

Press Release

## HOPEWELL HOLDINGS LIMITED ANNOUNCES FINANCIAL YEAR 2016/17 INTERIM RESULTS

### Highlights

#### 1H FY17

- HHL is planning celebrations for the 45<sup>th</sup> anniversary of listing on Hong Kong Stock Exchange
- EBIT decreased 16% yoy to HK\$1,010 million mainly because EBIT for the last corresponding period included profit of HK\$427 million shared from sales of The Avenue. Excluding the profit shared from sales of The Avenue, EBIT increased 27% yoy to HK\$988 million from HK\$778 million
- Core profit attributable to owners of the Company (excluding fair value gain of completed investment properties) fell 29% yoy to HK\$669 million, or HK\$0.77 per share, mainly because of a decrease in the profit shared from sales of The Avenue
- An interim dividend of HK55 cents per share
- Retail rental income increased 6% yoy
- E-Max's G/F upmarket fashion outlet opened in August 2016 and well-received by market
- Hopewell Centre II construction advancing full steam forwards. It targets to complete in 2019
- As at 31 December 2016, all units of The Avenue were sold
- Hopewell New Town is estimated to book around RMB700 million sales in FY17, which will exceed the target of RMB600 million for FY17. In 1H FY17, HK\$474 million of sales was booked
- Panda Hotel's total revenue fell 2% yoy mainly due to the drop in tourist arrivals

#### Upcoming: 2H FY17 & beyond

- E-Max is undergoing evolution with expansion of upmarket fashion outlet. Tenants on B1/F will be vacated for renovation by the first quarter of 2017 and new tenants are planned to start operation in summer 2018. Food court on 2/F will partially open in the first quarter of 2017. Target E-Max's retail rental income to grow 50% in FY19 as compared to FY16
- Expand the project of 155-167 QRE into 153-167 QRE to increase the interface for Hopewell Holdings' property portfolio on Queen's Road East. The project is envisioned to commence operation in 2021
- Hopewell New Town targets to book sales revenue of approximately RMB500 million in FY18. Pre-sale is planned to start in the second quarter of 2017

**Hong Kong, 24 January 2017** - Hopewell Holdings Limited ("Hopewell Holdings", "HHL", "the Company"; SEHK: 54), the Hong Kong-based property, infrastructure, hotel and hospitality group, today announced its interim results for the six months ended 31 December 2016.

Hopewell Holdings' revenue for the six months ended 31 December 2016, including sales proceeds of investment properties held for sale (i.e. Broadwood Twelve), treasury income and HHL's share of revenues of JVs decreased to HK\$3,387 million from HK\$6,640 million for the corresponding period in 2015. The drop in revenue was mainly because of a decrease in property sales recognition of The Avenue which offset the increased property sales recognition of Hopewell New Town project and the growth of revenue from investment properties business.

The Company's EBIT decreased to HK\$1,010 million from HK\$1,205 million for the corresponding period in 2015 mainly due to EBIT for the last corresponding period included profit of HK\$427 million shared from the sales of The Avenue (HK\$22 million in the period under review). EBIT of investment properties, toll road business and property development of the Hopewell New Town project continued to grow healthily. In addition, a lower exchange loss from RMB depreciation was recorded. However, these positive factors were mainly offset by a decrease in the profit shared from property sales recognition of The Avenue.

The profit attributable to owners of the Company decreased to HK\$861 million or HK\$0.99 per share from HK\$1,559 million recorded in the last corresponding period. Excluding the fair value gain of the Company's completed investment properties, core profit attributable to owners of the Company during the period under review fell 29% yoy to HK\$669 million or HK\$0.77 per share. Excluding the profit shared from the sales of The Avenue, HHL's core profit attributable to owners of the Company increased 27% yoy to HK\$647 million, from HK\$511 million. The core profit included exchange loss attributable to owners of the Company of HK\$42 million due to RMB depreciation, which was mainly due to GS Superhighway JV's US Dollar loan.

The Board of Directors declared an interim dividend of HK55 cents per share for the financial year ending 30 June 2017 (financial year ended 30 June 2016: interim dividend HK55 cents). The interim dividend will be paid on 22 February 2017 to shareholders who were registered at the close of business on 10 February 2017.

Mr. Thomas Wu, Managing Director of Hopewell Holdings, said: "The ongoing development of new projects and the asset enhancement initiatives have shown promising returns to our business and they will continue to strengthen our income stream. With our strong financial position, we are prepared to seize any opportunity of development that lies ahead."

As at 31 December 2016, net cash for HHL at the corporate level (excluding Hopewell Highway Infrastructure Limited) amounted to HK\$1,211 million. Total cash on hand at HHL corporate level amounted to HK\$3,561 million.

## INVESTMENT PROPERTIES AND HOSPITALITY

HHL's investment properties business continued to show healthy growth during the period under review, with revenue increasing by 3% yoy to HK\$567 million. The Group's retail assets are neighborhood shopping centres for local shoppers, therefore less hit by the drop in tourist arrival to Hong Kong. With the full period contribution from Lee Tung Avenue after its opening, the rental income from retail properties grew 6% yoy.

- **Hopewell Centre:** During the period under review, overall revenue fell 1% yoy to HK\$215 million mainly due to office tenant reshuffling. On the office front, rental income fell 3% yoy to HK\$126 million and average occupancy rate fell to 86% in 1H FY17 from 95% in 1H FY16. Average passing rent increased 6% yoy to HK\$43.5/sq.ft. and average spot rent maintained at around HK\$48/sq.ft.. As at 31 December 2016, the occupancy rate was approximately 90% as new lease was signed in November 2016. Throughout tenant mix reshuffling over the past years, HHL has successfully attracted more high-margin industries, such as banking, finance and auto-related companies, to set up offices in Hopewell Centre. This has helped to bring more high-paid employees and has benefited the rental growth for the Company's retail properties in Wanchai.
- **Lee Tung Avenue:** Lee Tung Avenue has further enlarged HHL's rental property portfolio and created synergy among its existing properties in Wanchai which helped upgrade the image of The East. Moreover, Lee Tung Avenue has received very positive responses from tenants and its average occupancy rate was around 96%, with average rent at around HK\$66/sq.ft. during the period under review.
- **Kowloon Bay International Trade and Exhibition Centre ("KITEC"):** During the period under review, KITEC's office rental income was flat at HK\$68 million mainly due to softened demand. Average passing rent increased 1% yoy to HK\$17.3/sq.ft. and average spot rent stood at HK\$20.0/sq.ft., whereas average occupancy rate remained at high level of 95%.
- **E-Max:** E-Max is an entertainment-driven shopping arcade that includes a live house, The Metroplex and Star Hall. As the evolution of E-Max unfolded since 2014, success has been shown. The introduction of more popular brands to E-Max has been well-received by the market. An upmarket fashion outlet of approximately 65,000 sq.ft. opened on G/F in August 2016, with popular

brands including Gap, Vivienne Westwood and The North Face. Besides, rental agreement with automall on B3/F was renewed in December 2016 with rental rates more than doubled while a new food court of approximately 30,000 sq.ft. will partially open on 2/F in the first quarter of 2017. In 2017 and 2018, subject to Government approval, the Company plans to convert the existing automall and Duty Free Shop on B1/F of approximately 100,000 sq.ft. into a retail area as an expansion of G/F's upmarket fashion outlet. As a result of the increase in footfall alongside the evolution, E-Max's rental income is targeted to grow 50% in FY19 as compared to FY16. The new venue in KITEC, The Glass Pavilion, opened in August 2016. It is a venue for wedding banquets, corporate and social events and it is expected to further enhance the F&B business.

- **Panda Place:** Recent renovation and refined tenant mix have enhanced its image. Rental income at Panda Place was flat at HK\$31 million in 1H FY17. The average occupancy rate was at 98% during the period under review.
- **Panda Hotel:** During the period under review, Panda Hotel's total revenue fell by 2% yoy to HK\$160 million mainly due to drop in tourist arrivals. The downward trend for room revenue has become more stable, which dropped slightly by 1% yoy to HK\$105 million compared with 1H FY16 which dropped 18% yoy. The decrease in room revenue was due to the 1% yoy decrease in room occupancy rate to 97% given the average room rate remained flat yoy.

## PROPERTY SALES

For Hopewell New Town in Huadu, Guangzhou, sales of 325 units or 37,500 sq.m. of apartments and 7 units or 2,000 sq.m. of townhouse were booked and generated revenue of RMB474 million during the period under review, representing a 369% yoy surge. Based on the estimated handover progress, units sold in 1H FY17 and subsequently up to 11 Jan 2017, together with the units sold in FY16 but not yet booked, around RMB700 million sales is estimated to be booked in FY17, which will exceed FY17 sales booking target of RMB600 million. Subject to construction progress, the sales target for FY18 of not less than 43,000 sq.m. will translate into a sales booking target of approximately RMB500 million for FY18, and the pre-sale of these units is planned to start in the second quarter of 2017.

As at 31 December 2016, all units of The Avenue were sold and the average selling price was around HK\$22,600 per sq.ft. of saleable area. By bringing in more residents to the area, synergies have been created, which has benefited the Company's retail tenants in the surroundings.

As of 11 January 2017, 63 units or 83% of Broadwood Twelve's 76 units were sold. 4 units with total salable area of approximately 5,100 sq.ft. were sold at HK\$33,600/sq.ft. during the period under review, of which 2 units with net sales revenue of approximately HK\$82 million were booked in 1H FY17. To maximize HHL's income, 7 unsold units were being leased at an average monthly rental rate of about HK\$65/sq.ft. as of 11 January 2017, based on saleable area.

## PROPERTIES UNDER/FOR DEVELOPMENT

Construction of Hopewell Centre II is advancing full steam forwards. Site formation work is in progress, with its target completion by mid-2017. Podium structural framework will start afterwards. According to the current plan, the hotel targets to complete in 2019.

Resubmission of the preservation cum development plan of Hill Side Terrace Cluster to Town Planning Board is pending. HHL will restore and preserve the historical building at Nam Koo Terrace and a residential building with open space provision will be developed.

HHL has expanded the 155-167 Queen's Road East ("QRE") project into 153-167 QRE project by acquiring two lots adjacent to the existing site through an application for compulsory sale for redevelopment (by auction) made in January 2017. Under current planning, the project will be developed into a commercial

property. The project is envisioned to commence operation in 2021 and it will increase the interface for Hopewell Holdings' property portfolio on Queen's Road East.

#### **TOLL ROAD INVESTMENT**

HHL's EBIT from toll road investment (net profit after interest and tax shared from joint ventures) during the period under review increased 4% yoy to HK\$305 million. The average daily toll revenue of the Guangzhou-Shenzhen Superhighway ("GS Superhighway") and Western Delta Route rose by 4% and 13% yoy to RMB9.2 million and RMB3.4 million respectively.

#### **POWER PLANT**

Heyuan JV's net profit decreased to RMB75 million from RMB127 million during the period under review due to decrease in tariff rate and increase in cost of coal. Net profit margin decreased from 15% to 8%. 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](http://www.hopewellholdings.com)

**Financial Highlights**
*(in HK\$ million, unless otherwise stated)*

<b>For the six months ended 31 December</b>	<b>2015</b>	<b>2016</b>	<b>% Change</b>
<b>Revenue</b>			
- Investment properties and hospitality	766	782	+2%
- Property investment	550	567	+3%
- Hotel, restaurant and catering	216	215	-0%
- Property development	4,131	880	-79%
- Toll road investment	1,246	1,253	+1%
- Power plant	414	434	+5%
- Treasury income	83	38	-54%
<b>Revenue</b>	<b>6,640</b>	<b>3,387</b>	<b>-49%</b>
<b>EBIT<sup>N1</sup></b>			
- Investment properties and hospitality	422	427	+1%
- Property investment	371	383	+3%
- Hotel, restaurant and catering	51	44	-14%
- Property development	453	274	-40%
- Toll road investment	293	305	+4%
- Power plant	62	34	-45%
- Treasury income	83	38	-54%
- Others	(108)	(68)	n/a
<b>EBIT</b>	<b>1,205</b>	<b>1,010</b>	<b>-16%</b>
Profit attributable to owners of the Company	1,559	861	-45%
<b>Core profit attributable to owners of the Company</b>	<b>938</b>	<b>669</b>	<b>-29%</b>
EPS (Basic) (HK \$)	1.79	0.99	-45%
Interim DPS (HK cents)	55	55	
Net cash at HHL corporate level	336 <sup>N3</sup>	1,211	
Net gearing ratio <sup>N2</sup>	Net cash <sup>N3</sup>	Net cash	

*N1: Represents EBIT of the Company and its subsidiaries, plus their shares of net profits (after interest and tax) of joint ventures*

*N2: Calculated by dividing the net debt by shareholders' equity (excluding equity shared from HHI Group)*

*N3: As at 30.6.2016*

*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 = (Areas already leased and occupied by tenants + Areas reserved for specific use + Areas where leases have been committed but not yet commenced) / Total lettable area*

- End -

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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.