

Press Release

HOPEWELL HOLDINGS LIMITED ANNOUNCES FINANCIAL YEAR 2017/18 FINAL RESULTS

Highlights

FY18

- Disposal of approximately 66.69% of the issued shares of HHI completed on 4 April 2018. HHL has received net cash proceeds of approximately HK\$9 billion and recognised post-tax net gain of approximately HK\$5.1 billion
- Profit attributable to owners of the Company before fair value gain of completed investment properties up 380% yoy to HK\$6,405 million, mainly due to gain on disposal of HHI
- Core profit^{N1} down 4% yoy to HK\$1,285 million or HK\$1.48 per share, mainly due to growth in investment properties, hospitality and treasury income was offset by fall in (i) toll road contribution given HHI Disposal; (ii) Hopewell New Town profit given tightening policies; (iii) Heyuan Power Plant profit shared
- Second interim dividend of HK88 cents per share. Second interim dividend in lieu of final dividend with effect from FY18
- Investment properties and hospitality EBIT up 6% yoy to HK\$917 million
- Panda Hotel's total revenue rose 11% yoy to HK\$339 million due to increase in room and F&B revenues
- Hopewell New Town booked RMB269 million of sales, down 62% yoy given (i) higher base in FY17; (ii) tightening policies in PRC property market
- Net cash of approximately HK\$9 billion as at 30 June 2018

Upcoming: FY19 and beyond

- Target to distribute 90%-100% of core profit^{N1} on a full year basis as dividends in the years before Hopewell Centre II opens^{N2}
- Change of financial year end date from 30 June to 31 March following publication of results for the year ended 30 June 2018
- E-Max is undergoing evolution, expansion of upmarket fashion outlet on B1/F opened by phase since July 2018. Target E-Max's rental income to grow 50% in FY20 comparing to FY16
- Hopewell Centre II's construction advancing at full steam. Site formation and foundation works target to complete in 2019 while construction is targeted to complete by end of 2021
- 153-167 QRE project is envisioned to commence operation in 2022 and demolition works have started in May 2018. Planning application to build a commercial property was submitted to Town Planning Board in May 2018
- Hill Side Terrace Cluster is pending approval from Town Planning Board on the preservation cum development plan
- For Hopewell New Town project, HHL will continue to monitor the market closely before taking further initiatives, given current tightening policies in the PRC property market

N1: Represents profit attributable to owners of the Company excluding fair value gain of completed investment properties and profit from en bloc sale of entire project

N2: Barring unforeseen circumstances

Hong Kong, 22 August 2018 - Hopewell Holdings Limited (“Hopewell Holdings”, “HHL”, “the Company”; SEHK: 54), the Hong Kong-based property, hotel and hospitality group, today announced its final results for the year ended 30 June 2018.

The profit attributable to owners of the Company before fair value gain of completed investment properties for the year under review significantly increased to HK\$6,405 million from HK\$1,334 million for the previous year. The increase was mainly resulted from the disposal of HHL's interest in Hopewell Highway Infrastructure Limited ("HHI Disposal"), which was completed in April 2018 and generated a post-tax net gain on disposal of approximately HK\$5,120 million.

During the year under review, the Company's revenue decreased to HK\$5,602 million from HK\$6,590 million for the previous year. EBIT (before gain on HHI Disposal) decreased 7% yoy to HK\$1,850 million from HK\$1,994 million for the previous year. The core profit attributable to owners of the Company decreased 4% yoy to HK\$1,285 million or HK\$1.48 per share from HK\$1,334 million for the previous year. The profits from investment properties and hospitality continued to grow. Treasury income also increased due to the higher cash balance resulting from the proceeds of HHI Disposal. However, these positive factors were offset by the fall in (i) toll road's contribution due to HHI Disposal; (ii) profit recognition of Hopewell New Town project given tightening policies in PRC property market; (iii) profit shared from Heyuan Power Plant.

The Board of Directors ("The Board") has resolved to pay second interim dividend in lieu of final dividend with effect from the financial year ended 30 June 2018.

The Board has declared a second interim dividend of HK88 cents per share for the year ended 30 June 2018. The second interim dividend will be paid on 14 September 2018 to shareholders who were registered at the close of business on 6 September 2018.

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

On 8 May 2018, The Board has resolved to change the financial year end date from 30 June to 31 March following the publication of the audited consolidated financial statements of the Company for the year ended 30 June 2018.

Mr. Thomas Wu, Deputy Chairman and Managing Director of Hopewell Holdings, said: "Investment properties and hospitality businesses of the Company continued to grow during the year under review. Looking forward, HHL's businesses are well-positioned to benefit from the development of the prime area of Hong Kong, including Wan Chai and the future CBD2 – Kai Tak. In addition, with the proceeds from HHI Disposal, HHL is now strategically exploring new investment opportunities in both Hong Kong and the PRC, in particular the Guangdong-Hong Kong-Macao Bay Area."

As at 30 June 2018, net cash for HHL at the corporate level amounted to HK\$8,964 million (30 June 2017: net cash of HK\$1,686 million) and total cash on hand at HHL corporate level was HK\$10,364 million.

INVESTMENT PROPERTIES AND HOSPITALITY

During the year under review, HHL's total revenue from investment properties and hospitality businesses grew 6% yoy to HK\$1,710 million. The five-year compound annual growth rates of revenue and EBIT from these businesses during FY14 to FY18 were 6% and 8% respectively. For the rental income of investment properties in FY19 (year ending 31 March), it is expected to remain stable against FY18, given office rental income is expected to maintain stable growth which will offset the drop in retail rental income mainly due to tenant reshuffling in Hopewell Centre.

- **Hopewell Centre:** Overall revenue was HK\$476 million and average occupancy rate was at 92%. On the office front, average occupancy rate rebounded from 87% to 91% and rental income increased 8% yoy to HK\$289 million as new tenants moved in. The Company's continuous efforts to enhance facilities and services have led to average passing rent increased by 2% yoy to HK\$46.0 per sq.ft. and average spot rent maintained at around HK\$48.0 per sq.ft. in the year under review.

In the second quarter of 2018, the Company signed a new lease with a publicly-listed international insurance company, AIA Group, for more than five floors or a total area of approximately 90,000 sq.ft. of office space. Subsequent to the new lease signed, occupancy rate of Hopewell Centre office has reached 100%, bringing more footfall which will be beneficial to HHL's retail properties in Wan Chai.

- **Kowloon Bay International Trade and Exhibition Centre ("KITEC"):** During the year under review, KITEC's office rental income dropped 3% yoy to HK\$137 million mainly due to tenant reshuffling and increased office supply in Kowloon East. The average occupancy rate of KITEC's office dropped from 94% to 90%. Average passing rent and average spot rent maintained at HK\$17.9 per sq.ft. and approximately HK\$19.0 per sq.ft. respectively. Despite keen competition of office rental market in Kowloon East, HHL expects mild growth in rental income of FY19 (year ending 31 March) due to new leases signed with tenants including ViuTV and the Registration and Electoral Office.
- **E-Max:** E-Max is an entertainment-driven shopping arcade that includes a live house, The Metroplex, and Star Hall. New tenants of the fashion outlet's expansion on B1/F have moved in and opened by phase since July 2018, including a number of well-known sporting and fashion brands, such as New Balance, Royal Sporting House, Dr. Martens, Descente, Munsingwear, and Le Coq Sportif etc.. In addition, the classical indoor amusement park, "The Wonderful World of Whimsy", made its return for some nostalgic fun. With an area of around 30,000 sq.ft. on B1/F, the park is planned to open in the fourth quarter of 2018. Along with the completion of E-Max's second phase of evolution, a grand opening event for the upmarket fashion outlet, together with extensive promotional campaigns through both offline and online marketing channels, have been scheduled to take place in the fourth quarter of 2018.

The short term negative impact on rental revenue from the moving out of tenants on B1/F during the year under review will be compensated by the benefits from the long term potential growth brought by the completion of E-Max's second phase of evolution. Given the encouraging performance of the upmarket fashion outlets on G/F which was opened since August 2016, together with the expansion on B1/F, E-Max's rental income is targeted to grow 50% in FY20 as compared to FY16.

- **Panda Hotel:** During the year under review, total revenue rose 11% yoy to HK\$339 million. Room revenue increased by 7% yoy to HK\$215 million, mainly due to the increase in average room rate by 7% yoy and average occupancy rate maintained at high level of 97%. F&B revenue increased by 17% yoy to HK\$124 million, mainly due to increase in banquets.

PROPERTY SALES

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

As at 31 December 2017, all residential units of The Avenue were sold and handed over, with average selling price at around HK\$22,600 per sq.ft. of saleable area. Revenue shared (after URA's sharing) from sales of The Avenue of HK\$24 million was booked during the year under review compared to HK\$427 million booked in the previous year.

As at 30 June 2018, all 76 units of Broadwood Twelve were sold. During the year under review, 7 units with total saleable area of approximately 9,000 sq.ft. were sold at average selling price of HK\$36,400 per sq.ft..

Net sales revenue of HK\$363 million or 8 units and 3 car-parking spaces were booked in FY18, including 1 unit which was sold in FY17.

PROPERTIES UNDER/FOR DEVELOPMENT

Site formation and foundation works of Hopewell Centre II are in progress and target to complete in 2019. Construction of the hotel is targeted to complete by end of 2021. In August 2017, the Town Planning Board approved the 2017 Scheme of Hopewell Centre II. The approved scheme will enhance the pedestrian connectivity in Wan Chai South. Upon completion, Hopewell Centre II is expected to be one of the largest hotels in Hong Kong with comprehensive conference facilities.

The Company has expanded the 155-167 QRE project into 153-167 QRE project through a public auction under the Compulsory Sale for Redevelopment in January 2018. A planning application to build a commercial property was submitted to Town Planning Board in May 2018. Demolition works were started in May 2018 and the project is envisioned to commence operation in 2022. As a result of the enlarged development, the interface for Hopewell Holdings' property portfolio on Queen's Road East will be increased.

Hill Side Terrace Cluster includes 1-3 Hill Side Terrace, 1A Hill Side Terrace, Nam Koo Terrace, Miu Kang Terrace and Schooner Street Site. In order to realise the redevelopment potential of Hill Side Terrace Cluster and to preserve Nam Koo Terrace, HHL proposed that the Grade 1 historical building at Nam Koo Terrace will be restored and preserved, and a residential building with open space provision will be developed. Town Planning Board's approval on the preservation cum development plan is pending.

POWER PLANT

The Heyuan JV's net profit decreased to RMB11 million during the year under review from RMB72 million due to decrease in tariff rate, increase in cost of coal and increase in power plant depreciation. The Heyuan JV will endeavor to formulate and implement suitable cost-control measures.

Details of HHL's business development can be found at its website:
www.hopewellholdings.com

Financial Highlights

(in HK\$ million, unless otherwise stated)

For the year ended 30 June	2017	2018	% Change
Revenue			
<u>Continuing operations:</u>			
- Investment properties and hospitality			
- Property letting and management	1,149	1,176	+2%
- Hotel, restaurant and catering	465	534	+15%
Sub-total	1,614	1,710	+6%
- Property development	1,605	799	-50%
- Power plant	833	1,009	+21%
- Treasury income	75	110	+47%
Continuing operations total	4,127	3,628	-12%
<u>Discontinued operation:</u>			
- Toll road investment	2,463	1,974	-20%
Revenue	6,590	5,602	-15%
EBIT^{N1}			
<u>Continuing operations:</u>			
- Investment properties and hospitality			
- Property letting and management	768	790	+3%
- Hotel, restaurant and catering	96	127	+32%
Sub-total	864	917	+6%
- Property development	434	272	-37%
- Power plant	32	4	-88%
- Treasury income	75	110	+47%
- Others	(131)	(131)	-
Continuing operations total	1,274	1,172	-8%
<u>Discontinued operation:</u>			
- Toll road investment	720	678	-6%
EBIT (before gain on disposal of HHI)	1,994	1,850	-7%
Profit attributable to owners of the Company	1,961	8,969 ^{N2}	+357%
Core profit attributable to owners of the Company	1,334	1,285	-4%
EPS (Basic) (HK \$)	2.25	10.31	+358%
Interim DPS (FY17)/ First Interim DPS (FY18) (HK cents)	55	55	
Special Interim DPS (HHI Disposal) (HK cents)	-	200	
Final DPS (FY17)/ Second Interim DPS (FY18) (HK cents)	75	88	
Special Final DPS (HK cents)	45	-	
Total DPS (HK cents)	175	343	
	<u>30.6.2017</u>	<u>30.6.2018</u>	
Net cash / (debt) at HHL corporate level	1,686	8,964	
Net gearing ratio ^{N3}	Net cash	Net cash	

N1: Represents EBIT of the Company and its subsidiaries, plus net profits (after interest and tax) shared from JVs

N2: Includes post-tax net gain on disposal of HHI of HK\$5,120 million

N3: Calculated by dividing the net debt by shareholders' equity (excluding equity shared from HHI Group)

N4: In this press release, average occupancy rate refers to the average of the occupancy rate as at the end of each month in the relevant

period. Occupancy rate = $\frac{\text{Areas already leased and occupied by tenants} + \text{Areas reserved for specific use} + \text{Areas where leases have been committed but not yet commenced}}{\text{Total lettable area}}$

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Hopewell Holdings Limited

Hopewell Holdings Limited (“HHL”), the Hong Kong-based group, was listed on The Stock Exchange of Hong Kong in 1972. HHL and its subsidiaries are active in the fields of property development and investment, investment in infrastructure projects, hotel investment and management, restaurant operations and food catering.