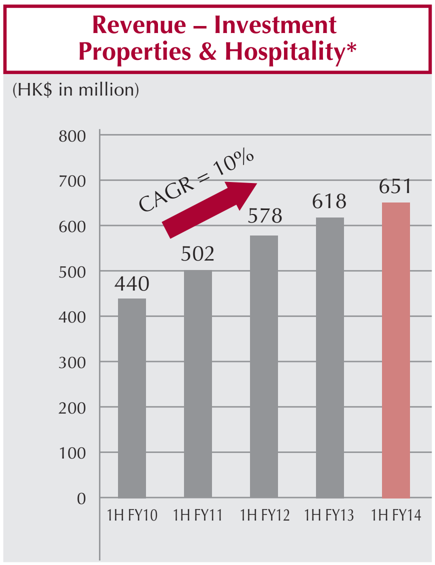
A) Investment Properties and Hospitality

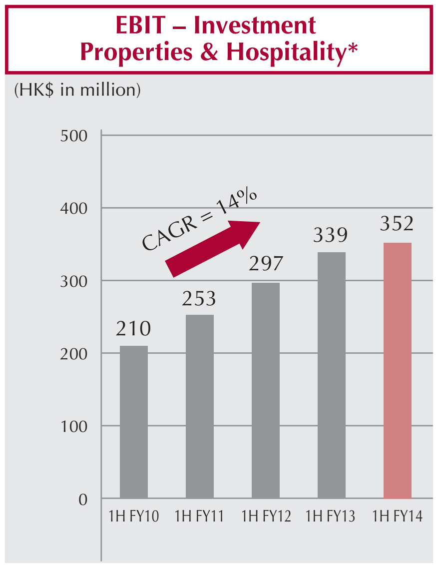
The Group's investment property and hospitality businesses consist of its wholly-owned investment property portfolio and its hotel, restaurant and catering operation. The revenue from these businesses amounted to HK$651 million for the period under review, an increase of 5% period-on-period.

(HK$ in million)	**Revenue***		
For the six months ended 31 December	*2012*	***2013***	*yoy change*
Investment Properties			
Rental income — office	129	**161**	*+25%*
Rental income — retail	102	**120**	*+18%*
Rental income — residential	32	**34**	*+6%*
Convention and exhibition	33	**32**	*-3%*
Air conditioning & management fee	64	**67**	*+5%*
Carpark & others	28	**28**	*+0%*
Investment Properties sub-total	388	**442**	*+14%*
Hospitality			
Room Revenue	178	**161**	*-10%*
Restuarants, catering operations and others	52	**48**	*-8%*
Hospitality sub-total	230	**209**	*-9%*
Total	618	**651**	*+5%*

* Excluding tenancies for HHL's own use

The EBIT of the investment property and hospitality businesses increased by 4% to HK$352 million period-on-period. The five-year compound annual growth rates of revenue and EBIT of the Group's investment properties and hospitality businesses during the first half of the financial year from FY10 to FY14, excluding any gain on completion, were 10% and 14% respectively.





* Excluding any gain on completion of property

Investment Properties

The revenue of the Group's property letting, agency and management operations amounted to HK$442 million during the six months ended 31 December 2013, representing an increase of 14% period-on-period. The EBIT of these operations increased by 14% to HK$293 million period-on-period. The five-year compound annual growth rates of revenue and EBIT of the Group's investment properties during the first half of the financial years from FY10 to FY14 were both 11% respectively.

The Group has continued to achieve sustainable growth and strengthen its brand by managing its properties actively as well as by a strong focus on service and quality. The Group continuously optimises its office and retail tenant mix in order to improve their rental performance and maintain high occupancy rates.

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

Occupancy and Rental Rates of Investment Properties in Hong Kong

	Average Occupancy Rate 1H FY13	Average Occupancy Rate 1H FY14	Period-on-period Change in Average Rental Rate
Hopewell Centre	96%	97%	+17%
KITEC Office	97%	94%	+15%
KITEC E-Max	93%	87% (refurbishment)[N1]	+11%
Panda Place	95%	99%	N/A (revamp during July to December 2012)
QRE Plaza	86%	96%	–8%[N2]
GardenEast (apartments)	93%	95%	+6%

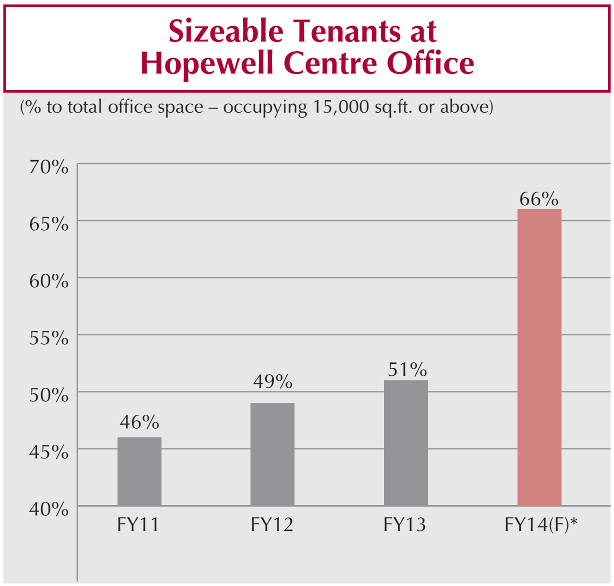
N1: The occupancy rate for 1H FY14 was lower due to the temporary closure of some retail space in E-Max for refurbishment commencing in April 2013.

N2: Drop in average rental rate was due to rent-free period for new tenants. Average rental rate increased 3% if rent free effect was excluded.

Hopewell Centre

The overall average occupancy rate of Hopewell Centre, the Group's 840,000-square-foot flagship property, remained at the high level of 97% during 1H FY14. Its aggregate rental income increased by 25% period-on-period. Higher rental rates were achieved for renewals and new leases of both its office and retail space.

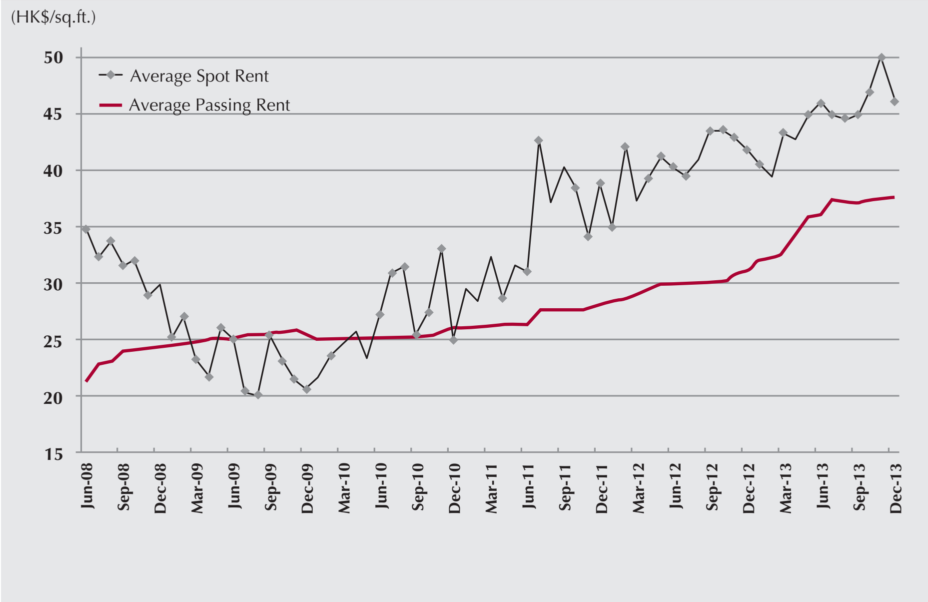
During the review period, Hopewell Centre continued to benefit from the decentralisation trend in the office market. The main contributors to Hopewell Centre's increased rental income were the Group's continuous efforts to enhance the building's specifications and services, as well as to maintain its competitiveness and raise rental rates. The Group aims to improve its tenant mix and rental income by attracting high-quality and sizeable office tenants through a co-termination strategy. In view of the strong leasing demand, it plans to optimise its rental income by relocating its corporate office on the 57/F to a lower floor, and then lease the entire 57/F to a new tenant.



* Based on contract on hand as at 8 January 2014

Hopewell Centre's office rental income (excluding tenancies for the Group's own use) increased by 33% to HK$120 million during the 1H FY14. The average occupancy rate for its offices remained at the high level of 96% in 1H FY14. Its average passing rent increased 21% to HK$36.4/sq.ft. in 1H FY14, up from HK$30.0/sq.ft. in 1H FY13, and the average spot rent for its office space rose by 7% to HK$45.2/sq.ft. in 1H FY14. Rental revenue target for office (excluding tenancies for the Group's own use) is aimed to be not less than HK$220 million and HK$240 million for FY14 and FY15, which represent a year-on-year increase of 18% and 9% respectively. The Group aims to achieve an average passing rent for office space of not less than HK$36/sq.ft. in FY14, which would represent a 14% increase on the figure for FY13.

Hopewell Centre Office
Average Spot Rent and Average Passing Rent Trend FY08–1H FY14



As of 31 December 2013, the retail portion was fully let, with quality F&B and lifestyle stores offering diversified dining and shopping experiences. In view of the connectivity between Hopewell Centre and Hopewell Centre II, the Group has several new plans to enhance the layout of the former's retail portion, revamp the podium façade and add a new entertainment element to Hopewell Centre. In particular, revamp of the podium façade is targeted to commence by end of 2014. It also intends to introduce a duplex luxury automobile showroom facing Queen's Road East to upgrade Hopewell Centre's image further. The tenants affected by these plans will be relocated to Wu Chung House.

"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 26 high-profile F&B outlets, plus 29 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 the rental performance of its portfolio 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. It is now well established as the one-stop "Quality lifestyle, Relaxation and Entertainment" hub that its name suggests.

During the period under review, the average occupancy rate of QRE Plaza reached 96% and it was fully let as of 31 December 2013. The premises offer an array of global cuisines and unique lifestyle services. A new duplex Irish pub is being introduced on the 2/F to enrich the nightlife scene at "The East".

Wu Chung House (Retail Outlets)

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. To enrich its nightlife scene further and synergise with QRE Plaza, the restaurants on the 2/F whose leases expired and were surrendered during the period under review will be replaced by the operator of the German cuisine restaurant currently located on the G/F of Hopewell Centre.

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 its serviced apartments to attract residents and repeat guests from around the world, especially banking, finance and investment professionals.

GardenEast's total rental income rose by 8% period-on-period. The average occupancy rate of its serviced apartments remained high at 95% during the period under review, whereas their average rental rate was 6% higher than in the corresponding period of FY13. As of 31 December 2013, GardenEast's retail premises were fully let to quality F&B operators.

KITEC

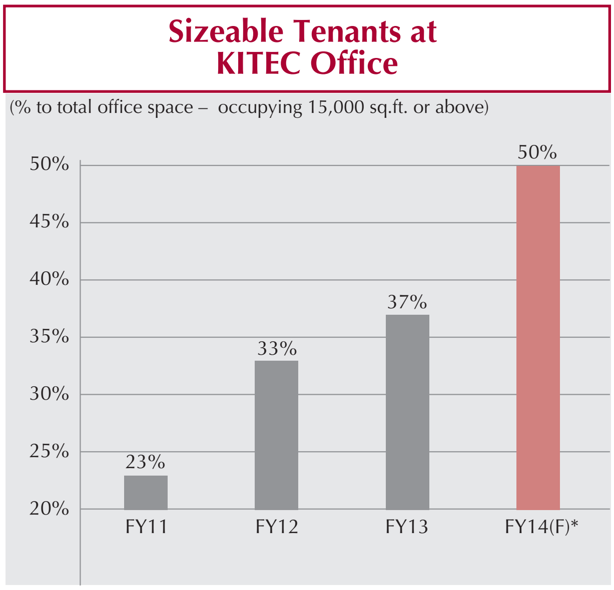
KITEC Office

In the 2013 Policy Address, the Hong Kong Government proposed the establishment of "Kai Tak Fantasy", a recreational landmark on the tip of the former runway in the Kai Tak Development Area. The first berth of the Kai Tak Cruise Terminal commenced operations in June 2013. The Policy Address also stated that Kowloon East (including Kai Tak) will be developed into another CBD.

Furthermore, the Stage 2 Public Consultation on the Environmentally Friendly Linkage System (EFLS) began on 28 October 2013. The EFLS will play an important role in energising Kowloon East, and the Government is collecting opinions from professional bodies about the best way to realize this concept. The latest proposal includes an EFLS station adjacent to KITEC, which would increase mobility and accessibility in the area. The Energizing Kowloon East Office (EKEO), which is carrying out feasibility studies to explore ways to improve the pedestrian environment in the Kowloon Bay Business Area (KBBA), has proposed a greenery walkway link from the MTR Kowloon Bay station to KITEC. This would create a cluster effect that would increase the flow of traffic to the Kowloon East district, and therefore demand for KITEC's services and other offerings.

In addition, the relocation of the existing International Mail Centre in Hung Hom and the General Post Office sorting office in Central to a new Central Mail Centre in Kowloon Bay will be carried out in phases, with completion targeted for 2014.

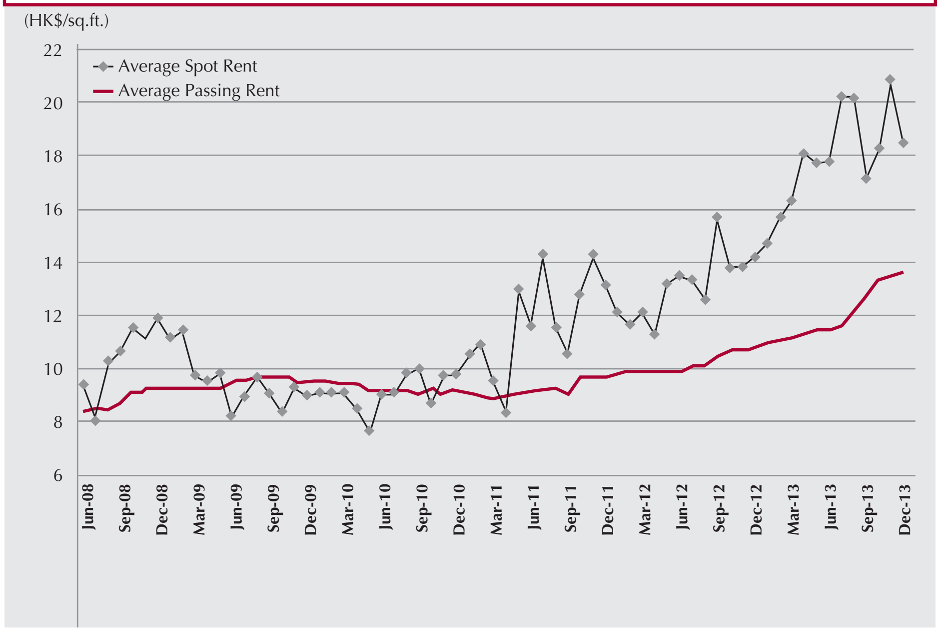
The Hong Kong Government has already relocated some of its departments to Kowloon East as well. The advantages of its strategic location, the benefits of the decentralisation trend, and the plans to relocate government offices have resulted in several parties making offers to lease areas ranging from 30,000 sq.ft. to 100,000 sq.ft.. In December 2013, KITEC signed an offer letter with a government department, which has committed itself to leasing approximately 90,000 sq.ft. of office premises. This, together with the 49,000 sq.ft. leased by the Labour Department in April 2013, now makes the Government an anchor tenant of KITEC Office. The Group is continuing to co-terminate the leases of smaller units to form larger floor plates in order to meet the demands of prospective new tenants.



* Based on contract on hand as at 8 January 2014

As a result of this trend, KITEC Office's average occupancy rate remained at the high level of 94% during 1H FY14. Its rental income (excluding the Group's tenancies for its own use) for the period under review increased by 5% to HK$41 million. The average spot rent for its office space rose by 40% to HK$18.7/sq.ft. and average passing rent increased by 15% to HK$12.0/sq.ft. during 1H FY14. Rental revenue target (excluding tenancies for the Group's own use) is aimed to be not less than HK$85 million and HK$115 million for FY14 and FY15, which represent a year-on-year increase of 7% and 35% respectively. In FY14, the Group aims to achieve an average passing rent for office space of not less than HK$12.5/sq.ft., which would represent a 16% increase on the FY13 figure.

KITEC Office
Average Spot Rent and Average Passing Rent Trend FY08–1H FY14



The Metroplex (multi-cinema complex)

Located on the G/F of KITEC and scheduled to open in February 2014, The Metroplex will be positioned as an upscale cinema. Its purpose is to increase the flow of traffic and attract a diverse range of visitors to the building, thereby benefiting the retail leasing of E-Max through improved tenant mix and rental income.

Its unique location within an exhibition centre and a mall is a key factor that will differentiate The Metroplex from other cinemas. Utilising the building's other performance venues, it will be able to host multifaceted entertainment events ranging from film screenings to the live streaming of international concerts, and from movie premieres to full-scale musical and movie festivals.

To maximise the flexibility of its operations, The Metroplex will be operated in-house, and it will be equipped with the latest state-of-the-art audio and video equipment, such as a Dolby Atmos Surround Sound system, in a welcoming and comfortable viewing environment. It will have nine screens or houses, the largest seating up to 434 people. Its total capacity will be more than 1,100 people, making it one of the largest cinema complexes in Kowloon Bay.

Another thing that will differentiate The Metroplex from ordinary cinemas will be its special VIP house with direct private drive-in and parking, plus a dining and cocktail area for VIP guests. These features will make it the only truly private cinema in Hong Kong.

E-Max

E-Max is an entertainment-driven shopping arcade that includes The Metroplex (see above), a new live house ("Music Zone@E-Max"), and Star Hall. As part of the project to refurbish its premises, the duty free store on the 2/F was relocated to the basement one level in October 2013, covering approximately 110,000 sq.ft.. The focus of the 2/F has now been changed to general retail stores, a move that is expected to improve its tenant mix and make it possible to achieve higher rental rates. In addition, the Group is currently under active lease negotiation with various renowned retailers.

"Reaching for the Stars", a new theme of E-Max, will be perfectly exemplified by Music Zone@E-Max, a brand-new live house with 500 to 600 seats and professional sound equipment that will open at the area converted from the previous swimming pool. The existing live house will be renovated into retail space. The opening of The Metroplex and the new Music Zone@E-Max on the G/F will further upgrade the tenant mix on the G/F and 2/F, which will encompass well-known brands to encourage more retail traffic. A wide range of new F&B shops will also be added near the cinema to satisfy the taste buds of moviegoers and shoppers.

As of 31 December 2013, E-Max had an occupancy rate of 87%, due to the temporary closure of some retail space for renovations.

Conventions, Exhibitions and Entertainment

The diverse choice of convention venues and wide variety of value-added options that KITEC offers make it an attractive venue for hosting concerts, exhibitions, conferences, banquets, sports and other activities that appeal to the Hong Kong public and overseas visitors alike. KITEC's Star Hall has continued to present impressive entertainment events, including movie premieres and musical performances. In fact, 26 different shows were staged in this venue during the period under review.

The Group has undertaken continuous brand-enhancement projects at KITEC. In particular, its "Star Hall Select" premier entertainment brand continues to present top-calibre performances. The Music Zone@E-Max live house concept is successfully tapping into the mini-concert market, and the number of premium performances staged there continues to rise. Revenue of KITEC's conventions, exhibitions and entertainment businesses remained satisfactory in 1H FY14 at more than HK$30 million.

Panda Place

Panda Place is a 229,000-square-foot shopping mall located in the heart of Tsuen Wan. Recent renovation has given it a new look; and its enhanced tenant mix offers both local customers and tourists a convenient and superb shopping experience.

The rental income of Panda Place rose by 188% — from HK$9 million to HK$26 million — compared to same period in 2012. This was mainly due to the completion of renovation works during the fourth quarter of 2012. Its occupancy rate averaged 99% in the period under review. Rental revenue target for FY14 is aimed to be not less than HK$50 million, 51% more than the rental revenue for FY12, prior to its revamp.

The Group is now developing a layout improvement plan for shops on the 2/F and 3/F as the next stage in its re-branding project to transform the property into a unique and lively shopping mall in Tsuen Wan.

Hospitality

Panda Hotel

Panda Hotel's total revenue decreased by 10% to HK$161 million during the period under review. This was primarily due to Mainland China's new Tourism Law, which came into force on 1 October 2013. The legislation aims to promote the sustainable growth of the tourism industry, prevent unfair competition, and outlaw low-priced and free tours. Although it mainly targeted the notorious budget tours and dishonest dealings between agencies and local tourist shops, it has inevitably affected the entire tourism business, resulting in a fall in the number of group tourists coming to Hong Kong.

Panda Hotel also recorded a drop in its tour group business, and its room revenue for the reporting period fell by 12% to HK$116 million. The average room occupancy rate decreased by 4% to 90% while the average room rate was down by 3% compared with the last corresponding period. The room occupancy level was also slightly affected by guestroom renovation carried out between August and November.

Panda Hotel's weaker business performance during the period under review was in line with the market trend, as shown by the Hong Kong Tourism Board's High Tariff B Hotel statistics for the period between July and November 2013. According to these, room occupancy was 2% lower than the 2012 figure, whereas room rates were down by an average of 3% compared with the corresponding period of the previous year.

To enhance its image and maintain its competitiveness, Panda Hotel completed the renovation of two guest floors during the reporting period. The hotel will continue with its guestroom renovation project, which is expected to attract higher-spending travellers.

The hotel will make special marketing efforts to attract MICE business given an increasing number of MICE travellers to Hong Kong. It will also enhance its function spaces.

As of 31 December 2013, the market value of hotel amounted to HK$3,390 million (equivalent to around HK$3.7 million per room) as estimated by DTZ Debenham Tie Leung Limited ("DTZ"). According to the general market practice, the asset value of hotel is stated at cost less accumulated depreciation in the Group's balance sheet. As of 31 December 2013, the book value of Panda Hotel amounted to HK$371 million (equivalent to around HK$0.4 million per room), which implies an unrecognised value of around HK$3.0 billion compared to its market value.

Restaurant & Catering Services

KITEC's F&B business remained fairly steady, with total revenue of HK$43 million and its two F&B outlets achieved a stable turnover of HK$18 million.

The Group will respond to weakening demand in the market by upgrading its F&B outlets. These will continue to grow by continuously enhancing the quality of their food and services. To cater for changing customer preferences, they will also reposition their offerings and enrich their menus by increasing the variety of dishes that they serve.

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	Completed and for sale

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

Sales of Broadwood Twelve residential units commenced in June 2010. As of 15 January 2014, 59 or 78% of its 76 units had been sold, generating total sales proceeds of around HK$2,739 million (including proceeds from sales of car-parking spaces). Most of the buyers were end-users. The average price of the units sold was around HK$34,100 per sq.ft. based on saleable area. The estimated total value of the 17 unsold units, as at 31 December 2013, was HK$688,750,000.

The number of residential property sales has fallen since the Hong Kong Government implemented Buyer's Stamp Duty, enhanced Special Stamp Duty, and Double Stamp Duty to stabilise the property market. However, the Hong Kong luxury residential market is relatively well supported by a limited new supply, especially in prime locations and traditional luxury districts. The Group therefore remains confident about the prospects 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 the Group's income, 8 unsold units were being leased at an average monthly rental rate of about HK$67 per sq.ft. of saleable floor area, as of 15 January 2014. 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 three kilometres from Baiyun International Airport in Guangzhou and close to the highway connecting the airport with Guangzhou city centre. Approximately 304,000 sq.m. of the development (consisting of 158 townhouses and 2,076 apartments) were sold and booked up to 31 December 2013.

According to the project's current development plan, a total of 158,000 sq.m. of its residential area will be completed between FY14 and FY16. Of this, 560 apartments with a total floor area of 45,000 sq.m. will be completed in FY14, 420 apartments with a total floor area of 52,000 sq.m. in FY15, and 560 apartments with a total floor area of 61,000 sq.m. in FY16.

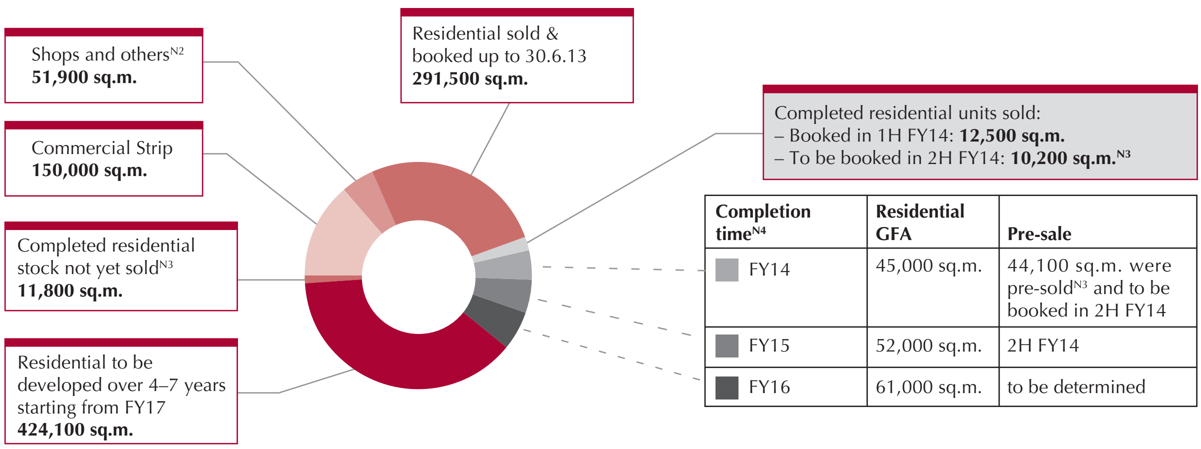
The market responded positively to the units offered for sale during the period under review. 367 units or 39,900 sq.m. of apartments were sold during 1H FY14 and subsequently up to 15 January 2014. These sales generated a total of RMB369 million, with an average selling price for apartments of RMB9,200 per sq.m. being 8% higher than the figure for those sold in 1H FY13. The Group expects demand for housing in the area will continue to drive sales of Hopewell New Town's residential units.

As for booking of the units sold, 77 units or 12,500 sq.m. of apartments were booked in 1H FY14 and generated revenue of RMB113 million. Based on contracts signed as of 15 January 2014 and subject to completion of the transactions, 612 units or 54,300 sq.m. of apartments sold will be booked in 2H FY14, generating revenue of RMB497 million. The above contracted sales of RMB610 million represents over 90% of the Group's FY14 revenue target of RMB630 million.

The Group is currently studying various options for the development of a commercial strip with a permissible GFA of 150,000 sq.m. at Hopewell New Town.

Plot ratio GFA breakdown

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



Completion time[N4]	Residential GFA	Pre-sale
FY14	45,000 sq.m.	44,100 sq.m. were pre-sold[N3] and to be booked in 2H FY14
FY15	52,000 sq.m.	2H FY14
FY16	61,000 sq.m.	to be determined

N1: Plot ratio GFA does not include 0.45 million sq.m. basement car parks
N2: Others include community facilities and clubhouse
N3: As of 15 January 2014
N4: Present planning, subject to change

Development Plan[N1]

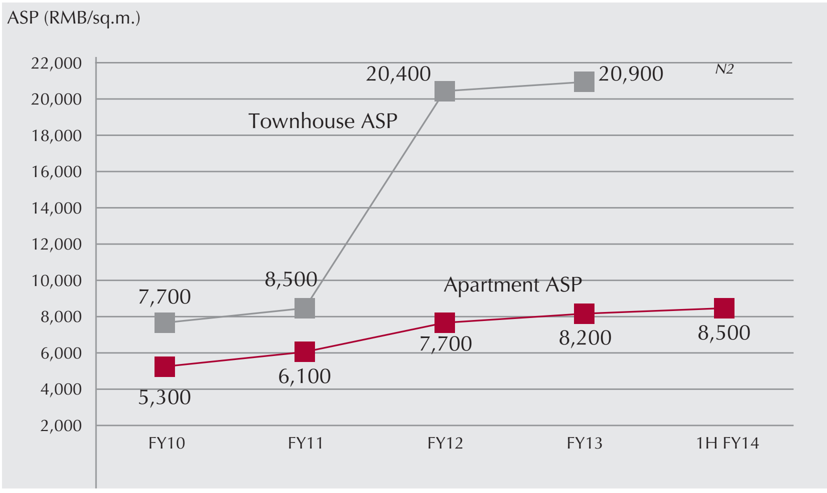
Sales Booking	*Apartments*	*Townhouses*	*Residential sub-total*	*Commercial & Others*[N2]	*Total*
	Plot Ratio GFA (sq.m.)				
Units Sold					
Booked up to 30.6.13	247,000	44,500	291,500	–	291,500
Booked in 1H FY14	12,500	–	12,500	–	12,500
To be booked in 2H FY14	10,200	–	10,200	–	10,200
Planned Completion					
FY14	45,000	–	45,000[N3]	5,000	50,000
FY15	52,000	–	52,000	–	52,000
FY16	61,000	–	61,000	–	61,000
FY17 & Beyond	365,200	58,900	424,100	183,200	607,300
Remaining stock not yet sold as of 15.1.14	4,000	7,800	11,800	13,700	25,500
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: As of 15 January 2014, 44,100 sq.m. were pre-sold and to be booked in 2H FY14

Average Selling Price ("ASP")N1

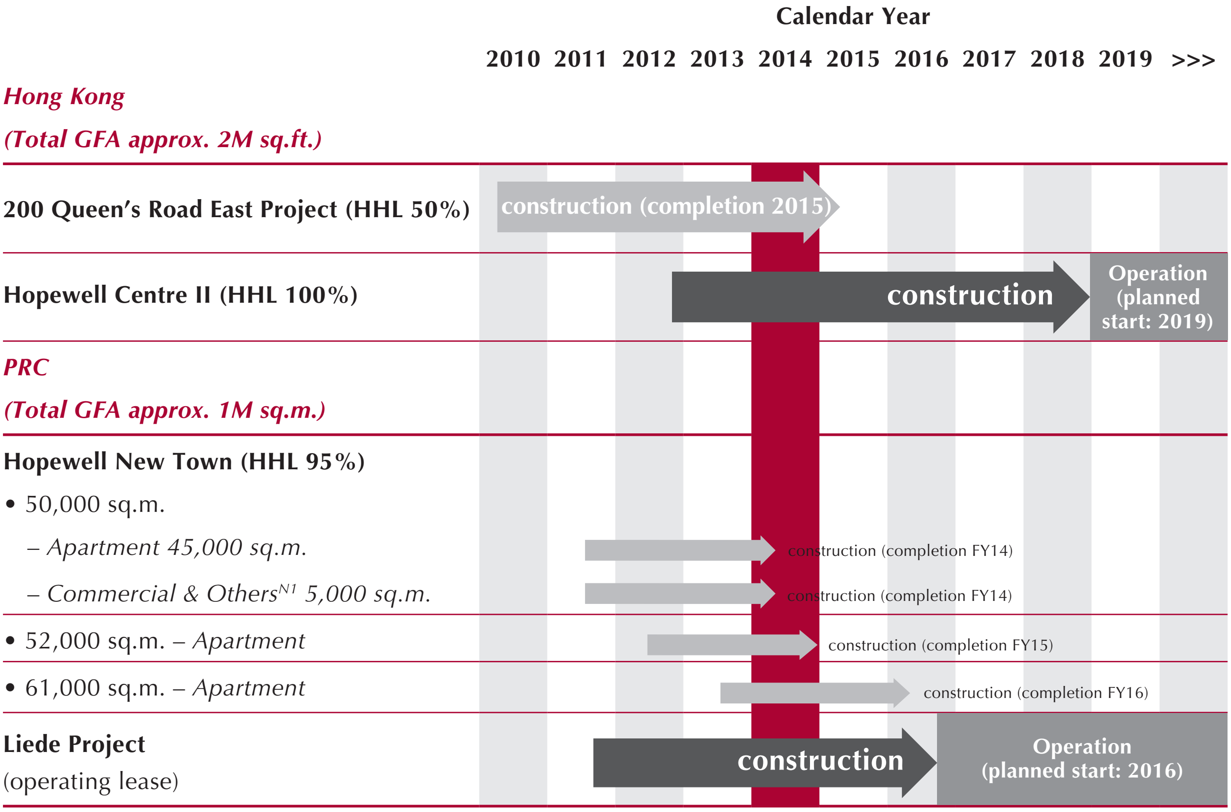


GFA booked (sq.m.)					
Apartment	41,000	56,000	24,500	41,000	12,500
Townhouse	13,000	1,000	13,800	1,700	–
Units booked					
Apartment	366	574	306	333	77
Townhouse	43	4	48	6	–

N1: Represents the average selling price for residential area booked in each financial year
N2: No sales of townhouse booked in 1H FY14

C) Development

*Construction Timeline for Projects**



* Present planning, subject to change

N1: Including shops

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 an estimated investment cost for a road improvement scheme and parks)
Status	Site formation work has commenced

After completing the Land Grant execution with a land premium payment of HK$3,726 million on 24 October 2012, site formation work has commenced. Under the current plan, construction work will be completed in 2018. The Group's total investment cost (including the land premium) is estimated to be around HK$9 billion. This will be financed by the Group's internal resources and/or external bank borrowings. When completed, Hopewell Centre II will house one of Hong Kong's largest hotels with comprehensive conference facilities.

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

Major Construction Works

Financial Year	**FY13**	**FY14**	**FY15**	**FY16 and beyond**
Stage 1 Site Preparation Works	commenced end-2012			
Stage 2 Site Formation & Foundation Works[N2]				
Later Stage Structural Framework, Finishing and Fitting out Works, Hotel set up				**Planned completion in 2018**

Capex Plan

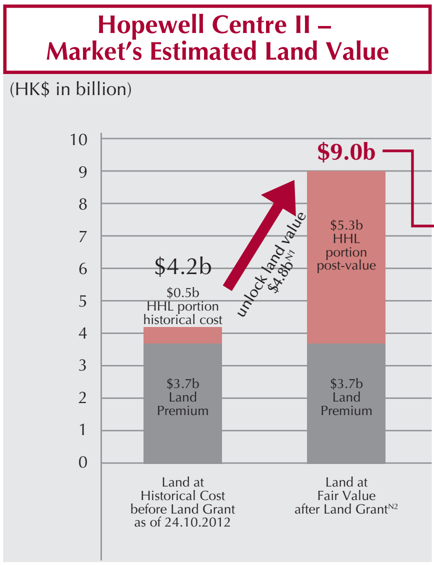
Financial Year	**Up to 24 October 2012**	**FY13**	**FY14**	**FY15**	**FY16 and beyond**
Amount (HK$'m)	Historical cost: around 500	Land premium: 3,726 Construction cost: 10	200	540	4,220

Planned Total Investment: approx. HK$9b

N1: Present planning, subject to changes

N2: Include construction of retaining walls, soil and rock export

After the Land Grant execution in FY13, the market's estimated value of the site of Hopewell Centre II was about HK$9 billion. On that basis, the value of the portion of land already owned by the Group, after deducting the land premium of about HK$3.7 billion, would be HK$5.3 billion, compared to the book value of around HK$500 million stated at historical cost as of 24 October 2012. Therefore, HK$4.8 billion of land value has been unlocked. Subsequent to the land conversion in FY13, total development costs of about HK$76 million has been incurred during the period under review.



	Fair Value HK$/sq.ft.	*GFA sq.ft.*	*Land Fair Value*	*Fair Value Mix*
Commercial portion*	13,000	335,600	HK$4.37b	~50%
Hotel portion	6,200	758,700	HK$4.68b	~50%
Total			HK$9.05b	100%

* including retail GFA 298,000 sq.ft and office GFA 37,000 sq.ft.

N1: Of which a land conversion gain of commercial portion of HK$2.2 billion was booked in HHL's profit & loss account in FY13
N2: As of 30.6.2013

As at 31 December 2013, the market value of the hotel portion of the project amounted to HK$4,804 million (equivalent to around HK$4.7 million per room under development) as estimated by DTZ. According to general market practice, the value of the hotel portion of the project is stated at cost of around HK$2,187 million (equivalent to around HK$2.1 million per room under development) in the Group's balance sheet as of 31 December 2013. This implies an unrecognised value of around HK$2.6 billion compared to its market value.

The Hopewell Centre II Green Park Committee has been formed to endeavour to create the best-possible design for a green park that will accompany the project.

A road-improvement scheme and an extensive tree-planting plan will also be implemented alongside it. The green park will provide a venue for public recreation and enjoyment, while the road-improvement scheme will help to improve the flow of traffic in the area and enhance the safety of pedestrians.

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 and Wan Chai North, via Hopewell Centre and the 200 Queen's Road East Project. This will help to integrate various parts of Wan Chai district and it will provide access to the Group's properties in the area, in particular "The East". It will also synergise with the Group's current property portfolio in Wan Chai, and enhance its recurrent income base.

200 Queen's Road East 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 and no. of units	Around 731,000 square feet, 1,275 units in total Phase 1: 179 units (saleable area 103,000 square feet) Phase 2: 1,096 units (saleable area 554,000 square feet)
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 200 Queen's Road East Project is a URA redevelopment project with residential, commercial and government, institution or community elements. The Group and Sino Land Company Limited ("Sino") formed the 50:50 JV that won the tender for this project in June 2009. 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 local landmark, 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 create a direct and unique connection between Wan Chai MTR Station and "The East". Its sophisticated network of pedestrian walkways will form the proposed Wan Chai Pedestrian Walkway, which will unite and integrate various parts of the district.

The residential portion, known as The Avenue, will consist of four towers with 1,275 residential units in a wide variety of sizes and with various layouts. Its retail portion will be a tree-lined pedestrian walkway equipped with refreshing, sophisticated shopping and dining options that will be complemented by a beautiful streetscape. Its new identity will harmoniously combine the themes of "Heritage and Modernity" and "East and West".

Work on the project's superstructure and fittings out is now underway, and the development is scheduled for completion in 2015. Pre-sales of units of Phase 2 received an enthusiastic response when it began last November. As of 15 January 2014, 943 units or 441,000 sq.ft. representing 92% of the 1,028 units or 487,000 sq.ft. launched had been sold within 1.5 months. This will generate around HK$9.4 billion of total sales at JV level before URA's share. They will be booked when the project is completed, which is scheduled for 2015. The average selling price of these units was around HK$21,200 per sq.ft. of saleable area.

The project's retail portion will further enlarge the Group's rental property portfolio, and it is expected to synergise with the Group's existing properties, which include Hopewell Centre, QRE Plaza and GardenEast, as well as the future Hopewell Centre II, thus forming one of the largest retail clusters in Wan Chai.

The JV currently plans to invest around HK$9 billion in the project, which will be equipped 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 adequate to fund the project. As of 31 December 2013, the Group had also injected approximately HK$2.4 billion of its own funds into it. At the JV level, the sales proceeds generated from the units already sold will be sufficient to fund outstanding construction and other related costs, and to repay the project loan. The Group will therefore not need to inject any further funds into the project.

Properties for Development

The Group has acquired individual units on several sites in Hong Kong for future development. These include all the undivided shares of the properties situated at 155–159 Queen's Road East, and approximately 98% of the undivided shares of the properties situated at 161–67 Queen's Road East. The size of its interest in the latter will allow the Group to apply to the Lands Tribunal for the compulsory sale of the entire building for the purpose of redevelopment, pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong). The assembly of such amalgamated properties into development sites is part of the Group's strategy of acquiring land reserves in strategic locations for future development. The Group believes this approach has the potential to 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 by landlord

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 when its construction has been completed. The premises will then be leased to the Group's subsidiary under an operating lease, and it will begin to pay rent to the landlord once its commercial operations commence.

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

Infrastructure

A) Toll Roads – HHI

Business Performance

During the period under review, the aggregate average daily traffic volume on the GS Superhighway, Phase I West and Phase II West increased by 12% to 612,000 vehicles, while their aggregate average daily toll revenue increased by 8% to RMB11.3 million. The growth in toll revenue was mainly because the GS Superhighway regained growth momentum after a full-year implementation of the Tariff Proposal and Phase II West recorded robust growth. Together with Phase III West which opened on 25 January 2013, the combined toll revenue of the HHI Group's four projects grew 12% and amounted to RMB2,152 million for the period.

The average daily toll revenue of the GS Superhighway returned to a positive year-on-year growth after one year's implementation of the tariff cut. It increased by 6% to RMB9.2 million during the period and reached RMB9.5 million in December 2013. The average daily traffic of the GS Superhighway continued to grow by 8% to 465,000 vehicles and reached historical high level, mainly driven by a 9% year-on-year growth of Class 1 small cars.

Phase I West recorded healthy growth and Phase II West maintained robust growth, attributed to the synergy created with Phase III West after its opening in January 2013. During the period under review, the average daily traffic and average daily toll revenue of Phase I West grew by 17% and 11% respectively, amounted to 48,000 vehicles and RMB500,000. The average daily traffic and average daily toll revenue of Phase II West during the period were 99,000 vehicles and RMB1,560,000, representing growth of 30% and 21% respectively. Phase II West became profitable during the period. The average daily toll revenue of Phase II West has exceeded profit breakeven level of RMB1.5 million since July 2013 (except in October when the Holiday Toll-free Policy was in force), and advanced further to RMB1.7 million level in December 2013.

Performance of Phase III West was encouraging. The traffic and toll revenue have been ramping up steadily during its first 11-month operation. Phase III West recorded an average daily traffic of 19,000 vehicles and an average daily toll revenue of RMB411,000 during the period under review. In December 2013, the average daily traffic and average daily toll revenue of Phase III West reached 21,000 vehicles and RMB455,000 respectively, representing 117% and 124% growth compared with the first full month operation. During the period, total toll revenue derived from the entire Western Delta Route accounted for 22% of the HHI Group's shared aggregate toll revenue, compared to 17% during the same period in FY13.

Based on the annual toll revenues and expenses of the GS Superhighway, Phase I West and Phase II West during their first full year of operation and the actual performance of Phase III West, the HHI Group expects that Phase III West may achieve operating cash flow breakeven (after taking interest expense payments into account) in FY16, after its average daily toll revenue reaches RMB900,000, which is equal to an annual toll revenue of RMB8.7 million per km.

In 2013, driven by the demand in passenger cars, China has recorded double-digit growth in car sales and sold around 22 million vehicles and remained as the world's largest vehicle sales market since 2009. Given that Class 1 small cars contributed over 50% to the toll revenue of each expressway project during the period, HHI believes that the GS Superhighway and Western Delta Route will continue to benefit from the robust growth in PRC's passenger car sales market.

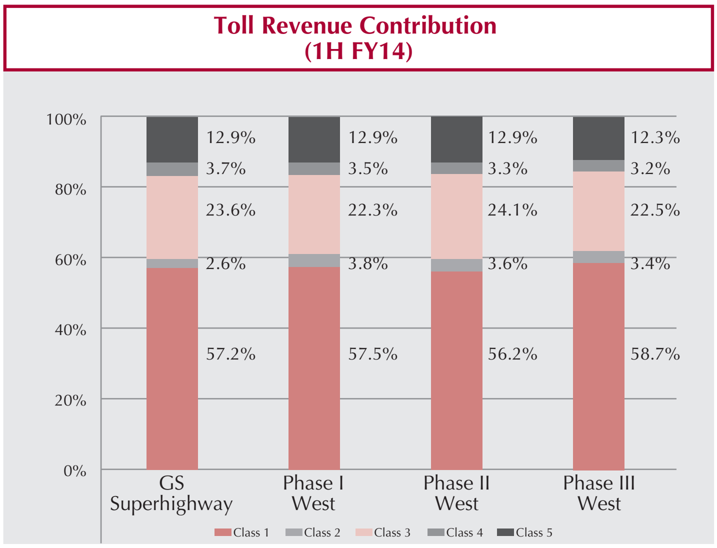
Financial Year	*1H FY13*	***1H FY14***	*% Change*
GS Superhighway (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	430	**465**	+8%
Average Daily Toll Revenue (RMB '000)	8,702	**9,222**	+6%
Phase I West (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	41	**48**	+17%
Average Daily Toll Revenue (RMB '000)	451	**500**	+11%
Phase II West (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	76	**99**	+30%
Average Daily Toll Revenue (RMB '000)	1,286	**1,560**	+21%
Phase III West* (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	–	**19**	N/A
Average Daily Toll Revenue (RMB '000)	–	**411**	N/A

* Phase III West opened on 25 January 2013.

Remarks

1. Aggregate average daily traffic of the GS Superhighway & Western Delta Route increased 15% year-on-year to 631,000 vehicles in 1H FY14.

2. Aggregate average daily toll revenue of the GS Superhighway & Western Delta Route increased 12% year-on-year to RMB11.7 million in 1H FY14.



Economic Environment

Instead of placing more emphasis on GDP growth, the new Chinese leadership is determined to achieve a more balanced and sustainable growth through incremental reforms. It is expected that China will undergo economic transformation in the coming years and subdued pace of growth will be tolerated in favor of structural reforms. Under this economic background, the national GDP of China and Guangdong achieved healthy growth of 7.7% and 8.5% respectively in the first three quarters of 2013. As the central economic region of the Guangdong Province, the PRD region's economy grew mightily in the same period. The GDP of three main cities namely Guangzhou, Dongguan and Shenzhen, where the GS Superhighway passed through, recorded 12.0%, 9.6% and 9.7% growth respectively, while the GDP of Foshan, Zhongshan and Zhuhai, where the Western Delta Route passed through on the western shore of the PRD region, increased by 9.7%, 9.6% and 10.1% respectively. All these cities grew better than the average of the province. The total car ownership of Guangdong reached 10.4 million vehicles in 2012 and the number further increased as there were over 560,000 vehicles newly registered during the first half of 2013 according to the media reports. The HHI Group's expressways will benefit under the healthy economic backdrop.

Growth potential of the Western Delta Route

The Western Delta Route is the most direct and convenient expressway artery in the regional expressway network on the western bank of the PRD region, running from north to south through the most prosperous and populous cities namely Guangzhou, Foshan, Zhongshan and Zhuhai. It offers convenient access to the Hengqin State-level Strategic New Zone, and via its connection with the forthcoming HZM Bridge, to Macau and Hong Kong. The Twelfth Five-year Plan (2011–2015) of Guangzhou, Foshan, Zhongshan and Zhuhai have revealed a medium term economic plan, targeting on an average annual GDP growth rate of 11.0%, 10.0%, 11.0% and 14.9% respectively. The future healthy economic development of the four main cities on the western bank of the PRD region will create greater demand for transportation along the Western Delta Route.

The Western Delta Route runs along the central axis and locates at the heart of the western bank of the PRD region. It is well connected with the Guangzhou Ring Road, Guangzhou Southern Second Ring Road, Zhongshan-Jiangmen Expressway, Western Coastal Expressway currently and will link up with the forthcoming HZM Bridge, Shenzhen-Zhongshan Corridor, Humen Second Bridge and Guangzhou-Gaoming Expressway (these infrastructures will be completed by 2016, 2020, 2018 and 2015 respectively, according to the media reports) to form a comprehensive regional expressway network. With reference to the experience of the GS Superhighway, the Western Delta Route's good connectivity will certainly provide continuous and stable traffic flow.

The HZM Bridge is planned to be opened by the end of 2016 according to the media reports. Cities on the western bank of the PRD region will fall into a 3-hour commuting radius from Hong Kong. The cross border tourism and freight transport between the western bank of the PRD region and Hong Kong will be stimulated due to more convenient land transport and shorter travelling time. The travelling time between Hong Kong and Zhuhai will be substantially shortened to around 30 minutes instead of spending as much as 4 hours by land or over 1 hour by sea before the opening of the bridge. With reference to the opening of the Hong Kong-Shenzhen Western Corridor in 2007, the number of cross-border license for private cars was increased to meet the enlarged capacity of the border crossings. It is expected that more private car cross-border licenses will be issued for the new HZM Bridge border crossing in the long term. The HZM Bridge's opening will foster the region's economic development and integration.

Hengqin in Zhuhai has become China's third State-level Strategic New Zone after Shanghai's Pudong District and Tianjin's Binhai area. It is being positioned as a new growth hub focusing on the development of business services, tourism, entertainment and technological research. Numerous key development projects, including commercial landmarks, hotels and tourist attractions, will be completed there in the coming few years. According to the media, the total investments of ongoing projects reached over RMB240 billion and one of Hengqin's signature projects, the first phase of Chimelong Ocean Kingdom will be opened before the Lunar New Year in January 2014. This will be a world-class marine park with resorts and hotels facilities aiming to attract more than 20 million tourists a year from around the world. Its opening and future expansion will further boost tourism in Hengqin and Zhuhai. The first China International Circus Festival was held in Hengqin from 20 November to 1 December 2013. This sustainable event will be held every two years thereafter. The Western Delta Route, being the most direct and the shortest expressway from Guangzhou to Hengqin, will benefit from the increase in passenger flows and the demand for transportation brought along by the development of the region.

Toll Road Policies

Guangdong Tariff Proposal

The tariff rate for all expressways in Guangdong was standardised since the implementation of the Tariff Proposal on 1 June 2012. One year after the implementation of the tariff cut, the average daily toll revenue of the GS Superhighway returned to a positive year-on-year growth of 6% during the period under review, which was the highest rate of growth during the past three financial years. Average daily traffic volume maintained an upward trend, increased by 8% year-on-year to a historical high level of 465,000 vehicles. The impact of the Tariff Proposal on Phase I West and Phase II West was insignificant, as they have implemented the new tariff since opening.

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 relevant toll roads free of charge during the four major statutory holidays, namely Lunar New Year, Ching Ming Festival, Labour Day and National Day, as well as the prescribed rest days immediately before and/or after these statutory holidays. During the period under review, the GS Superhighway, Phase I West, Phase II West and Phase III West implemented this policy during National Day holidays for 7 days, comparing to 8 days for the same holiday in FY13. Small cars with 7 or fewer seats were exempted from toll charges on the HHI Group’s expressways during the aforesaid period. When comparing to the year without this policy (i.e. FY12), the aggregate annual toll revenues of the GS Superhighway, Phase I West and Phase II West for FY14 were estimated to be reduced by about 3% as a result of such policy, similar to its impact for FY13. The toll revenue of the GS Superhighway, Phase I West and Phase II West during 1 to 7 October 2013 increased when comparing to the same period in 2012.

Regulation on the Administration of Toll Roads (Amendment Proposal)

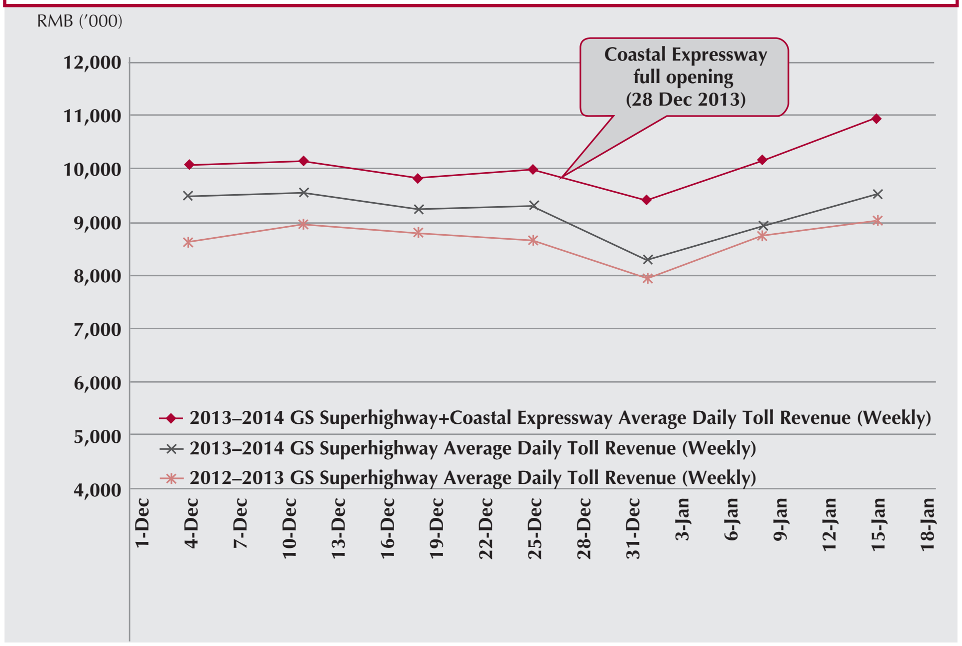
On 8 May 2013, the Ministry of Transport proposed amendments to the existing Regulation on the Administration of Toll Roads and invited opinions from the public and other relevant industries. Among other matters, the draft amendments included proposed compensation terms for the operators of toll roads suffering by losses of revenue as a result of the Central Government’s implementation of the toll-free policy in the form of an extension of their toll collection periods. No additional information was released since then. HHI will closely monitor the latest developments concerning the amendments.

Full Opening of a Parallel Road

A 41-km stretch of the 59-km Guangzhou-Dongguan section of the Coastal Expressway has been opened for two years since mid-January 2012. During the period under review, the average daily traffic volume of the GS Superhighway increased by 8% year-on-year. The impact of the opening of this section of the Coastal Expressway on the GS Superhighway’s traffic was minimal so far.

The Coastal Expressway's 30-km Shenzhen section and the remaining 18-km Guangzhou-Dongguan section have been opened on 21 November and 28 December 2013 respectively. Hence the 89-km Coastal Expressway has been fully opened. The newly opened 18-km Guangzhou-Dongguan section is toll-free temporarily from 28 December 2013 to 6 February 2014. During 1 to 20 January 2014, the average daily traffic and average daily toll revenue of the GS Superhighway grew 6% and 4% year-on-year respectively. The impact of the full opening of the Coastal Expressway on the GS Superhighway was minimal so far, as the GS Superhighway maintained mild growth despite 18-km of the Coastal Expressway was toll-free temporarily. As of mid-January 2014, based on the average daily toll revenue, the market comprising the GS Superhighway and the Coastal Expressway grew around 10%. HHI will continue to monitor the situation. Nevertheless, a combined traffic or toll revenue data of the GS Superhighway for January and February 2014 should be taken into account when one is assessing the impact from the Coastal Expressway, as this will smooth out the seasonal fluctuation caused by Lunar New Year holiday.

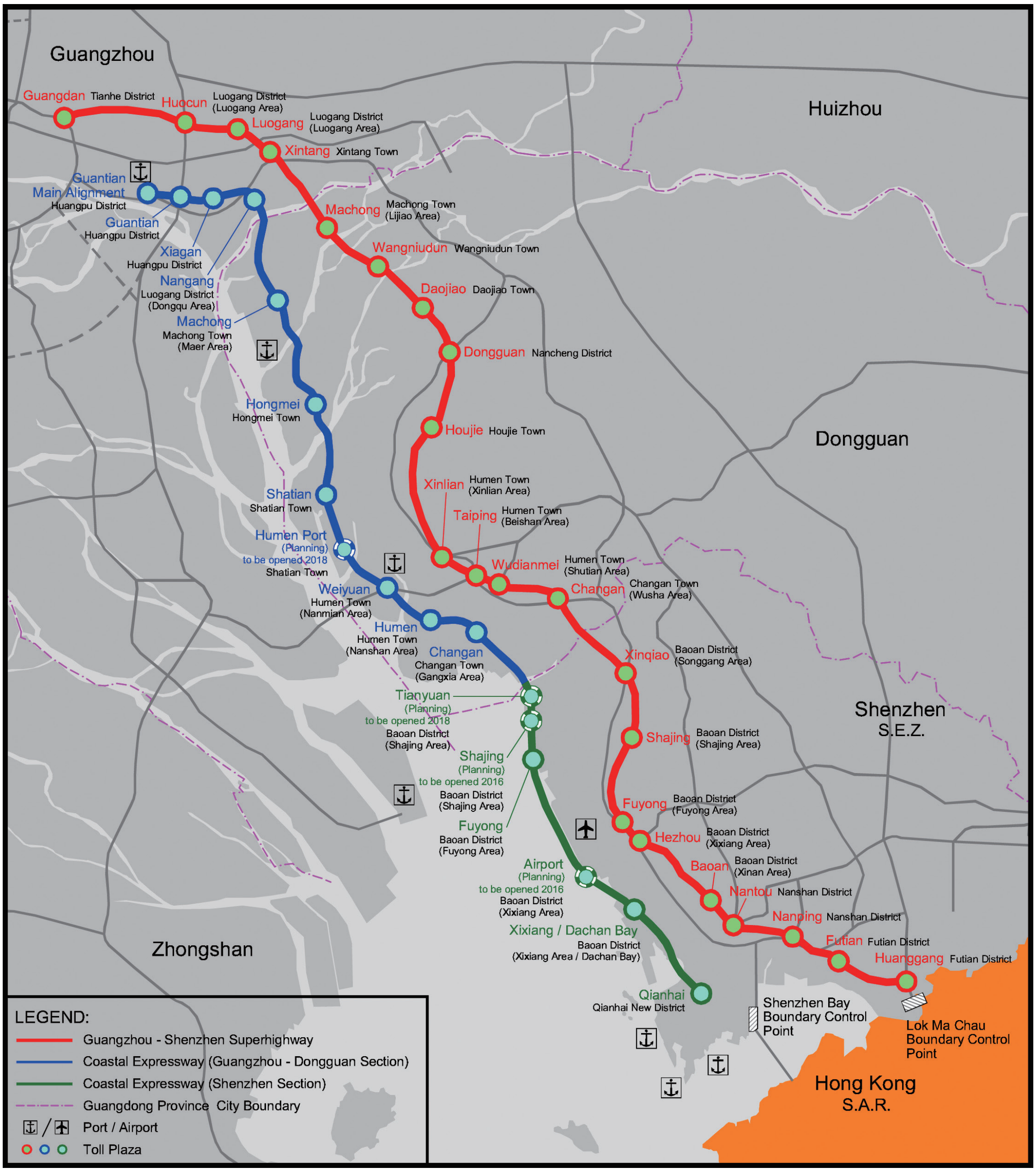
GS Superhighway/Coastal Expressway: Average Daily Toll Revenue (Weekly)



There are two misconceptions concerning the GS Superhighway and the Coastal Expressway. The first is that the travelling distance between Hong Kong and Guangzhou via the GS Superhighway is longer than via the Coastal Expressway. The second is that the GS Superhighway's 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 distance from Hong Kong to Guangzhou via the GS Superhighway or the Coastal Expressway differs by about 5%. More specifically, when one compares the entire length of the Coastal Expressway (from its starting point to its 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. Moreover, the tariff rate for all expressways in Guangdong with 6 or more lanes has been the same since the Tariff Proposal's implementation in June 2012. Thus, there is no difference between the tariff rates of the GS Superhighway and the Coastal Expressway.

Coastal Expressway - Comparable Travel Distance to GS Superhighway

In fact, the GS Superhighway remains a more competitive option for road users. Its strategic geographical location offers convenient access to populous downtown areas and major expressways, whereas the Coastal Expressway is designed mainly to connect ports along the eastern shore of the PRD and to serve trucks destined for them. Thus, it attracts different target customers. Moreover, the GS Superhighway is well-equipped with professional patrol and rescue team which provides prompt and efficient service along the entire expressway. The Hezhou interchange has been reopened on 15 November 2013 after reconstruction, the GS Superhighway has therefore become the most convenient hub for traffic between downtown Shenzhen and Shenzhen Baoan International Airport. Together with Guangdong's continuous economic growth, the HHI Group believes the GS Superhighway will maintain its leading position as the main traffic artery on the eastern bank of the PRD region.



Guangdong Province Toll Integration and Toll-by-weight Scheme

According to the Guangdong Provincial Government's requirements, the province's 4 toll integration sub-districts namely the Eastern, Western, Northern and Central Districts, in which the GS Superhighway and Western Delta Route are located, are planned to be integrated into a unified toll network. In order to ensure a smoother operation, Guangdong toll integration's implementation has been postponed to mid-2014 instead of the end of 2013 as prescribed in the original schedule. Upon the implementation, all adjacent expressways in Guangdong are physically connected without toll stations in-between, and every vehicle travelling on expressways in Guangdong will only need to take one entry ticket at an expressway's entrance and pay all the toll charges for its entire trip at any other expressway's exit, without needing to stop when it travels on a series of connecting expressways. The toll revenues collected by all the expressways in Guangdong will be settled via Guangdong Unitoll Collection Incorporated ("Guangdong Unitoll"), which is the clearing house that centralises and manages toll data on a daily basis, by means of the toll integration settlement network. The GS Superhighway JV and the West Route JV will invest about RMB65 million in total to upgrade their toll systems to facilitate the implementation of the Guangdong toll integration. This capital investment will depreciate over 8 years. The integration measures will boost the efficiency of the province's toll expressways by shortening the time spent on collecting tolls and help to smooth the flow of traffic.

As part of the Guangdong Provincial Government's plan to implement full toll integration, the toll-by-weight scheme will also be implemented for trucks on all expressways in the Central District by mid-2014 simultaneously, following its implementation in the Northern District in 2009 and the Eastern and Western Districts in 2011. In the experience of expressways in other toll integration sub-districts in Guangdong, the toll revenues collected from trucks usually increased following the implementation of the toll-by-weight scheme. Given the comparatively small proportion of trucks that use the GS Superhighway and the Western Delta Route, its impact on our toll revenues may be neutral.

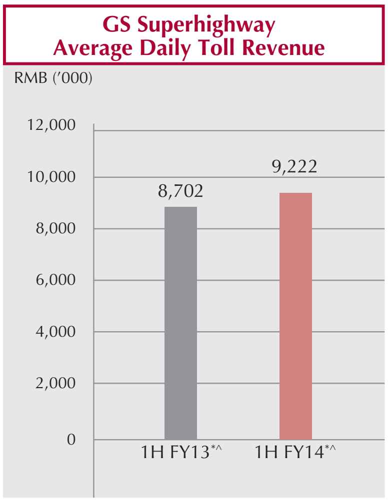
To implement the toll-by-weight scheme in accordance with the official schedule, the GS Superhighway JV and West Route JV will invest around RMB20 million in total to install the equipment. This capital investment will depreciate over 8 years. The implementation of the toll-by-weight scheme is expected to help reduce the number of overloaded trucks and the damages so caused to the HHI Group's expressways.

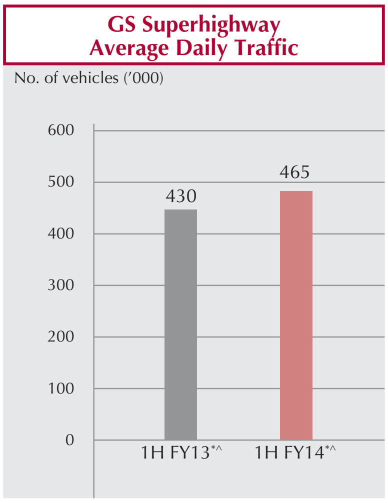
Truck restriction in Guangzhou

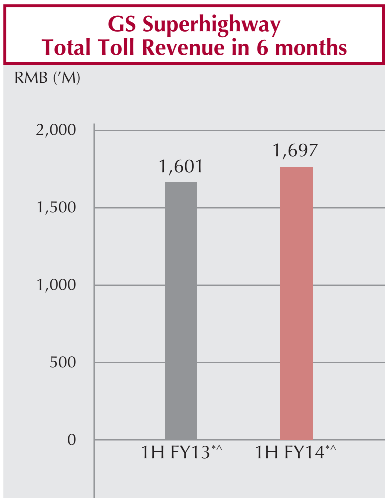
In December 2012, the Guangzhou Municipal Government announced the implementation of restrictions on trucks that are not registered in Guangzhou and weighing 15 tons or above. Such vehicles have been prohibited from travelling on the Guangzhou Ring Road between 07:00 and 20:00 for a one-year period starting 10 January 2013. The measure had insignificant impact on the HHI Group's expressways throughout the year when it was in force.

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 increased by 6% year-on-year to RMB9.2 million, whereas its total toll revenue amounted to RMB1,697 million. Meanwhile, its average daily traffic volume increased by 8% to 465,000 vehicles. One year after the implementation of the Tariff Proposal, the GS Superhighway's average daily toll revenue, based on the same tariff, returned to a positive growth and reached RMB9.5 million in December 2013.





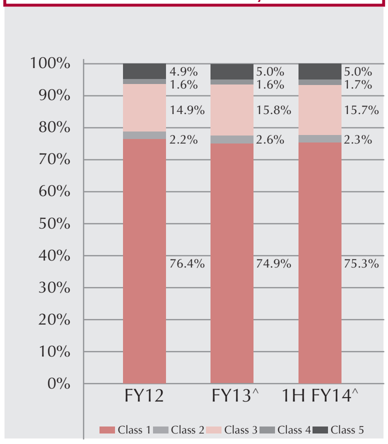


* Guangdong Tariff Proposal was implemented since 1 June 2012.

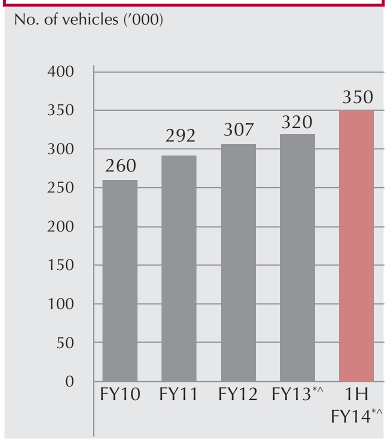
^ Holiday Toll-free Policy was implemented during National Day holidays for 8 days in 1H FY13 and for 7 days in 1H FY14.

Class 1 small car traffic has benefited from the continuous growth of passenger car sales in Guangdong. It continued to grow 9% year-on-year and reached a historical high level, accounting for 75.3% of the GS Superhighway's total traffic volume. The average daily toll revenue of Class 1 small car increased by 6% year-on-year to RMB5.3 million, contributing 57.2% to the total toll revenue. The average daily traffic and average daily toll revenue of Classes 4 and 5 also grew 6% and 7% respectively. The average toll revenue per vehicle per km fell by 2%, from RMB0.79 to RMB0.77.

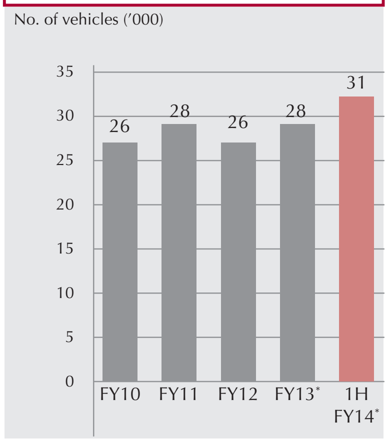
GS Superhighway Traffic Breakdown by Class



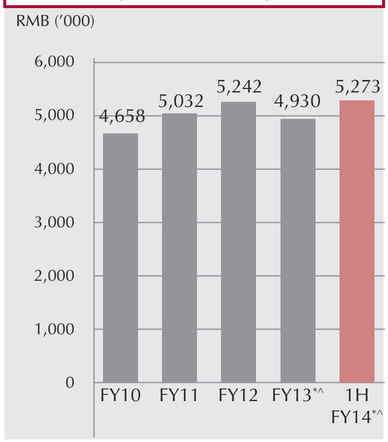
Class 1 – Average Daily Traffic (FY10-1H FY14)



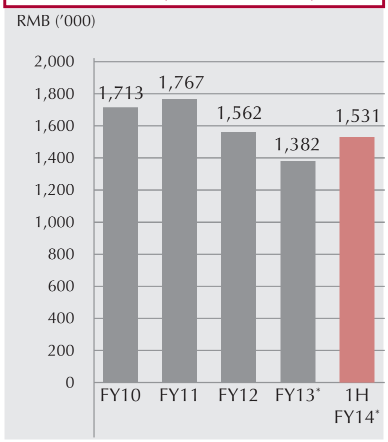
Class 4 & 5 – Average Daily Traffic (FY10-1H FY14)



Class 1 – Average Daily Toll Revenue (FY10-1H FY14)



Class 4 & 5 – Average Daily Toll Revenue (FY10-1H FY14)

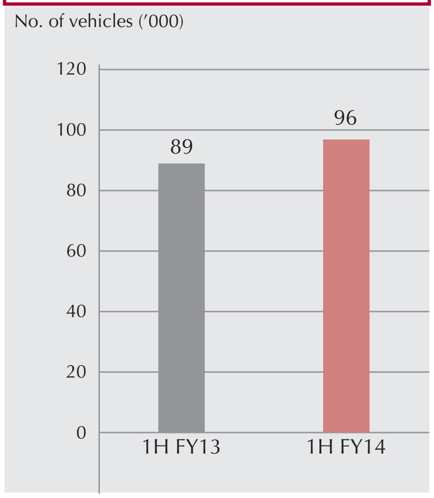


* Guangdong Tariff Proposal was implemented since 1 June 2012.

^ Holiday Toll-free Policy was implemented for a total of 21 days in FY13 and for 7 days during National Day holidays in 1H FY14.

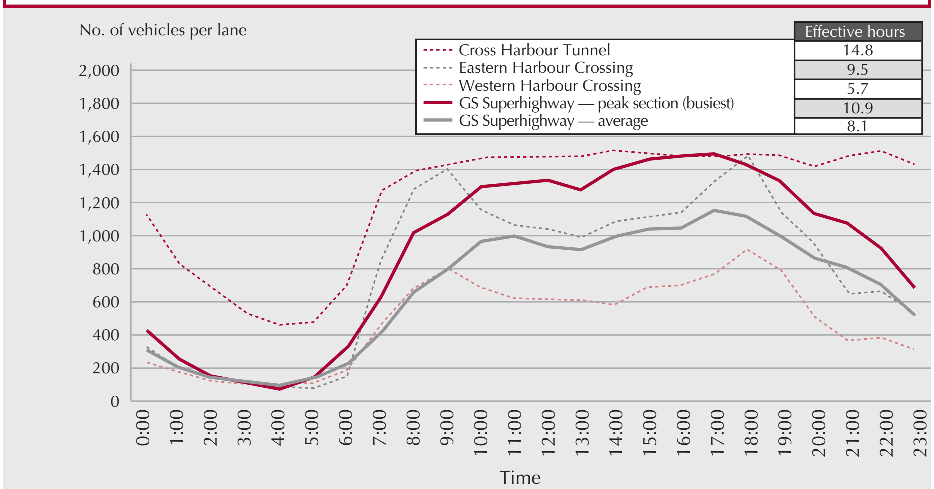
During the period under review, the average daily full-length equivalent traffic volume for the GS Superhighway increased by 8% year-on-year to 96,000 vehicles. This indicates there is still room for traffic to grow on the GS Superhighway.

GS Superhighway Average Daily Full Length Equivalent Traffic



With reference to the chart below, the cross sectional traffic volume (per lane) at the busiest section of the GS Superhighway was similar to that of the Eastern Harbour Crossing in Hong Kong while for the average of all sections on the GS Superhighway, it was lower than that of the Eastern Harbour Crossing.

GS Superhighway vs Tunnels in Hong Kong – Average Daily Cross Sectional Traffic (per lane)*



Remarks:
* Data being processed, only for demonstration purpose
1) Effective hour = average daily cross sectional traffic per lane / 2,000 vehicles per hour
2) Average daily traffic distribution pattern of HK tunnels reference to "The Annual Traffic Census – 2012", Transport Department, The Government of HKSAR
3) Average daily traffic of HK tunnels (Nov 2013): Cross Harbour Tunnel 118,000 vehicles, Eastern Harbour Crossing 76,000 vehicles, Western Harbour Crossing 68,000 vehicles
4) Average daily traffic of GS Superhighway (Dec 2013)

As mentioned earlier in the section headed “Full Opening of a Parallel Road”, the 41-km Guangzhou-Dongguan section of the Coastal Expressway has been opened for two years, there was minimal impact on the GS Superhighway so far. The average daily traffic volume on the GS Superhighway has increased by 8% year-on-year during the period under review. With the 30-km Shenzhen section and the remaining 18-km Guangzhou-Dongguan section opened in November 2013 and December 2013 respectively, the entire Coastal Expressway has been fully opened for traffic. Nevertheless, its impact on the GS Superhighway has also been minimal so far, as the GS Superhighway maintained mild growth despite 18-km of the Coastal Expressway was toll-free temporarily. The average daily traffic and average daily toll revenue of the GS Superhighway grew 8% and 6% year-on-year respectively in December 2013 and continued to rise 6% and 4% year-on-year respectively during 1 to 20 January 2014. HHI will continue to monitor the impact from the full opening of the Coastal Expressway on the GS Superhighway. Nevertheless, a combined traffic or toll revenue data for January and February 2014 should be taken into account when one is assessing the impact from the Coastal Expressway, as this will smooth out the seasonal fluctuation caused by Lunar New Year holiday. The GS Superhighway is comparable in length and it charges the same tariff as the Coastal Expressway. However, the two have different target customers, and the GS Superhighway offers a number of competitive advantages, such as convenient access to populous downtown areas and major expressways, well-equipped facilities, efficient patrol and rescue team and high-quality services. Together with the continuous growth of Guangdong’s economy, these factors lead the HHI Group to believe that the GS Superhighway will maintain its leading position as the main traffic artery on the eastern bank of the PRD region.

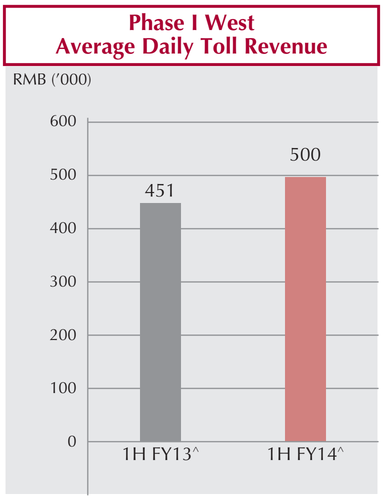
Shenzhen Baoan International Airport was expanded by the opening of a new passenger terminal located near the Hezhou interchange on 28 November 2013. The Hezhou interchange has been reopened on 15 November 2013, after a temporary closure for reconstruction since January 2013, to capture the traffic to and fro Shenzhen Baoan International Airport directly through its connection with a smooth and convenient local road. Not only this temporary closure had a minimal impact on the GS Superhighway, but also the Hezhou interchange has since then become the most convenient hub for traffic between downtown Shenzhen and Shenzhen Baoan International Airport, and the GS Superhighway will benefit from the increased volume of passengers and freight arising.

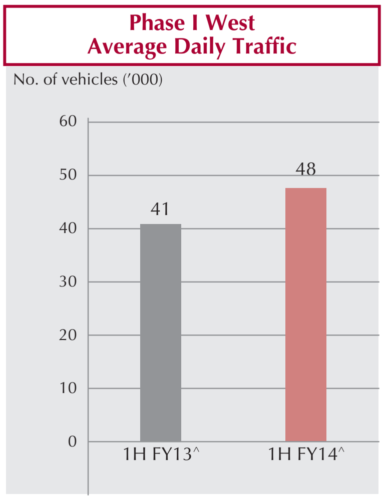
The GS Superhighway JV has been making incessant progress in increasing its operational efficiency and its ability to cope with increasing traffic by installing automated equipment in the toll lanes or entry lanes. Currently, around 60% of all the toll lanes at entrances to the GS Superhighway have ETC or automatic card-issuing machines. Furthermore, energy-saving LED lights were also installed at the toll plazas and along its entire main alignment in order to reduce energy consumption.

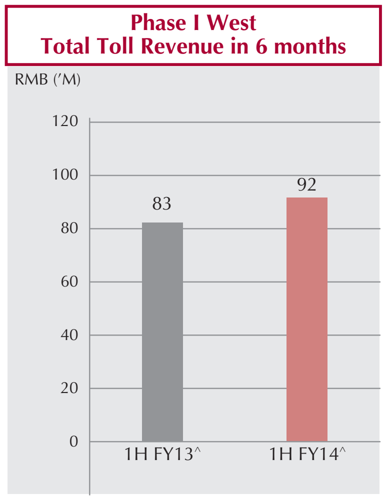
Phase I of the Western Delta Route

A 14.7-km closed expressway with a total of 6 lanes in dual directions, Phase I West 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. As the northern part of the Western Delta Route, Phase I West's synergy with Phase II West and Phase III West as well as the on-going economic growth of Guangzhou and Foshan will continue to drive the growth of its traffic volume and toll revenue.

The traffic volume and toll revenue of Phase I West grew healthily, mainly driven by a strong rise in the number of Class 1 small cars. Its average daily traffic volume increased by 17% year-on-year to 48,000 vehicles, whereas its average daily toll revenue increased by 11% to RMB500,000. Its total toll revenue amounted to RMB92 million during the period.

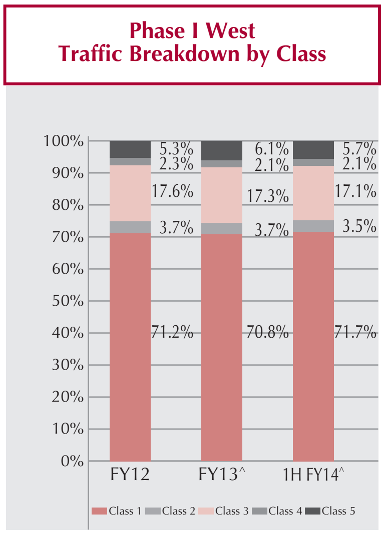


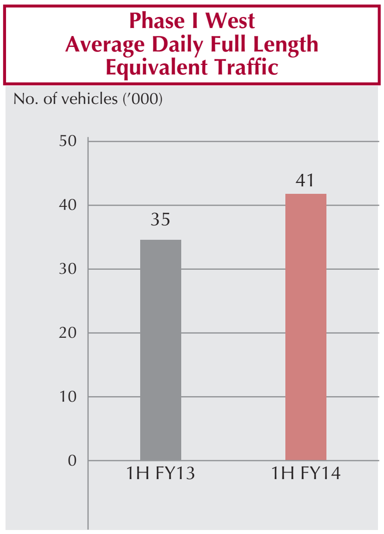




^ Holiday Toll-free Policy was implemented during National Day holidays for 8 days in 1H FY13 and for 7 days in 1H FY14.

The traffic and toll revenue for Class 1 small cars continued to grow, accounting for 71.7% of Phase I West's total traffic volume. Meanwhile, the traffic and toll revenue for Classes 4 and 5 vehicles remained at a similar level as last year during the period. The average daily full-length equivalent traffic on Phase I West amounted to 41,000 vehicles, which represents a growth of 16%.





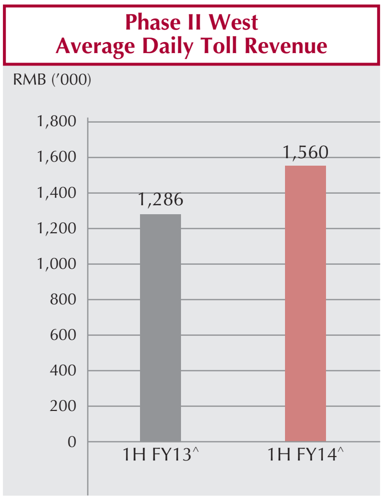
^ Holiday Toll-free Policy was implemented for a total of 21 days in FY13 and for 7 days during National Day holidays in 1H FY14.

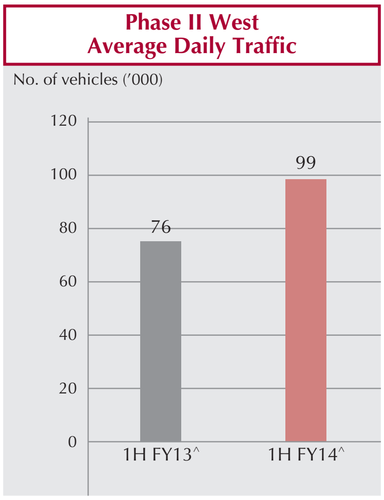
The Guangzhou Municipal Government announced the imposition of restrictions on trucks not registered in Guangzhou and weighing 15 tons or above in December 2012. These have been prohibited from travelling on the Guangzhou Ring Road between 07:00 and 20:00 for one year commencing 10 January 2013. The impact of this measure on Phase I West has been minimal. The Guangzhou Municipal Government is also currently considering the imposition of other traffic restrictions on vehicles not registered in Guangzhou during busy hours. However, the date and details of their implementation have not yet been announced. The HHI Group will continue to monitor the situation, and it is believed that the impact on Phase I West will be minimal.

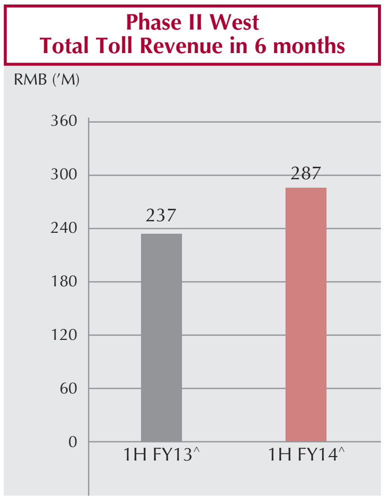
Phase II of the Western Delta Route

A 45.5-km closed expressway with a total of 6 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 interconnected with National Highway 105, Guangzhou Southern Second Ring Road and the Jiangmen-Zhongshan Expressway, and it has a direct connection to downtown Zhongshan at its southern end. The opening of Phase III West in January 2013 marks the completion of the entire Western Delta Route, which creates synergy effect further boosting the growth of Phase II West's traffic volume and toll revenue.

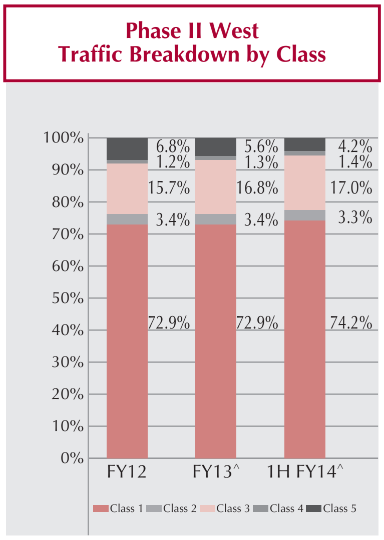
The traffic volume and toll revenue of Phase II West have continued to grow robustly ever since it opened in June 2010. During the period under review, its average daily traffic volume rose by 30% to 99,000 vehicles, whereas its average daily toll revenue grew by 21% to RMB1,560,000 and achieved profit breakeven level of RMB1.5 million. Its total toll revenue for the period amounted to RMB287 million. Class 1 small cars recorded strong growth, contributing 74.2% to the total traffic volume. The average daily full-length equivalent traffic on Phase II West amounted to 43,000 vehicles, representing a year-on-year growth of 28%.

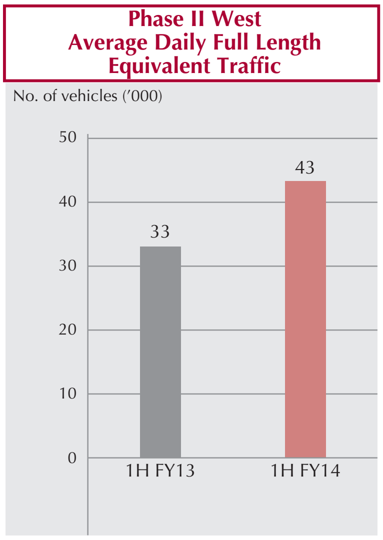






^ Holiday Toll-free Policy was implemented during National Day holidays for 8 days in 1H FY13 and for 7 days in 1H FY14.





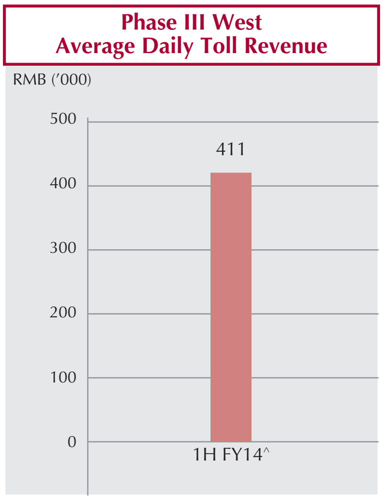
^ Holiday Toll-free Policy was implemented for a total of 21 days in FY13 and for 7 days during National Day holidays in 1H FY14.

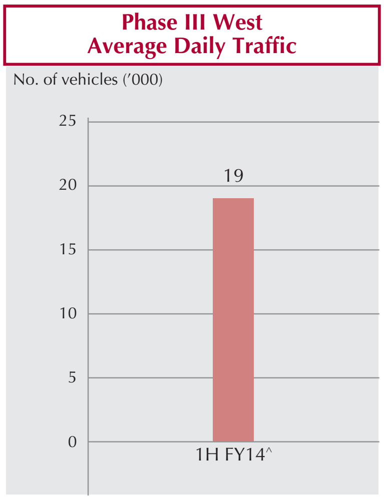
The relevant PRC authorities are currently processing the West Route JV's application to increase the investment in Phase II West to RMB7,200 million. Once approval for this has been obtained, additional registered capital can be injected into the West Route JV by the PRC partner and HHI on a 50:50 basis and additional project bank loans can be borrowed. The estimated outstanding project payments of not more than RMB500 million could be funded by shareholder's loan from HHI and the PRC partner on a 50:50 basis.

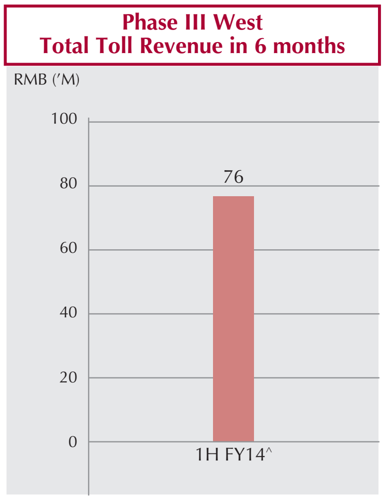
Phase III of the Western Delta Route

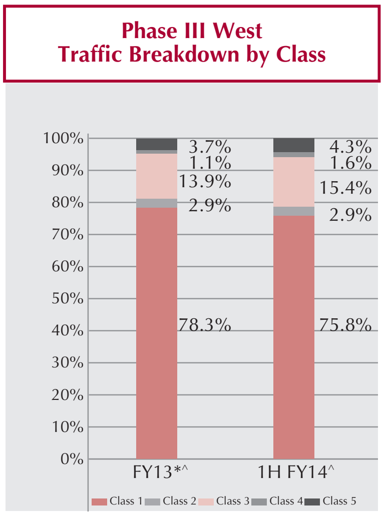
A 37.7-km closed expressway with a total of 6 lanes in dual directions, Phase III West is connected to Phase II West at Zhongshan to the north. It extends southwards to link with the Zhuhai expressway network, thus providing direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai, Macau, and the HZM Bridge, which is under construction. It provides the most direct and convenient expressway link between the city centres of Zhongshan and Zhuhai.

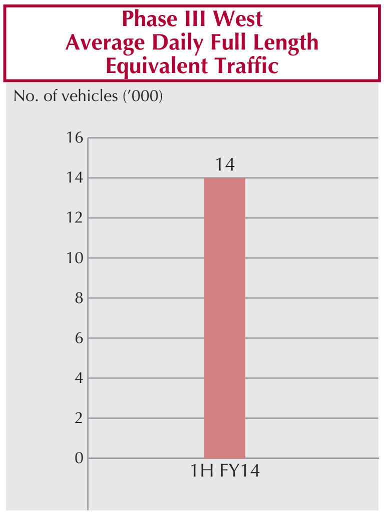
Phase III West's traffic volume and toll revenue have been ramping up steadily. During the period under review, its average daily traffic volume and average daily toll revenue amounted to 19,000 vehicles and RMB411,000 respectively. In December 2013, the average daily traffic volume and average daily toll revenue of Phase III West further reached 21,000 vehicles and RMB455,000 respectively. Its total toll revenue for the period amounted to RMB76 million. The synergy between Phase I West, Phase II West and Phase III West is expected to stimulate a persistent growth of Phase III West's traffic volume and toll revenue.







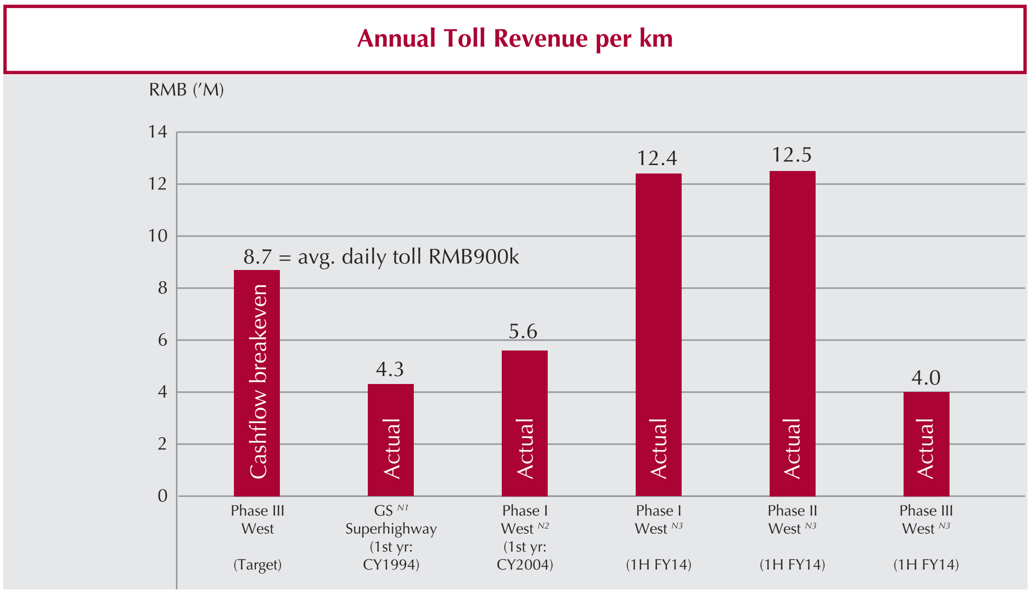




* Phase III West was opened on 25 January 2013.

^ Holiday Toll-free Policy was implemented for a total of 13 days in FY13 and for 7 days during National Day holidays in 1H FY14.

Phase III West's performance is expected to improve along with its traffic and toll revenue ramp-up. Based on the annual toll revenues and expenses of the GS Superhighway, Phase I West and Phase II West during their first full year of operation and the actual performance of Phase III West, the HHI Group expects that Phase III West's toll revenue may achieve its operating cash flow breakeven target (after taking interest expense payment into account) in FY16 when its average daily toll revenue reaches RMB900,000 (the equivalent of annual toll revenue of RMB8.7 million per km). This is higher than the previous estimate of RMB850,000 due to the increase in interest expense for the RMB265 million shareholder's loans to be injected by HHI and the PRC partner on a 50:50 basis. Yet, supported by the strong growth in Phase I West and Phase II West, the target for the West Route JV to become profitable by the second half of FY15 remains unchanged.



N1: Annualised figure for CY94 (GS Superhighway started operation on 18 July 1994)
N2: Annualised figure for CY04 (Phase I West started operation on 30 April 2004)
N3: Annualised figure

On the other hand, the planned total investment for Phase III West could increase from RMB5,600 million to up to RMB6,150 million, mainly because land costs may be higher than expected. The estimated outstanding project payments of not more than RMB470 million (based on a planned total investment cost of up to RMB6,150 million) will be funded by available PRC project bank loans and shareholder's loan from HHI and the PRC partner on a 50:50 basis.

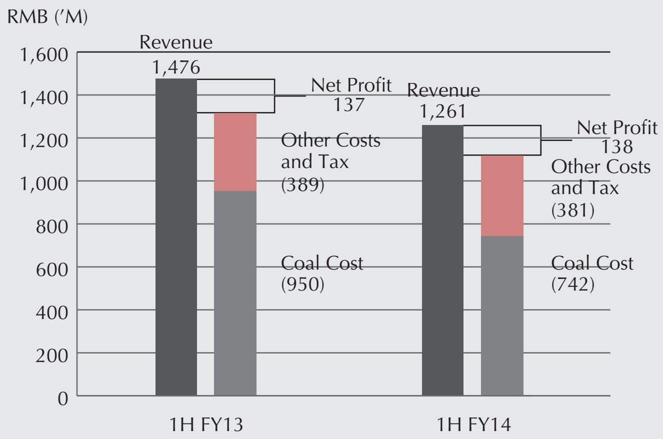
B) Power

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	RMB4.7 billion (As per final account)
Status	Both units are operational

Key operating data	*1H FY13*	***1H FY14***
Gross Generation	3,500GWh	**3,000GWh**
Utilisation rate[N1] (hours)	66%	**57%**
	(2,932hrs)	**(2,513hrs)**
Availability factor[N2]	93%	**82%**
No. of days in which Daily Utilisation rate[N3]>80%	24 days	**13 days**
Average on-grid tariff (with desulphurisation) (excluding VAT) (RMB/MWh)	445.3	**444.1**[N4]
Approximate cost of coal (5,500 kcal/kg) (including transportation cost and excluding VAT) (RMB/ton)	725	**650**

Joint-Venture Level 100%



	1H FY13 *RMB'M*	***1H FY14*** ***RMB'M***
Revenue	1,476	**1,261**
Coal cost	(950)	**(742)**
Other costs and tax	(389)	**(381)**
Net profit	137	**138**
HHL's share*		
– Revenue	590	**504**
– Net profit	55	**55**

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

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

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

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

N4: Unit 2 – with desulphurisation and denitrification tariff

Heyuan Power Plant is one of Guangdong Province's most efficient and environmentally friendly coal-fired power plants. It is also the first in China to be equipped with a flue gas desulphurisation wastewater treatment system.

The plant's utilisation rate decreased during the period under review, primarily due to increased generation of hydropower as the result of abundant rainfall and scheduled maintenance. However, its net profit increased by 1% to RMB138 million, as much of the impact of the decreased utilisation rate and a reduction in the on-grid electricity tariff was offset by a decline in the cost of coal. As a result, the plant's net profit margin increased from 9% to 11%.

The National Development and Reform Commission (NDRC) adjusted the electricity tariffs of coal-fired power plants in Guangdong Province, with effect from 25 September 2013. The new tariffs (excluding VAT) of Unit 2 (with desulphurisation and denitrification) and Unit 1 (with desulphurisation) are RMB437.6/MWh and RMB429.1/MWh respectively. An application for the denitrification tariff for Unit 1 is in progress.

As of 31 December 2013, the Heyuan JV had repaid RMB1.29 billion or 51% of the original project debt (including shareholder's loans) of RMB2.55 billion. The total outstanding project debt was RMB1.26 billion, including shareholder's loans of RMB500 million provided by the Group to increase the JV's financial resources and reduce its finance costs.

The on-going economic growth of Guangdong Province indicates that demand for electricity there will remain strong in the long run. The Group therefore expects that the plant will continue to provide it with relatively stable profit contributions.

Heyuan Power Plant Phase II

The Heyuan JV is studying the development of a second phase of the Heyuan Power Plant. This will consist of 2 x 1000MW coal-fired power plant. A feasibility study has already been submitted to the relevant PRC authorities, and the Heyuan JV is currently applying for approvals for the project.

Prospects

USA recovery is progressing steadily, while some of the Euro Zone countries are starting to show signs of recovery; however, the market is still worrying about the US Federal Reserve's plan to reduce its bond purchases, and its tentative timetable for ending its current monetary policy.

The PRC's economy is likely to grow steadily in 2014, despite the continuation of the Central Government's tight measures to control speculative and investment demand in the housing market. The authorities have expressed confidence in their ability to maintain China's sustainable and healthy economic development in the long term. The PRC Central Bank will support economic growth by continuing to adjust its monetary policy in the short term. The Group believes that low interest rates and ample liquidity will continue to prevail throughout 2014, which will benefit property markets in the Greater China region.

Hong Kong's economy is strongly influenced by the external economic environment, and it is expected to remain steady in 2014. The low unemployment rate has helped to make private consumption resilient. The retail property market will continue to grow, albeit at a slower pace, supported by local consumption and the spending of visitors from Mainland China. Despite China's new Tourism Law, the outlook for the Hong Kong hospitality industry is good, since business and leisure travel has continued to boom in the Greater China region. The volume of residential property transactions may decline following the introduction and amendment of stamp duty provisions by the Hong Kong Government. However, the limited supply of new residential property in the near term is expected to keep prices steady, with a slight bias towards them softening.

Both the average daily traffic and average daily toll revenue of the GS Superhighway returned to positive year-on-year growth in 1H FY14, following the implementation of a tariff cut and the Holiday Toll-free Policy in June 2012 and October 2012, respectively. Phase II West's business grew robustly, and it becomes profitable during this reporting period. Phase III West commenced operation in January 2013, thus enhancing the connectivity and income of the Group's expressways, and adding new momentum to the growth of the Western Delta Route's revenue.

The Coastal Expressway was fully opened in December 2013. The Group believes its impact on the Group's GS Superhighway is minimal so far. The GS Superhighway will remain competitive and maintain its leading position as the main traffic artery on the eastern bank of the PRD region. However, the HHI Group will continue to monitor the Coastal Expressway's performance closely. On the other hand, construction of the HZM Bridge is progressing according to schedule, and it will be completed by the end of 2016. This will benefit the HHI Group, because it will complete the link between Hong Kong, Macau and the PRD, stimulate regional economic activity and integration, and boost travel between its cities. Furthermore, Hengqin has become China's third State-level Strategic New Zone and it is being positioned as a new growth hub on the western bank of the PRD. This will further boost the growth of traffic on the Western Delta Route.

When it is completed in 2018, Hopewell Centre II will house one of Hong Kong's largest hotels with comprehensive conference facilities. It will benefit from the present dearth of conference venues, the limited supply of large and high-end hotels, and the shortage of performance venues. The project will also offer pedestrians a convenient connection between the Kennedy Road residential area in Mid-Levels and Wan Chai MTR Station via Hopewell Centre and the 200 Queen's Road East Project. When completed, the hotel will synergise with the Group's current property portfolio in Wan Chai and thus enhance its recurrent income base.

The pre-sale of residential units of the 200 Queen's Road East Project, known as "The Avenue", received an encouraging response when it began in November 2013. The project's retail portion will further enlarge the Group's rental property portfolio, which is expected to form one of Wan Chai's largest retail clusters when the retail portion of Hopewell Centre II and the 200 Queen's Road East Project have been completed. Furthermore, the Group will consider developing the site of the properties at 155–167 Queen's Road East once it has acquired the remaining interests in them.

Once the Group has completed its current projects in the southern part of Wan Chai in a few years' time, the entire area will be transformed into a rejuvenated hub consisting of premium residential, office, hotel, serviced apartment and retail elements.

Besides Wan Chai, the Group will continue its asset enhancement strategies to maximise the values of its properties in Kowloon Bay and Tsuen Wan. Besides the "E-Max II" refurbishment project, the Group will continue to revamp KITEC, with a view to capitalising on the opportunities being created by the proposed transformation of Kowloon East into a new CBD.

Financial Review

Liquidity and Financial Resources

As of 31 December 2013, the cash position and available committed banking facilities of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	*30.6.2013*	***31.12.2013***
Cash	3,487	**3,069**
Available Committed Banking Facilities	1,420	**270**
Cash and Available Committed Banking Facilities	4,907	**3,339**

As of 31 December 2013, the cash balance of HHL and its subsidiaries (excluding the HHI Group) amounted to HK$3,069 million. This included RMB1,932 million (equal to HK$2,475 million) and HK$594 million.

The net debt position of HHL and its subsidiaries, which represents the cash balance after deducting bank loans totalling HK$5,114 million, was HK$2,045 million.

As of 31 December 2013, the gearing ratio and debt to total asset ratios of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	*30.6.2013*	***31.12.2013***
Total debt	5,659	**5,114**
Net debt (Note 1)	2,172	**2,045**
Total assets	43,825	**44,059**
Shareholders' equity (excluding equity shared from HHI Group)	36,513	**37,097**
Total debt/total assets ratio	12.9%	**11.6%**
Net gearing ratio (Note 2)	5.9%	**5.5%**

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)

Based on contracted sales and assuming all transactions completed, HHL expects to receive in mid-2014 the net proceeds of around HK$1,000 million (after URA's share, outstanding project loan, construction and related costs) from the sale of The Avenue. This will further lower HHL corporate's net debt level.

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$3.7 billion on these projects between FY14 and FY16. 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, 200 Queen's Road East and Hopewell New Town projects, should provide adequate funding for the projects that the Group is currently developing. Given its solid financial position, the Group will continue to look for appropriate investment opportunities.

Major Projects Plan

Projects	Target Completion	Total Investment[N1] HK$'M	Interest %	HHL's Portion of Total Investment[N1] HK$'M	HHL's Injection FY14 to FY16[N1] HK$'M
Hong Kong					
200 Queen's Road East Project	2015	9,000	50%	4,500	0[N2]
Hopewell Centre II	2018	9,000	100%	9,000	1,860 (FY14: 200, FY15: 540 FY16: 1,120)
PRC					
Hopewell New Town					
Residential portion (with shops)					
• 50,000 sq.m.	FY14	338		321	
• 52,000 sq.m.	FY15	315		299	980
• 61,000 sq.m.	FY16	379	95%	360	
Commercial strip					
• 150,000 sq.m.	FY17	1,281		1,217	576
Liede Project	2016	1,281	Operating Lease	1,281	295
Total				**16,978**	**3,711**

Based on exchange rate RMB1 = HK$1.281 (December 2013)

N1: Present planning, subject to change
N2: The investment is mainly financed by the project's bank loan

As at 31 December 2013, the HHI Group (consisting of HHI and its subsidiaries but excluding its JVs) had a cash balance of RMB1,415 million, equal to HK$1,812 million (30 June 2013: RMB1,480 million, equal to HK$1,870 million). Taking into account the RMB600 million raised by HHI's RMB corporate bond issue in May 2011, and corporate loans of HK$863 million, that amounted to a total debt of HK$1,632 million, the HHI Group had net cash on hand of RMB141 million (equal to HK$180 million) at corporate level. The HHI Group's issue of the RMB-traded shares in October 2012 raised net proceeds of RMB375 million. On 28 June 2013, the HHI Group utilised the internal resource to repay RMB500 million bilateral loan to reduce the finance costs and arranged a 3-year HK$300 million facility. The facility and its own internal resources will provide the HHI Group with sufficient financial resources to support its remaining funding requirement of the Western Delta Route.

Debt Maturity Profile of the Group

	30.6.2013 HK$ million		***31.12.2013 HK$ million***	
Repayable within 1 year	2,965	41%	**1,153**	**17%**
Repayable between 1 and 5 years	4,212	59%	**5,593**	**83%**
	7,177*		**6,746***	

* Including bank borrowings and corporate bond

On 8 November 2013, the Group used its internal resources to repay a HK$1,700 million bilateral loan to reduce its finance costs.

Apart from the above-mentioned facilities, the Group had other available undrawn bank overdrafts and uncommitted banking facilities amounting to HK$620 million as at 31 December 2013 (30 June 2013: HK$450 million).

In 2011, 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 200 Queen's Road East Project. Its loan facilities are currently expected to be more than adequate to fund the 200 Queen's Road East 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 200 Queen's Road East 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 200 Queen's Road East Project has been pledged to the banks concerned in order to secure the banking facilities granted to the JV for this project. The carrying amount of the pledged equity interest at the end of the reporting period was insignificant to the Group.

Project Commitments

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

Contingent Liabilities

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

Material Acquisition or Disposal

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

Corporate Sustainability

The Group made significant progress on the core elements of its ongoing efforts to promote corporate sustainability during the period under review. In fact, its environmental, social and corporate governance performance was recognised by its inclusion as a constituent stock in the Hang Seng Corporate Sustainability Index.

Corporate Governance

The Company is committed to the principles of good corporate governance and corporate social responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code").

In November 2013, Sir Gordon Ying Sheung WU was awarded the Lifetime Achievement Award of 2013 Hong Kong Business Awards by the South China Morning Post and DHL in recognition for his business and social contribution to Hong Kong over a sustained period of time.

Under its renowned and capable leadership, the Board will certainly 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 has complied with all the code provisions as set out in the CG Code, except for the deviation from code provision A.5.1 of the CG 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 as the Company already has the policies and procedures for selection and nomination of Directors in place. The Board as a whole regularly reviews the plans for orderly succession for appointments to the Board and its structure, size 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).

Award and Recognition

- HHL was selected as a constituent stock of the Hang Seng Corporate Sustainability Index. Both HHL and HHI were selected as constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index for three consecutive years

- The HHL Sustainability Report 2012/13 achieved GRI B+ standing

- HHL was awarded the 4th Hong Kong Outstanding Corporate Citizenship Logo

- Sir Gordon Ying Sheung WU, Chairman of HHL, was awarded the prestigious Lifetime Achievement Award of 2013 Hong Kong Business Awards by the South China Morning Post and DHL

- HHL was awarded the 1st Asian Company Secretary of the Year Recognition Awards 2013 by Corporate Governance Asia, with Mr. Richard Law, Corporate Affairs Director and Company Secretary, receiving the title

Environmental

Electric Vehicles

The Group has been promoting electric vehicles (EV) to help Hong Kong become a low-carbon city. It purchased two new 45-seat electric coaches to support the testing of green technologies that are applicable to the public transport sector. These have replaced the conventional shuttle buses that run between KITEC and Kowloon Bay MTR station.

Carbon Management

The Group continuously reviews its environmental footprint and identifies and implements opportunities to reduce it. These range from energy, water and paper consumption to carbon emissions at its offices. The Group's efforts have been recognised by the World Green Organization, which has awarded it the GOALS Label under its Green Office Awards Labelling Scheme.

Heyuan Power Plant

One of Guangdong Province's most efficient and environmentally friendly coal-fired power plants, Heyuan power plant installed the NOx reduction system in its Unit 1 during the second half of 2013.

Our People

Staff Engagement

The Group makes every effort to enhance communication with its employees. It recently launched a new intranet platform with built-in social media features to enhance staff engagement and working efficiency further.

Staff Development

The Group believes that it is important to offer its employees more than just a job. It has recently developed a range of improved programmes to help staff members advance in their careers and personal growth, increase their productivity, and unleash their potential. These include new staff orientation, corporate governance, risk management, soft skills and functional training programmes.

Employee Relations

The Group takes great pride in its Employee Assistance Programme (EAP) which aims to maintain healthy employer-employee relationships and improve staff satisfaction, motivation and productivity. The EAP includes regular workshops and training programmes to help staff to cope with work-related and personal needs including psychological, emotional, social and family and mental health issues.

Customers and Communities

The Group enjoys a good and solid relationship with its long-term partners and the communities in which it operates. It strives to build strategic partnerships on four main focuses: youth development; sports, arts and culture; environment and sustainable communities; and volunteering and community engagement with its key partners:

- Friends of the Earth (HK)
- St. James' Settlement
- The Business Environment Council
- The Community Chest of Hong Kong
- The Hong Kong Outstanding Students' Association
- The Hong Kong Red Cross
- The Hong Kong Student Army Camp
- The Playright Children's Play Association
- WWF-HK
- The World Green Organisation

Other Information

Review of Interim Results

The Group's unaudited interim results for the six months ended 31 December 2013 have been reviewed by the Audit Committee and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) the Company[(i)]

	Shares					
Directors	*Personal interests (held as beneficial owner)*	*Family interests (interests of spouse or child under 18)*	*Corporate interests[(ii)] (interests of controlled corporation)*	*Other interests*	*Total Interests*	*% of issued share capital*
Sir Gordon WU	75,083,240	25,420,000[(iii)]	111,250,000[(iv)]	30,680,000[(v)]	242,433,240[(ix)]	27.79
Eddie Ping Chang HO	27,690,500	–	70,000	1,000[(vi)]	27,761,500	3.18
Thomas Jefferson WU	27,600,000	–	–	–	27,600,000	3.16
Josiah Chin Lai KWOK	1,275,000	–	–	–	1,275,000	0.15
Guy Man Guy WU	2,645,650	–	–	–	2,645,650	0.30
Lady WU	25,420,000	125,143,240[(vii)]	61,190,000[(viii)]	30,680,000[(v)]	242,433,240[(ix)]	27.79
Linda Lai Chuen LOKE	–	1,308,981	–	–	1,308,981	0.15
Albert Kam Yin YEUNG	120,000	–	–	–	120,000	0.01
William Wing Lam WONG	338,000	–	–	–	338,000	0.04

Notes:

(i) All interests in the shares of the Company were long positions. None of the Directors or chief executives held any short position in the shares and underlying shares of equity derivatives of the Company.

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

(iii) The family interests in 25,420,000 shares represented the interests of his wife Lady WU.

(iv) The corporate interests in 111,250,000 shares held by Sir Gordon WU included the interests in 61,190,000 shares referred to in Note (viii).

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

(vi) The other interests in 1,000 shares represented the interests held by Mr. Eddie Ping Chang HO as a trustee of the Estate of his wife Mrs. HO LEE Sok Kam Margaret.

(vii) The family interests in 125,143,240 shares represented the interests of Sir Gordon WU. This figure included 50,060,000 shares held by Sir Gordon WU through corporations.

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

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

(B) Associated Corporation — HHI

	HHI Shares					
Directors	*Personal interests (held as beneficial owner)*	*Family interests (interests of spouse or child under 18)*	*Corporate interests[i] (interests of controlled corporation)*	*Other Interests*	*Total Interests*	*% of issued share capital*
Sir Gordon WU	13,717,724	5,244,000[ii]	21,249,999[iii]	6,136,000[iv]	46,347,723[ix]	1.50
Eddie Ping Chang HO	4,887,500	–	14,000	2,000[v]	4,903,500	0.16
Thomas Jefferson WU	16,000,000	–	–	–	16,000,000	0.52
Josiah Chin Lai KWOK	127,500	–	–	–	127,500	0.00
Guy Man Guy WU	264,565	–	–	–	264,565	0.01
Lady WU	5,244,000[vi]	22,729,725[vii]	12,237,998[viii]	6,136,000[iv]	46,347,723[ix]	1.50
Linda Lai Chuen LOKE	–	130,898	–	–	130,898	0.00
Albert Kam Yin YEUNG	29,000	–	–	–	29,000	0.00
William Wing Lam WONG	15,000	–	–	–	15,000	0.00
Leo Kwok Kee LEUNG	200,000	–	–	–	200,000	0.01

Notes:

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

(ii) The interests in 5,244,000 HHI Shares were interests held by Lady WU.

(iii) The corporate interests in 21,249,999 HHI Shares held by Sir Gordon WU included the corporate interests in 12,237,998 HHI Shares referred to in Note (viii).

(iv) The other interests in 6,136,000 HHI Shares represented the interests held jointly by Sir Gordon WU and Lady WU.

(v) The other interests in 2,000 HHI shares represented the interests held by Mr. Eddie Ping Chang HO as a trustee of the Estate of Mrs. HO LEE Sok Kam Margaret.

(vi) The interests in 5,244,000 HHI Shares were personal interests beneficially owned by Lady WU and represented the same block of shares in Note (ii).

(vii) The family interests in 22,729,725 HHI Shares represented the interests of Sir Gordon WU. This figure included 9,012,001 HHI Shares held by Sir Gordon WU through corporations.

(viii) The corporate interests in 12,237,998 HHI Shares were held through corporations owned by Sir Gordon WU and Lady WU as to 50% each.

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

All the above interests in the shares of associated corporation were long positions.

Save as aforesaid, as at 31 December 2013, none of the Directors or chief executives had any other interests or short positions in shares, underlying shares and debentures of associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options of the Company

(A) On 1 November 2003, the Company adopted a share option scheme (the "Old Option Scheme") which expired on 1 November 2013. In order to ensure continuity of a share option scheme to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to its participants, the shareholders of the Company at the annual general meeting held on 21 October 2013 passed an ordinary resolution to approve the adoption of a new share option scheme (the "New Option Scheme") and the termination of the Old Option Scheme. The New Option Scheme will expire on 21 October 2023.

Upon termination of the Old Option Scheme on 21 October 2013, no further options may be granted but the provisions of the Old Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Old Option Scheme may continue to be exercisable in accordance with their respective terms of issue.

(B) Details of the movement of share options under the Old Option Scheme during the six months ended 31 December 2013 were as follows:

			Number of share options						
	Date of grant	*Exercise price per share HK$*	*Outstanding at 01/07/2013*	*Granted during the period*	*Exercised during the period*	*Lapsed during the period*	*Outstanding at 31/12/2013*	*Exercise period*	*Closing price before date of grant falling within the period HK$*
Employees	10/10/2006	22.44	1,468,800	–	(1,468,800)	–	–	01/11/2007–31/10/2013	N/A
Employees	15/11/2007	36.10	3,472,000	–	–	–	3,472,000	01/12/2008–30/11/2014	N/A
Employees	24/07/2008	26.35	619,400	–	–	–	619,400	01/08/2009–31/07/2015	N/A
Employees	11/03/2009	21.45	440,500	–	(58,000)	–	382,500	18/03/2010–17/03/2016	N/A
Total			**6,000,700**	**–**	**(1,526,800)**	**–**	**4,473,900**		

No options were cancelled during the six months ended 31 December 2013.

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised by the employees during the period was HK$25.63.

The options granted on 15 November 2007, 24 July 2008 and 11 March 2009 are exercisable in the following manner:

Maximum options exercisable	*Exercise period*
Granted on 15 November 2007	
20% of options granted	01/12/2008 – 30/11/2009
40%* of options granted	01/12/2009 – 30/11/2010
60%* of options granted	01/12/2010 – 30/11/2011
80%* of options granted	01/12/2011 – 30/11/2012
100%* of options granted	01/12/2012 – 30/11/2014
Granted on 24 July 2008	
20% of options granted	01/08/2009 – 31/07/2010
40%* of options granted	01/08/2010 – 31/07/2011
60%* of options granted	01/08/2011 – 31/07/2012
80%* of options granted	01/08/2012 – 31/07/2013
100%* of options granted	01/08/2013 – 31/07/2015
Granted on 11 March 2009	
20% of options granted	18/03/2010 – 17/03/2011
40%* of options granted	18/03/2011 – 17/03/2012
60%* of options granted	18/03/2012 – 17/03/2013
80%* of options granted	18/03/2013 – 17/03/2014
100%* of options granted	18/03/2014 – 17/03/2016

* including those not previously exercised

(C) No option was granted under the New Option Scheme since its adoption.

Share Options of HHI

(A) The share option scheme of HHI approved by the written resolutions of the then sole shareholder of HHI passed on 16 July 2003 and approved by shareholders of the Company at an extraordinary general meeting held on 16 July 2003 (the "HHI Old Option Scheme") had expired on 16 July 2013.

In view of the expiry of the HHI Old Option Scheme and for the purpose of providing HHI with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to its participants, the shareholders of HHI at the annual general meeting held on 21 October 2013 passed an ordinary resolution to approve the adoption of a new share option scheme (the "HHI New Option Scheme"), which was also approved for adoption by the shareholders of the Company at the annual general meeting held on 21 October 2013. The HHI New Option Scheme will expire on 21 October 2023.

Upon expiry of the HHI Old Option Scheme on 16 July 2013, no further options may be granted but the provisions of the HHI Old Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the HHI Old Option Scheme may continue to be exercisable in accordance with their respective terms of issue.

(B) Details of the movement of share options under the HHI Old Option Scheme during the period ended 31 December 2013 were as follows:

			Number of HHI share options						
	Date of grant	Exercise price per share HK$	Outstanding at 01/07/2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31/12/2013	Exercise period	Closing price before date of grant falling within the period HK$
Employees of HHI	17/10/2006	5.858	4,080,000	–	–	(4,080,000)	–	01/12/2007–30/11/2013	N/A
Employees of HHI	19/11/2007	6.746	360,000	–	–	–	360,000	01/12/2008–30/11/2014	N/A
Employees of HHI	24/07/2008	5.800	400,000	–	–	–	400,000	01/08/2009–31/07/2015	N/A
Total			**4,840,000**	**–**	**–**	**(4,080,000)**	**760,000**		

No options were cancelled during the six months ended 31 December 2013.

The options granted on 19 November 2007 and 24 July 2008 are exercisable in the following manner:

Maximum options exercisable	*Exercise period*
Granted on 19 November 2007	
20% of options granted	01/12/2008–30/11/2009
40%* of options granted	01/12/2009–30/11/2010
60%* of options granted	01/12/2010–30/11/2011
80%* of options granted	01/12/2011–30/11/2012
100%* of options granted	01/12/2012–30/11/2014
Granted on 24 July 2008	
20% of options granted	01/08/2009–31/07/2010
40%* of options granted	01/08/2010–31/07/2011
60%* of options granted	01/08/2011–31/07/2012
80%* of options granted	01/08/2012–31/07/2013
100%* of options granted	01/08/2013–31/07/2015

* including those not previously exercised

(C) No option was granted under the HHI New Option Scheme since it adoption.

Share Awards of the Company

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

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

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

(C) During the period under review, cash dividend income amounting to HK$41,319 (2012: HK$68,832) had been received in respect of the shares held upon the trust for the HHL Award Scheme and shall form part of the trust fund of such trust. The trustee may apply such cash or shares for the purchase of share which shall become returned shares for the purpose of the HHL Award Scheme, or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of such scheme, or return such cash or shares to the Company, as the trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the remuneration committee of the Board.

(D) There was no awarded share granted or outstanding during the six months ended 31 December 2013.

Share Awards of HHI

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

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

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

(C) There was no awarded shares granted or outstanding during the six months ended 31 December 2013 and accordingly no dividend income was received in respect of shares hold upon the trust for the HHI Award Scheme (2012: Nil) during such period.

Substantial Shareholder

Save as disclosed under the section headed "Directors' Interests in Shares, Underlying Shares and Debentures", the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under section 336 of the SFO as at 31 December 2013.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2013.

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 2013, the Group had 1,143 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family-friendly employment policies and practices. The Group has arranged birthday parties, Christmas party, 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 2013, the Group continues to hire 3 graduates with potential under a 24-month Management Trainee Programme. The graduates acquired essential business knowledge and management skills through well planned job rotations within the Group's core business units and corporate offices. In addition, the Group continues to hire summer interns that provides university students with the opportunities to gain working experience in the Group.

The Group's training programmes are designed 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, educational sponsorships and study leave. During the period, the Group organised a number of seminars on subjects like counselling and crisis management, MPF investment management, by external consultants or service providers to enhance employees' general knowledge in the topics concerned.

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 rule ("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.

Disclosures under Chapter 13 of the Listing Rules

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

Continuing disclosure pursuant to Rule 13.20 of the Listing Rules

As disclosed in the announcement made by the Company on 8 July 2011, Grand Site, an affiliated company of the Company, executed a facility agreement and security documents in relation to loan facilities of up to an aggregate principal amount of HK$5,000 million and in connection therewith and on the same date, the Company (on a several basis and pro rata to its 50% attributable equity interest in Grand Site) entered into a corporate guarantee and a funding agreement for project cost overrun (with completion guarantee) and Linford Investments Limited (being the indirect wholly-owned subsidiary of the Company holding 50% shareholding in Grand Site) entered into a subordination agreement and a share charge in favour of the lenders. The aforesaid loan facilities have been and shall be utilised by Grand Site for the payment of the land premium and construction costs of the 200 Queen's Road East Project.

The Group also made advances to Grand Site (on several basis and pro rata to the Company's attributable equity interest in Grand Site). Such advances are funded from the internal resources of the Group by way of shareholder's advances, unsecured, interest-free and have no fixed and determined method of repayment.

As at 31 December 2013 the aggregate amount of advances and guarantee given for loan facilities granted to Grand Site amounted to HK$5,378 million, representing approximately 9.76% under the assets ratio ("Assets Ratio") as defined under Rule 14.07(1) of the Listing Rules.

Continuing disclosure pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2013, the aggregate amount of financial assistance to, and guarantee given for the loan facilities granted to, affiliated companies of the Company, exceeds 8% under the Assets Ratio. In compliance with the requirement of Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies to which financial assistance and guarantees have been granted by the Company (and attributable interest of the Group in the affiliated companies) as at the latest practicable date (i.e. 31 December 2013) is set out below:

	Combined balance sheet HK$ million	*The Group's attributable interest HK$ million*
Non-current assets	4,570	1,882
Current assets	9,416	4,607
Current liabilities	(1,657)	(762)
	12,329	**5,727**
Share capital	1,580	632
Reserves	1,123	445
Amounts due to shareholders	5,663	2,742
Non-current liabilities	3,963	1,908
	12,329	**5,727**

Change in Information of Directors

Mr. Carmelo Ka Sze LEE, a Non-Executive Director, was appointed as an independent non-executive director of Esprit Holdings Limited, a public company listed on the Stock Exchange, with effect from 25 July 2013.

Mr. Ahito NAKAMURA, an Independent Non-Executive Director, is the managing director of PIA Entertainment (H.K.) Co., Limited which has changed its name to Legato Holdings Limited on 14 August 2013.

Sir Gordon WU, the Chairman, received an Honorary Degree of Doctor of Social Sciences from The Hong Kong Institute of Education on 15 November 2013 and was also awarded the Lifetime Achievement Award of 2013 Hong Kong Business Awards by the South China Morning Post and DHL on 29 November 2013.

Sir Gordon WU, the Chairman, Mr. Eddie Ping Chang HO, the Vice Chairman and Mr. Thomas Jefferson WU, the Managing Director, volunteered to surrender their performance bonuses for calendar year 2013 so that a larger pool of bonus could be shared by the employees.

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

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

Hong Kong, 27 January 2014

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Hopewell Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 95, which comprise the condensed consolidated statement of financial position as of 31 December 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 January 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2013

		Six months ended	
	NOTES	*31.12.2012* *HK$'000* *(unaudited)*	***31.12.2013*** ***HK$'000*** ***(unaudited)***
Turnover	*3*	739,925	**788,468**
Cost of sales and services		(299,640)	**(300,043)**
		440,285	**488,425**
Other income	*4*	159,126	**161,529**
Selling and distribution costs		(33,849)	**(34,791)**
Administrative expenses		(173,255)	**(167,154)**
Gain on disposal of investment properties (Broadwood Twelve)		8,354	**–**
Fair value gain of:			
Commercial portion of HCII after land conversion (investment properties under development)		2,153,000	**–**
Completed investment properties		7,685,973	**133,505**
Finance costs	*5*	(55,253)	**(48,211)**
Share of profits of			
Joint ventures	*6*		
Expressway projects		412,565	**402,214**
Power plant project and others		64,501	**69,853**
Associates		5,642	**1,097**
Profit before taxation		10,667,089	**1,006,467**
Income tax expense	*7*	(109,600)	**(124,146)**
Profit for the period		10,557,489	**882,321**
Other comprehensive income for the period:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of subsidiaries and joint ventures		235,886	**178,674**
Total comprehensive income for the period		10,793,375	**1,060,995**
Profit for the period attributable to:			
Owners of the Company		10,428,555	**738,795**
Non-controlling interests		128,934	**143,526**
		10,557,489	**882,321**
Total comprehensive income attributable to:			
Owners of the Company		10,608,033	**878,877**
Non-controlling interests		185,342	**182,118**
		10,793,375	**1,060,995**
		HK$	***HK$***
Earnings per share	*8*		
Basic		11.95	**0.85**
Diluted		11.94	**0.85**

Condensed Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	30.6.2013 HK$'000 (audited)	**31.12.2013 HK$'000 (unaudited)**
ASSETS			
Non-current Assets			
Completed investment properties	10	26,320,298	**26,550,052**
Property, plant and equipment ("PPE")	10	686,219	**689,326**
Properties under development	10		
Commercial portion of HCII (investment properties)		4,368,000	**4,391,088**
Hotel portion of HCII (PPE)		2,133,848	**2,186,710**
Properties for development	10	891,375	**966,722**
Interests in joint ventures	11		
Expressway projects		8,153,979	**8,222,042**
Power plant project and others		1,023,319	**1,108,402**
Interests in associates		31,440	**32,537**
Available-for-sale investments		9,044	**9,130**
Amounts due from joint ventures	12	3,512,561	**2,664,162**
		47,130,083	**46,820,171**
Current Assets			
Inventories		7,818	**9,103**
Stock of properties			
Under development		772,679	**972,474**
Completed		214,972	**157,378**
Trade and other receivables	13	387,355	**223,552**
Deposits and prepayments		155,660	**155,277**
Amounts due from joint ventures	12	689,936	**1,643,831**
Bank balances and cash held by:	14		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		3,487,459	**3,069,271**
Hopewell Highway Infrastructure Limited and its subsidiaries ("HHI Group")		1,869,790	**1,812,361**
		7,585,669	**8,043,247**
Assets classified as held for sale (Broadwood Twelve)		688,750	**688,750**
		8,274,419	**8,731,997**
Total Assets		55,404,502	**55,552,168**
Time deposits with original maturity over three months held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		*867,894*	***118,544***
HHI Group		*–*	***1,599,245***
		867,894	***1,717,789***
Cash and cash equivalents held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		*2,619,565*	***2,950,727***
HHI Group		*1,869,790*	***213,116***
		4,489,355	***3,163,843***
Total bank balances and cash		*5,357,249*	***4,881,632***

Condensed Consolidated Statement of Financial Position (continued)

At 31 December 2013

	NOTES	30.6.2013 HK$'000 (audited)	**31.12.2013 HK$'000 (unaudited)**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	15	2,179,098	**2,181,079**
Share premium and reserves		41,064,055	**41,495,393**
Equity attributable to owners of the Company		43,243,153	**43,676,472**
Non-controlling interests		3,268,815	**3,214,143**
Total Equity		46,511,968	**46,890,615**
Non-current Liabilities			
Warranty provision	21(a)	53,966	**53,966**
Deferred tax liabilities		394,423	**421,029**
Amount due to a minority shareholder of a subsidiary		56,546	**48,689**
Bank borrowings of:	17		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		3,580,000	**4,730,000**
HHI Group		631,500	**863,400**
		4,716,435	**6,117,084**
Current Liabilities			
Trade and other payables	18	564,335	**556,069**
Rental and other deposits		349,259	**635,215**
Amounts due to associates		1,598	**3,009**
Amount due to a joint venture		8,828	**10,611**
Tax liabilities		285,191	**186,665**
Corporate bonds	16	757,800	**768,600**
Bank borrowings of:	17		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		2,078,900	**384,300**
HHI Group		128,600	**–**
		4,174,511	**2,544,469**
Liabilities associated with assets classified as held for sale		1,588	**–**
		4,176,099	**2,544,469**
Total Liabilities		8,892,534	**8,661,553**
Total Equity and Liabilities		55,404,502	**55,552,168**

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013

	Attributable to owners of the Company											Attributable to non-controlling interests			
	Share capital HK$'000	*Share premium HK$'000*	*Capital redemption reserve HK$'000*	*Capital reserve HK$'000*	*Translation reserve HK$'000*	*PRC statutory reserves HK$'000*	*Property revaluation reserve HK$'000*	*Share option reserve HK$'000*	*Shares held for share award scheme HK$'000*	*Retained profits HK$'000*	*Sub-total HK$'000*	*Share option reserve of HHI HK$'000*	*Share of net assets of subsidiaries HK$'000*	*Sub-total HK$'000*	*Total HK$'000*
At 1 July 2012 (audited)	2,179,658	8,779,355	84,245	10,010	879,119	114,939	177,095	65,419	(2,178)	19,510,286	31,797,948	2,980	2,781,061	2,784,041	34,581,989
Profit for the period	–	–	–	–	–	–	–	–	–	10,428,555	10,428,555	–	128,934	128,934	10,557,489
Other comprehensive income for the period	–	–	–	–	179,478	–	–	–	–	–	179,478	–	56,408	56,408	235,886
Total comprehensive income for the period	–	–	–	–	179,478	–	–	–	–	10,428,555	10,608,033	–	185,342	185,342	10,793,375
Shares issued	7,288	72,384	–	–	–	–	–	(14,220)	–	–	65,452	–	–	–	65,452
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	(91)	–	–	(91)	–	–	–	(91)
Forfeiture of vested share options	–	–	–	–	–	–	–	(4,504)	–	4,504	–	–	–	–	–
Increase in capital of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	467,049	467,049	467,049
Increase in net assets value attributable to the Group upon partial disposal of a subsidiary	–	–	–	–	–	–	–	–	–	74,097	74,097	–	(74,097)	(74,097)	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(146,805)	(146,805)	(146,805)
Dividends recognised as distribution during the period (note 9)	–	–	–	–	–	–	–	–	–	(821,653)	(821,653)	–	–	–	(821,653)
At 31 December 2012 (unaudited)	2,186,946	8,851,739	84,245	10,010	1,058,597	114,939	177,095	46,604	(2,178)	29,195,789	41,723,786	2,980	3,212,550	3,215,530	44,939,316
At 1 July 2013 (audited)	**2,179,098**	**8,864,077**	**93,279**	**10,010**	**1,206,068**	**125,355**	**265,003**	**43,019**	**(2,178)**	**30,459,422**	**43,243,153**	**2,980**	**3,265,835**	**3,268,815**	**46,511,968**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**738,795**	**738,795**	**–**	**143,526**	**143,526**	**882,321**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**140,082**	**–**	**–**	**–**	**–**	**–**	**140,082**	**–**	**38,592**	**38,592**	**178,674**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**140,082**	**–**	**–**	**–**	**–**	**738,795**	**878,877**	**–**	**182,118**	**182,118**	**1,060,995**
Shares issued	**3,817**	**37,859**	**–**	**–**	**–**	**–**	**–**	**(7,472)**	**–**	**–**	**34,204**	**–**	**–**	**–**	**34,204**
Shares cancelled (note 15)	**(1,836)**	**–**	**1,836**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20**	**–**	**–**	**20**	**–**	**–**	**–**	**20**
Expiry of vested share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,626)**	**–**	**2,626**	**–**	**–**	**–**	**–**	**–**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(236,790)**	**(236,790)**	**(236,790)**
Dividends recognised as distribution during the period (note 9)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(479,782)**	**(479,782)**	**–**	**–**	**–**	**(479,782)**
At 31 December 2013 (unaudited)	**2,181,079**	**8,901,936**	**95,115**	**10,010**	**1,346,150**	**125,355**	**265,003**	**32,941**	**(2,178)**	**30,721,061**	**43,676,472**	**2,980**	**3,211,163**	**3,214,143**	**46,890,615**

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2013

	Six months ended	
	31.12.2012	***31.12.2013***
	HK$'000	***HK$'000***
	(unaudited)	***(unaudited)***
OPERATING ACTIVITIES		
Cash generated from operations	169,611	**491,129**
Tax paid	(60,668)	**(162,142)**
NET CASH FROM OPERATING ACTIVITIES	108,943	**328,987**
INVESTING ACTIVITIES		
Placement of time deposits with original maturity over three months	(677,854)	**(1,706,704)**
Withdrawal of time deposits with original maturity over three months	151,113	**879,876**
Dividends received (net of PRC withholding tax)	733,787	**561,555**
(Advances to) repayment from joint ventures:		
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV")	(971,100)	**38,160**
200 Queen's Road East Project	(94,348)	**(133,601)**
Additions to properties under development	(3,729,891)	**(40,599)**
Additions to properties for development	(129,361)	**(75,347)**
Proceeds and deposit received from disposal of investment properties (net)	221,203	**–**
Other investing cash flows	21,330	**(24,462)**
NET CASH USED IN INVESTING ACTIVITIES	(4,475,121)	**(501,122)**
FINANCING ACTIVITIES		
Repayment to corporate bonds	(1,683,600)	**–**
New bank borrowings raised	3,926,100	**1,372,900**
Repayment of bank borrowings	–	**(1,828,600)**
Dividends and distributions paid to:		
Owners of the Company	(821,653)	**(479,782)**
Non-controlling interests	(146,805)	**(236,790)**
Capital contribution from minority shareholders of subsidiaries	467,049	**–**
Net proceeds from issue of shares of the Company	65,452	**34,204**
Other financing cash flows	(52,058)	**(58,618)**
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,754,485	**(1,196,686)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,611,693)	**(1,368,821)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	7,229,926	**4,489,355**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	137,606	**43,309**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4,755,839	**3,163,843**
TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS	1,287,305	**1,717,789**
TOTAL BANK BALANCES AND CASH	6,043,144	**4,881,632**

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, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 31 December 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2013.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements,* HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

The impact of the application of these standards is set out below.

2. Principal Accounting Policies (continued)

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 did not have significant impact on amounts reported in the condensed consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the other applicable standards.

The directors reviewed and assessed the classification of the Group's interests in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's interests in joint arrangements, which were classified as jointly controlled entities under HKAS 31 and were accounted for using the equity method , should be classified as joint ventures under HKFRS 11 and continued to be accounted for using the equity method. The application of HKFRS 11 did not have significant impact on amounts reported in the condensed consolidated financial statements.

2. Principal Accounting Policies (continued)

HKFRS 12 *Disclosure of interest in other entities*

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards in the consolidated financial statements.

The directors concluded that the application of HKFRS 12 will result in more disclosures in the consolidated financial statements for the year ending 30 June 2014.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). Consequential amendments have been made to HKAS 34 to require certain disclosures relating to financial instruments to be made in the interim condensed consolidated financial statements.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 was adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2013 and additional disclosures in accordance with the requirement of HKFRS 13, especially relating to fair value of the Group's investment properties, will be presented in the consolidated financial statements for the year ending 30 June 2014.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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

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

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

Information regarding the above segments is reported below.

Segment revenue

	Six months ended 31.12.2012			***Six months ended 31.12.2013***		
	External	*Inter-segment*	*Combined*	***External***	***Inter-segment***	***Combined***
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	***HK$'000***	***HK$'000***
Property investment	387,980	20,770	408,750	**442,531**	**23,699**	**466,230**
Hotel, restaurant and catering operation	230,141	106	230,247	**209,033**	**106**	**209,139**
Property development	361,104	–	361,104	**136,904**	**–**	**136,904**
Toll road investment	1,110,852	–	1,110,852	**1,284,184**	**–**	**1,284,184**
Power plant	726,134	–	726,134	**639,431**	**–**	**639,431**
Treasury income	123,741	–	123,741	**129,576**	**–**	**129,576**
Total segment revenue	2,939,952	20,876	2,960,828	**2,841,659**	**23,805**	**2,865,464**

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

3. Turnover and Segment Information (continued)

Segment revenue (continued)

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

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

	Six months ended	
	31.12.2012 HK$'000	**31.12.2013 HK$'000**
Total segment revenue from external customers	2,939,952	**2,841,659**
Less:		
Sale of completed investment properties held for sale included in the segment revenue of property development	(239,300)	**–**
Treasury income	(123,741)	**(129,576)**
Share of revenue of joint ventures engaged in:		
Toll road investment	(1,110,852)	**(1,284,184)**
Power plant	(726,134)	**(639,431)**
Turnover as presented in condensed consolidated statement of profit or loss and other comprehensive income	739,925	**788,468**

Segment results

	Six months ended 31.12.2012				**Six months ended 31.12.2013**			
	The Company and subsidiaries HK$'000	Joint ventures HK$'000	Associates HK$'000	Total HK$'000	**The Company and subsidiaries HK$'000**	**Joint ventures HK$'000**	**Associates HK$'000**	**Total HK$'000**
Property investment	250,343	1,313	5,642	257,298	**292,395**	**2**	**1,097**	**293,494**
Hotel, restaurant and catering operation	81,498	–	–	81,498	**58,930**	**–**	**–**	**58,930**
Property development	2,184,816	(4,429)	–	2,180,387	**43,890**	**–**	**–**	**43,890**
Toll road investment	(22,226)	412,565	–	390,339	**(22,167)**	**402,214**	**–**	**380,047**
Power plant	(999)	67,617	–	66,618	**(1,113)**	**69,851**	**–**	**68,738**
Treasury income	123,741	–	–	123,741	**129,576**	**–**	**–**	**129,576**
Other operations	(13,566)	–	–	(13,566)	**(3,310)**	**–**	**–**	**(3,310)**
Total segment results	2,603,607	477,066	5,642	3,086,315	**498,201**	**472,067**	**1,097**	**971,365**

For the six months ended 31 December 2012, fair value gain of commercial portion of HCII after land conversion (investment properties under development) amounting to HK$2,153 million formed part of the segment results 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 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)

The share of profits of joint ventures and associates shown above includes share of tax of joint ventures and associates of approximately HK$193,469,000 (six months ended 31.12.2012: HK$169,842,000) and HK$211,000 (six months ended 31.12.2012: HK$204,000) respectively.

	Six months ended	
	31.12.2012 *HK$'000*	***31.12.2013*** ***HK$'000***
Segment results	3,086,315	**971,365**
Unallocated other income	18,290	**16,988**
Unallocated corporate expenses	(68,236)	**(67,180)**
	3,036,369	**921,173**
Fair value gain of completed investment properties	7,685,973	**133,505**
Finance costs	(55,253)	**(48,211)**
Profit before taxation	10,667,089	**1,006,467**

4. Other Income

	Six months ended	
	31.12.2012 *HK$'000*	***31.12.2013*** ***HK$'000***
Included in other income are:		
Interest income from bank deposits	101,541	**71,357**
Interest income from amounts due from joint ventures	22,200	**58,219**
Exchange gain, net	18,176	**17,516**

5. Finance Costs

	Six months ended	
	31.12.2012 *HK$'000*	***31.12.2013*** ***HK$'000***
Interests on:		
Corporate bonds	7,415	**5,942**
Bank borrowings wholly repayable within 5 years	42,904	**52,496**
Loan commitment fees and others	8,934	**15,991**
	59,253	**74,429**
Less: finance costs capitalised in properties under development	(4,000)	**(26,218)**
	55,253	**48,211**

6. Share of Profits of Joint Ventures

	Six months ended	
	31.12.2012 *HK$'000*	***31.12.2013*** ***HK$'000***
Expressway projects in PRC		
Share of profits of joint ventures before amortisation of additional cost of investments in joint ventures	467,373	**466,161**
Amortisation of additional cost of investments in joint ventures	(54,808)	**(63,947)**
	412,565	**402,214**
Power plant projects and others		
Share of profits of joint ventures	64,501	**69,853**
	477,066	**472,067**

7. Income Tax Expense

	Six months ended	
	31.12.2012 *HK$'000*	***31.12.2013*** ***HK$'000***
Hong Kong Profits Tax		
Current period	40,386	**36,854**
Overprovision in respect of prior periods	(1,748)	**(2,690)**
	38,638	**34,164**
Taxation elsewhere — current period		
PRC Enterprise Income Tax ("EIT")	47,626	**45,111**
PRC Land Appreciation Tax ("LAT")	13,472	**20,638**
	61,098	**65,749**
Deferred tax	9,864	**24,233**
	109,600	**124,146**

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.

PRC EIT for the period includes PRC withholding tax on dividends declared during the period by the Group's joint ventures amounting to approximately HK$22,224,000 (six months ended 31.12.2012: HK$31,266,000).

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

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

Deferred tax is mainly attributable to the withholding tax on undistributed earnings of certain joint ventures established in the PRC.

8. Earnings per Share

	Six months ended	
	31.12.2012 HK$'000	***31.12.2013 HK$'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	10,428,555	**738,795**

	Number of shares	***Number of shares***
Weighted average number of ordinary shares for the purpose of basic earnings per share	873,050,106	**871,757,856**
Effect of dilutive potential ordinary shares in respect of share options	564,670	**127,269**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	873,614,776	**871,885,125**

9. Dividends

	Six months ended	
	31.12.2012 HK$'000	***31.12.2013 HK$'000***
Dividends recognised as distribution during the period:		
Final dividend for the year ended 30 June 2013 of HK55 cents per share (six months ended 31.12.2012: for the year ended 30 June 2012 of HK54 cents per share)	472,052	**479,822**
Special final dividend for the year ended 30 June 2013: Nil (six months ended 31.12.2012: for the year ended 30 June 2012 of HK40 cents per share)	349,669	**–**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(68)	**(40)**
	821,653	**479,782**
Dividends declared:		
Interim dividend for the year ending 30 June 2014 of HK50 cents per share (six months ended 31.12.2012: for the year ended 30 June 2013 of HK45 cents per share)	393,729	**436,216**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(32)	**(36)**
	393,697	**436,180**

Subsequent to 31 December 2013, the Directors declared that an interim dividend in respect of the financial year ending 30 June 2014 of HK50 cents per share shall be paid to the shareholders of the Company whose names appear on the Register of Members on 13 February 2014.

The amount of interim dividend declared for the year ending 30 June 2014 is calculated based on the number of shares in issue, less the dividends for shares held by HHL Employees' Share Award Scheme Trust, at the date of approval of these condensed consolidated financial statements.

10. Completed Investment Properties, Property, Plant and Equipment, Properties under Development and Properties for Development

The fair value of the Group's completed investment properties and investment properties under development at the end of the reporting period have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of professional property valuers, not connected to the Group. For office premises, serviced apartments, car parks and retail outlets, the valuation is arrived at by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties or, where appropriate, by using direct comparison method by making reference to comparable sales transactions as available in the relevant market. For the investment properties under development, the valuation is arrived at by direct comparison approach by making reference to comparable sales transactions as available in the relevant market and have allowed for construction cost to be expended and the development profit on the proposed development.

Depreciation of property, plant and equipment charged to profit or loss for the period is HK$34,896,000 (six months ended 31.12.2012: HK$34,081,000).

Properties for development represents properties acquired for future development of which the development plan is yet to be fixed. The development cost cannot be determined at the end of the reporting period. Accordingly the fair value cannot be reliably measured and accordingly are measured at cost less recognised impairment loss.

11. Interests in Joint Ventures

	30.6.2013 *HK$'000*	***31.12.2013*** ***HK$'000***
Expressway projects in the PRC		
Unlisted investments, at cost		
Registered capital contribution	2,373,876	**2,373,876**
Additional cost of investments	2,764,528	**2,774,296**
	5,138,404	**5,148,172**
Share of post-acquisition comprehensive income, net of dividends received	4,189,060	**4,311,302**
Less: Accumulated amortisation	(1,173,485)	**(1,237,432)**
	8,153,979	**8,222,042**
Power plant project in the PRC		
Unlisted investment, at cost		
Registered capital contribution	631,867	**631,867**
Share of post-acquisition comprehensive income, net of dividends received	380,843	**465,924**
	1,012,710	**1,097,791**
Other unlisted investments	10,609	**10,611**
	9,177,298	**9,330,444**

12. Amounts due from Joint Ventures

	Contractual interest rate	30.6.2013 HK$'000	**31.12.2013 HK$'000**
Grand Site — 200 Queen's Road East Project	–	2,249,561	**2,383,162**
West Route JV			
— Phase II West (RMB1,000 million)	6.2%	1,263,000	**1,281,000**
— Phase III West (RMB30 million)	6.0%	37,890	**–**
Heyuan JV (RMB500 million)	5.4%	631,500	**640,500**
Interest receivable	–	20,546	**3,331**
		4,202,497	**4,307,993**
Analysed for reporting purposes as:			
Current assets		689,936	**1,643,831**
Non-current assets		3,512,561	**2,664,162**
		4,202,497	**4,307,993**

The amounts due from joint ventures classified as non-current assets are unsecured and have no fixed repayment terms except for the amount due from West Route JV in respect of Phase II West, which is repayable in April 2015.

The advance to Grand Site is subordinated which shall not be repaid until the loan and all amounts owing under the banking facilities that have been granted to Grand Site have been paid.

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

13. 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:

	30.6.2013 HK$'000	***31.12.2013 HK$'000***
Receivables aged		
0–30 days	41,891	**39,894**
31–60 days	21,680	**4,880**
Over 60 days	16,735	**5,977**
	80,306	**50,751**
Less: Allowance for doubtful debts	(633)	**(1,029)**
	79,673	**49,722**
Interest receivable on bank deposits	24,282	**28,103**
Dividend receivables from joint ventures	283,400	**145,727**
	387,355	**223,552**

14. Bank Balances and Cash

Included in the bank balances and cash are restricted bank balances of HK$823 million (30.6.2013: HK$374 million) which can be applied in the construction and tax payments of designated property development projects in the ordinary course of business.

15. Share Capital

	Number of shares		***Nominal value***	
	30.6.2013 '000	***31.12.2013 '000***	*30.6.2013 HK$'000*	***31.12.2013 HK$'000***
Ordinary shares of HK$2.50 each				
Authorised	1,200,000	**1,200,000**	3,000,000	**3,000,000**
Issued and fully paid	871,639	**872,432**	2,179,098	**2,181,079**

During the period, the Company issued a total of 1,526,800 ordinary shares at the subscription price of HK$22.44 each for 1,468,800 ordinary shares and HK$21.45 each for 58,000 ordinary shares for a total cash consideration of approximately HK$34.2 million upon the exercise of the share options previously granted. These shares rank *pari passu* in all respects with the existing ordinary shares.

734,500 ordinary shares repurchased during the year ended 30 June 2013 were cancelled during the period. The issued share capital of the Company has been reduced by par value of the ordinary shares repurchased and cancelled.

15. Share Capital (continued)

Share option schemes
No share option of the Company and HHI were granted during both periods presented.

Share award scheme
No shares in the Company and HHI were awarded during both periods presented.

16. Corporate Bond

The corporate bond with principal amounts of RMB600,000,000 (approximately HK$768,600,000 (30.6.2013: RMB600,000,000 (approximately HK$757,800,000))) is due on 18 May 2014 and carry interest at fixed rate of 1.55% (30.6.2013: 1.55%) per annum. The corporate bond is unsecured and issued by HHI.

17. Bank Borrowings

	30.6.2013 *HK$'000*	***31.12.2013*** ***HK$'000***
Bank borrowings, unsecured	6,419,000	**5,977,700**
Carrying amount repayable:		
Within one year	2,207,500	**384,300**
In the second to fifth years inclusive	4,211,500	**5,593,400**
	6,419,000	**5,977,700**
Less: Amounts due for settlement within one year under current liabilities	(2,207,500)	**(384,300)**
Amounts due for settlement after one year	4,211,500	**5,593,400**

18. Trade and Other Payables

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

	30.6.2013 *HK$'000*	***31.12.2013*** ***HK$'000***
Payables aged		
0–30 days	114,346	**75,944**
31–60 days	6,692	**5,692**
Over 60 days	61,981	**81,969**
	183,019	**163,605**
Retentions payable	55,086	**51,835**
Accrued construction and other costs	281,877	**268,234**
Accrued staff costs	41,011	**55,972**
Accrued interest on corporate bonds and bank borrowings	3,342	**16,423**
	564,335	**556,069**

19. Total Assets less Current Liabilities/Net Current Assets

The Group's total assets less current liabilities and the Group's net current assets at 31 December 2013 amounted to approximately HK$53,008 million (30.6.2013: HK$51,228 million) and HK$6,188 million (30.6.2013: HK$4,098 million) respectively.

20. Project Commitments

(a) Hopewell Centre II

Hopewell Centre II is one of the new major property projects of the Group. Under the current plan, the estimated total investment cost (including land premium) for the development will be 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. As at 31 December 2013, the Group's commitment in respect of development costs of this project, which has been contracted for but not provided, was approximately HK$70 million (30.6.2013: HK$76 million).

(b) 200 Queen's Road East Project

The Group and a joint venture partner jointly hold and are developing the 200 Queen's Road East Project in Wan Chai through their shareholdings of 50% each in Grant Site, 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$2.4 billion (30.6.2013: HK$2.2 billion) had been contributed by the Group to Grand Site 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 the development is 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 billion. Up to the end of the financial period, the Group had not incurred any material cost concerning this property project.

(d) Hopewell New Town

	30.6.2013	***31.12.2013***
	HK$'000	***HK$'000***
Authorised but not yet contracted for	241,510	**427,803**
Contracted for but not provided	224,652	**116,818**
	466,162	**544,621**

20. Project Commitments (continued)

(e) Expressway projects

As at 31 December 2013, the Group had agreed, subject to approval of relevant authorities, to make additional capital contributions of approximately RMB403 million (approximately HK$516 million) (30.6.2013: RMB403 million (approximately HK$508 million)) to a jointly venture, West Route JV, for the development of Phase II West.

(f) Heyuan Power Plant Project

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

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

	30.6.2013 *HK$'000*	***31.12.2013*** ***HK$'000***
Contracted for but not provided	47,808	**54,347**

(g) Property renovation

	30.6.2013 *HK$'000*	***31.12.2013*** ***HK$'000***
Authorised but not yet contracted for	169,593	**16,524**
Contracted for but not provided	39,562	**81,540**
	209,155	**98,064**

21. 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 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.

21. Contingent Liabilities (continued)

(b) Guarantees

A subsidiary of the Company acted as guarantor for the repayment of the mortgage bank loans amounting to HK$455 million as of 31 December 2013 (30.6.2013 HK$426 million) granted to purchasers of its properties.

The Company acted as guarantor of bank loan facilities of Grand Site, a joint venture, to the extent of HK$2,500 million (30.6.2013: HK$2,500 million), of which HK$1,616 million had been utilised as at 31 December 2013 (30.6.2013: HK$1,566 million). The Group's equity interest in Grand Site has been pledged to banks concerned to secure the banking facilities that have been granted to Grand Site. The carrying amount of the pledged equity interest as at the end of the reporting period was insignificant to the Group.

In addition, as at 31 December 2013, the Company also provided corporate guarantee of up to HK$483 million (30.6.2013: HK$1,031 million) 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 200 Queen's Road East 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.

22. Related Parties Transactions

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

The registered capital amounting to HK$702 million previously injected by a subsidiary of the Company to GS Superhighway JV was repaid by GS Superhighway JV during the year ended 30 June 2008. According to the Law of the PRC on Chinese-foreign Contractual Joint Venture in relation to the repayment of registered capital before the expiry of the joint venture operation period, the subsidiary of the Company, as the foreign joint venture partner, is required to undertake the financial obligations of GS Superhighway JV to the extent of HK$702 million when GS Superhighway JV fails to meet its financial obligations during the joint venture operation period.

Corporate Information and Key Dates

Board of Directors
Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman
Mr. Eddie Ping Chang HO
Vice Chairman
Mr. Thomas Jefferson WU*
Managing Director
Mr. Josiah Chin Lai KWOK
Deputy Managing Director
Mr. Guy Man Guy WU##
Lady WU Ivy Sau Ping KWOK JP#
Ms. Linda Lai Chuen LOKE##
Mr. Albert Kam Yin YEUNG
Mr. Carmelo Ka Sze LEE JP#
Mr. William Wing Lam WONG
Ir. Leo Kwok Kee LEUNG
Mr. Sunny TAN##
Dr. Gordon YEN##
Mr. Ahito NAKAMURA##

* Also as Alternate Director to Sir Gordon Ying Sheung WU and Lady WU Ivy Sau Ping KWOK
\# Non-Executive Directors
\## Independent Non-Executive Directors

Audit Committee
Mr. Sunny TAN
Chairman
Ms. Linda Lai Chuen LOKE
Mr. Guy Man Guy WU

Remuneration Committee
Dr. Gordon YEN
Chairman
Ms. Linda Lai Chuen LOKE
Mr. Guy Man Guy WU
Mr. Carmelo Ka Sze LEE JP

Company Secretary
Mr. Richard Cho Wa LAW

Registered Office
64th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2528 4975
Fax: (852) 2861 2068

Solicitors
Woo, Kwan, Lee & Lo

Auditor
Deloitte Touche Tohmatsu

Listing Information
The Stock Exchange of Hong Kong Limited
Ordinary Shares (Stock Code: 54)

Principal Bankers+
Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited
The Bank of East Asia, Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
BNP Paribas
China Construction Bank Corporation
Chong Hing Bank Limited
Citibank, N.A.
DBS Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Corporate Bank, Limited
Sumitomo Mitsui Banking Corporation

\+ names are in alphabetical order

Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2529 6087

American Depositary Receipt
CUSIP No.	439555301
Trading Symbol	HOWWY
ADR to share ratio	1:1
Depositary Bank	Citibank, N.A., U.S.A.

Investor Relations
Tel: (852) 2528 4975
Fax: (852) 2529 8602
Email: ir@hopewellholdings.com

Website
www.hopewellholdings.com

Key Dates
Interim results announcement	27 January 2014
Closure of register of members	13 February 2014
Interim dividend payable (HK50 cents per share)	19 February 2014

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

Glossary

"1H FY12"	the first half of FY12
"1H FY13"	the first half of FY13
"1H FY14"	the first half of FY14
"2H FY13"	the second half of FY13
"2H FY14"	the second half of FY14
"Average Occupancy Rate"	the average of the Occupancy Rate as at the end of each month in the relevant period
"Board"	the board of directors of the Company
"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

Glossary (continued)

"FY13"	the financial year ended 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
"GFA"	Gross floor area
"Grand Site"	Grand Site Development Limited
"Group"	the Company and its subsidiaries
"GS Superhighway"	Guangzhou-Shenzhen Superhighway
"GS Superhighway JV"	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture company established for the GS Superhighway
"GWh"	gigawatt hour
"Heyuan JV"	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 Award Scheme"	the share award scheme adopted by HHI on 25 January 2007
"HHI Board"	the board of directors of HHI
"HHI Group"	HHI and its subsidiaries
"HHI Shares"	ordinary shares of HK$0.10 each in the capital of HHI
"HHL Award Scheme"	the share award scheme adopted by the Company on 25 January 2007

"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
"HZM Bridge"	the Hong Kong-Zhuhai-Macau Bridge
"JV/JVs"	joint venture/ventures
"KITEC F&B"	IT Catering & Services Limited, the food and beverage
"KITEC"	Kowloonbay International Trade and Exhibition Centre
"Lady WU"	Lady WU Ivy Sau Ping KWOK
"Liede Project"	Liede Integrated Commercial (Operating Lease) Project
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	Macau Special Administrative Region of PRC
"Mainland China"	The PRC, excluding Hong Kong and Macau
"MICE"	meeting, incentives, convention and exhibition
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MWh"	Megawatt hour
"MPF Schemes"	the mandatory provident fund schemes set up by the Group
"NGO"	Non-Government (Voluntary) Organisations
"Occupancy rate"	the percentage of total area comprising those already leased and occupied by tenants, reserved for specific 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 PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shenzhen Energy Group"	Shenzhen Energy Group Company Limited
"Sir Gordon WU"	Sir Gordon Ying Sheung WU
"sq.ft."	square foot
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"URA"	Urban Renewal Authority
"US" or "USA"	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

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