

Press Release

HOPEWELL HOLDINGS LIMITED ANNOUNCES FY 2018/19 INTERIM RESULTS

Highlights

1H FY19 (1 April to 30 September 2018)

- First financial year after the change of financial year end date from 30 June to 31 March
- Profit attributable to owners of the Company before fair value gain of completed investment properties up 678% yoy to HK\$5,514 million, mainly due to gain on disposal of HHI
- Core profit^{N1} down 44% yoy to HK\$394 million or HK\$0.45 per share, mainly due to the growth in profit from investment properties and hospitality businesses, profit shared from Heyuan Power Plant and treasury income were offset by the fall in (i) toll road contribution given HHI Disposal, and (ii) profit recognition of residential sales from Hopewell New Town, Broadwood Twelve and The Avenue
- First interim dividend of HK30 cents per share
- EBIT of investment properties and hospitality businesses up 7% yoy to HK\$424 million
- E-Max is undergoing evolution, expansion of upmarket fashion outlet on B1/F opened by phases since July 2018
- Panda Hotel's EBIT rose 28% yoy to HK\$35 million due to increase in room and F&B revenues
- For Hopewell New Town, no residential sales were launched due to tightening policies in PRC property market. Revenue fell to RMB1 million, which was from car park sales, compared to RMB240 million in 1H FY18 (1 April to 30 September 2017)
- Disposal of approximately 66.69% of the issued shares of Hopewell Highway Infrastructure Limited completed on 4 April 2018. HHL received net cash proceeds of approximately HK\$9 billion and recognised post-tax net gain of approximately HK\$5.1 billion
- Net cash of approximately HK\$8.3 billion as at 30 September 2018

Upcoming: 2H FY19 (1 October 2018 to 31 March 2019) 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}
- Target E-Max's rental income to grow 50% in FY20 (financial year ending 31 March 2020) as compared to the financial year ended 30 June 2016 given E-Max's evolution with the opening of upmarket fashion outlet and introduction of more elements and popular brands
- 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. Planning application to build a commercial property was submitted to Town Planning Board in May 2018 and demolition works were completed in September 2018

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, 31 October 2018 - Hopewell Holdings Limited (“Hopewell Holdings”, “HHL”, “the Company”; SEHK: 54), the Hong Kong-based property, hotel, hospitality and infrastructure group, today announced its interim results for the financial year ending 31 March 2019.

On 8 May 2018, the Board of Director (“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.

The profit attributable to owners of the Company before fair value gain of completed investment properties for the six-month period ended 30 September 2018 significantly increased to HK\$5,514 million from HK\$709 million for the same period in 2017. The increase was mainly resulted from the disposal of approximately 66.69% of the issued shares of Hopewell Highway Infrastructure Limited (“HHI”), which was completed in April 2018 and generated a post-tax net gain on disposal of approximately HK\$5,120 million.

The Company’s total revenue for the six-month period ended 30 September 2018 decreased to HK\$1,454 million from HK\$3,254 million for the same period in 2017. EBIT (before gain on disposal of HHI) decreased to HK\$472 million from HK\$1,068 million for the same period in 2017 and the core profit attributable to owners of the Company decreased to HK\$394 million from HK\$709 million for the same period in 2017. Profit from investment properties and hospitality businesses and profit shared from Heyuan Power Plant grew. Treasury income also increased due to higher cash balance resulting from the proceeds of HHI Disposal. However, these positive factors were offset by (i) the fall in toll road’s contribution due to HHI Disposal, and (ii) the decreases in profit recognition of residential sales from Hopewell New Town, Broadwood Twelve and The Avenue.

The Board declared a first interim dividend of HK30 cents per share for the financial year ending 31 March 2019 (financial year ended 30 June 2018: first interim dividend HK55 cents per share). The first interim dividend will be paid on 23 November 2018 to shareholders who were registered at the close of business on 15 November 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 ^(P.I¹ NI¹) on a full year basis is targeted to be distributed as dividends to shareholders.

Mr. Thomas Wu, Deputy Chairman and Managing Director of Hopewell Holdings, said: “We are glad to see that our investment properties and hospitality businesses continue to show solid growth. 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 September 2018, net cash for HHL at the corporate level amounted to HK\$8,275 million. Total cash on hand at HHL corporate level amounted to HK\$9,675 million.

INVESTMENT PROPERTIES AND HOSPITALITY

During the six-month period ended 30 September 2018, revenue and EBIT for the Company’s investment properties and hospitality businesses increased 8% yoy and 7% yoy to HK\$828 million and HK\$424 million respectively.

- **Hopewell Centre:** During the six-month period ended 30 September 2018, overall revenue was HK\$230 million. On the office front, rental income increased 3% yoy to HK\$140 million and average occupancy rate rebounded to 97% from 89% for the same period in 2017 mainly because new tenants moved in. In the second quarter of 2018, the Company signed a new lease with an international insurance company, AIA Group, for more than five floors or a total area of approximately 90,000 sq.ft. of office space in Hopewell Centre. Subsequent to the new lease signed, occupancy rate of Hopewell Centre office has reached 100%, bringing more footfall which will be beneficial to the Company’s retail properties in Wan Chai. During the six-month period ended 30 September 2018, average passing rent increased by 2% yoy to HK\$46.2 per sq.ft. and average spot rent maintained at around HK\$48.0 per sq.ft.. The Company expects rental uplift for Hopewell Centre by phases when (i) Hopewell Centre II’s site formation and foundation works complete and (ii) Hopewell Centre II opens whereby the surroundings in Wan Chai will be further upgraded.

- **Kowloonbay International Trade and Exhibition Centre (“KITEC”):** During the six-month period ended 30 September 2018, KITEC’s office rental income rose 17% yoy to HK\$75 million mainly due to the new leases signed with ViuTV and Registration and Electoral Office, whereas average occupancy rate was 93%. Average passing rent increased 6% yoy to HK\$18.1 per sq.ft. and average spot rent maintained at approximately HK\$19.0 per sq.ft.
- **E-Max:** E-Max is an entertainment-driven shopping arcade that includes a live house, The Metroplex and Star Hall. Upmarket fashion outlet was expanded to B1/F and the new tenants have opened by phases since July 2018, including a number of well-known sporting and fashion brands. In addition, the classical indoor amusement park, “The Wonderful World of Whimsy”, made its return for some nostalgic fun. With an area of approximately 30,000 sq.ft. on B1/F, the park is planned to open in the fourth quarter of 2018.

The short term negative impact on rental revenue from the moving out of tenants on B1/F will be compensated by the benefits from the long term potential growth brought by the completion of E-Max’s second phase of evolution. As a result of the increase in footfall alongside the enlarged area for F&B, the encouraging performance of the upmarket fashion outlet on G/F which was opened since August 2016, together with the expansion on B1/F with refinement of tenant mix, E-Max’s rental income is targeted to grow 50% in FY20 (financial year ending 31 March 2020) as compared to the financial year ended 30 June 2016.

- **Panda Hotel:** During the six-month period ended 30 September 2018, Panda Hotel’s total revenue and EBIT rose 8% yoy and 28% yoy to HK\$156 million and HK\$35 million respectively. Room revenue increased 10% yoy to HK\$105 million, mainly due to the increase in average room rate by 11% yoy and average occupancy rate remained at high level of 96%. F&B revenue increased by 3% yoy to HK\$51 million, mainly due to increase in banquets.

PROPERTY SALES

For Hopewell New Town in Huadu, Guangzhou, no residential sales were launched during the six-month period ended 30 September 2018 due to tightening policies in PRC property market. As a result, revenue booked decreased to RMB1 million, which was from car park sales, compared to RMB240 million booked for the same period in 2017.

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. 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. A planning application to build a commercial property was submitted to Town Planning Board in May 2018. Demolition works were completed in September 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.

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

POWER PLANT

During the six-month period ended 30 September 2018, Heyuan JV's net profit increased to RMB30 million from RMB3 million for the same period in 2017 due to increase in gross generation and decrease in power plant depreciation. Net profit margin increased to 3% from 0%. The Heyuan JV will continue to 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)

Six months ended 30 September	2017	2018	% Change
Revenue			
<u>Continuing operations:</u>			
- Investment properties and hospitality			
- Property letting and management	576	597	+4%
- Hotel, restaurant and catering	194	231	+19%
Sub-total	770	828	+8%
- Property development	686	1	-100%
- Power plant	453	494	+9%
- Treasury income	41	107	+161%
Continuing operations total	1,950	1,430	-27%
<u>Discontinued operation:</u>			
- Toll road investment	1,304	24	-98%
Revenue	3,254	1,454	-55%
EBIT^{N1}			
<u>Continuing operations:</u>			
- Investment properties and hospitality			
- Property letting and management	370	386	+4%
- Hotel, restaurant and catering	26	38	+46%
Sub-total	396	424	+7%
- Property development	224	(11)	n/a
- Power plant	1	14	+1300%
- Treasury income	41	107	+161%
- Others	(56)	(70)	n/a
Continuing operations total	606	464	-23%
<u>Discontinued operation:</u>			
- Toll road investment	462	8	-98%
EBIT (before gain on disposal of HHI)	1,068	472	-56%
Profit attributable to owners of the Company	1,663	6,593 ^{N2}	+296%
Core profit attributable to owners of the Company	709	394	-44%
EPS (Basic) (HK \$)	1.91	7.59	+297%
First Interim DPS (HK cents)	55 ^{N4}	30	
	30.6.2018	30.9.2018	
Net cash / (debt) at HHL corporate level	8,964	8,275	
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 joint ventures

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

N4: First Interim DPS for the financial year ended 30 June 2018

N5: 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 engaged in the fields of property development and investment, hotel investment and management, restaurant operations and food catering and investment in infrastructure project.