

Press Release

HOPEWELL HOLDINGS LIMITED ANNOUNCES FINANCIAL YEAR 2017/18 INTERIM RESULTS

Highlights

1H FY18

- EBIT up 12% yoy to HK\$1,136 million mainly due to continued growth from investment properties and hospitality, as well as toll road businesses which was mainly due to an exchange gain recorded
- Core profit up 13% yoy to HK\$759 million, or HK\$0.87 per share
- An interim dividend of HK55 cents per share
- EBIT of investment properties up 3% yoy to HK\$394 million
- Panda Hotel's total revenue rose 11% yoy due to increase in room and F&B revenues
- Hopewell New Town booked RMB251 million of sales, down 47% yoy given the higher base in 1H FY17 due to handover progress
- The Johnston Tunnel, which connects Lee Tung Avenue with the MTR station, opened in December 2017. It enhances connectivity of HHL's property portfolio in Wan Chai

Upcoming: 2H FY18 & beyond

- E-Max is undergoing evolution, where B1/F is under renovation for the expansion of upmarket fashion outlet. New tenants are planned to start operation by summer 2018. Target E-Max's retail rental income to grow 50% in FY20 as compared to FY16
- Hopewell Centre II's construction is advancing at full steam and it targets to open in 2021
- The 153-167 QRE project is envisioned to commence operation in 2022. It will increase the interface for Hopewell Holdings' property portfolio on Queen's Road East
- Expect Hopewell New Town will be difficult to achieve the original FY18 sales booking target of RMB500 million, given the current tightening policies in the PRC property market
- Target to distribute 90%-100% of core profit^{N1} on a full year basis as dividends, in the years before Hopewell Centre II opens^{N4}

Proposed Disposal of approximately 66.69% of the issued shares of HHI^{N2}

- On 29 December 2017, HHL announced the Proposed Disposal of approximately 66.69% of the issued shares of Hopewell Highway Infrastructure Limited to Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. This is expected to generate net cash proceeds of approximately HK\$9 billion and recognise net gain of approximately HK\$4.9^{N3} billion upon Completion
- HHL may re-deploy a substantial part of the proceeds to (a) fund the development of Wan Chai Projects; (b) further strengthen its general working capital and cash flow position; and (c) enable HHL to explore new investment opportunities in both Hong Kong and the Mainland, in particular the Guangdong-Hong Kong-Macao Bay Area
- Ordinary resolution duly passed in the Extraordinary General Meeting on 8 February 2018
- Conditional upon Completion of Proposed Disposal of HHI having taken place, a special cash interim dividend of HK\$2.00 per share will be paid (payout date will be announced)

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: For details, please refer to the Joint Announcement and Circular dated 29 December 2017 and 22 January 2018 respectively

N3: The net gain is calculated based on the consideration of HK\$9,865 million less (i) the carrying value of the Group's approximately 66.69% equity interest in the HHI Group as at 30 June 2017; and (ii) the estimated related costs and expenses (including any tax payable) in relation to the Proposed Disposal. Shareholders should note that the financial impact set out above is for illustrative purpose only. The actual amount of the gain on the Proposed Disposal to be recognised by HHL will depend on the carrying value of HHL's approximately 66.69% equity interest in HHI as at Completion and the actual amount of related costs and expenses (including any tax payable) in relation to the Proposed Disposal, and therefore may be different from the amount mentioned above

N4: Conditional upon Completion of Proposed Disposal of HHI having taken place and barring unforeseen circumstances

Hong Kong, 13 February 2018 - 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 2017.

Hopewell Holdings’ revenue for the six months ended 31 December 2017 decreased to HK\$3,322 million from HK\$3,387 million for the last corresponding period, which was mainly because the growth in investment properties, hospitality and toll road businesses was offset by the decrease in property sales recognition of Hopewell New Town project.

The Company’s EBIT for the period under review increased 12% yoy to HK\$1,136 million from HK\$1,010 million for the last corresponding period, as a result of increase in profits from investment properties and hospitality businesses, as well as toll road business which was mainly due to an exchange gain of HK\$56 million shared from the GS Superhighway JV’s US Dollar loan compared to the share of an exchange loss of HK\$55 million for the last corresponding period. The core profit attributable to owners of the Company during the period under review increased 13% yoy to HK\$759 million or HK\$0.87 per share from HK\$669 million for the last corresponding period.

The profit attributable to owners of the Company increased 145% yoy to HK\$2,110 million or HK\$2.43 per share from HK\$861 million for the last corresponding period, mainly due to increases in profits from investment properties, hospitality and toll road businesses and the higher fair value gain of completed investment properties recorded.

The Board of Directors declared an interim dividend of HK55 cents per share for the financial year ending 30 June 2018 (interim dividend of FY17: HK55 cents). The interim dividend will be paid on 12 March 2018 to shareholders who were registered at the close of business on 2 March 2018.

It is the present intention of the Board that upon Completion of the Proposed Disposal of HHI having taken place and in the years before Hopewell Centre II opens, barring unforeseen circumstances, 90%-100% of the core profit^{N1 (P.1)} on a full year basis is targeted to be distributed as dividends to shareholders.

Mr. Thomas Wu, Managing Director of Hopewell Holdings, said: “The growth of our investment properties business will provide the Company with sustainable returns in the coming years, we will continue to devote ourselves in asset enhancement. As to ongoing projects under development such as Hopewell Centre II and 153-167 Queen’s Road East, we are confident that they have the potential to generate attractive investment returns.”

As at 31 December 2017, net cash for HHL at the corporate level (excluding Hopewell Highway Infrastructure Limited) amounted to HK\$1,781 million. Total cash on hand at HHL corporate level amounted to HK\$4,331 million.

PROPOSED DISPOSAL OF APPROXIMATELY 66.69% OF THE ISSUED SHARES OF HHI

On 29 December 2017, the Company announced the Proposed Disposal of approximately 66.69% of the issued shares of Hopewell Highway Infrastructure Limited (“HHI”, SEHK HKD-traded stock code: 737, SEHK RMB-traded stock code: 80737) to Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. for a total cash consideration of approximately HK\$9,865 million (being HK\$4.80 per HHI Share). Upon Completion of the Proposed Disposal, Hopewell Holdings expects to recognise a net gain (after tax and related costs and expenses) of approximately HK\$4,921 million^{N3 (P.1)} and the financial results of HHI will cease to be consolidated into those of Hopewell Holdings. Conditional upon Completion of the Proposed Disposal having taken place, a special cash interim dividend of HK\$2.00 per share will be paid to shareholders. Further details of the record date, the payout date of the special cash interim dividend and the book closure date will be announced after Completion in due course.

The Directors of HHL believe that the Proposed Disposal of the shares of HHI is a good opportunity to realise its investment in the two highway projects. HHL may re-deploy a substantial part of the proceeds (a) to fund the Hopewell Centre II project, the redevelopment of the Hill Side Terrace cluster and 153-167 Queen's Road East project ("Wan Chai Projects"); (b) to further strengthen its general working capital and cash flow position; and (c) to enable HHL to explore new investment opportunities in both Hong Kong and the Mainland, in particular the Guangdong-Hong Kong-Macao Bay Area.

For details, please refer to the Joint Announcement and Circular dated 29 December 2017 and 22 January 2018 respectively.

INVESTMENT PROPERTIES AND HOSPITALITY

HHL's investment properties business continued to grow during the period under review, with revenue rising 3% yoy to HK\$582 million. Given the evolution now underway at E-Max, together with Hopewell Centre II which is currently under construction, the Company expects retail segment will be the growth driver of its investment properties business in the next few years.

- **Hopewell Centre:** During the period under review, overall revenue was HK\$237 million. On the office front, rental income increased 15% yoy to HK\$145 million and average occupancy rate rebounded from 86% to 90% mainly because new tenants moved in. Average passing rent increased by 3% yoy to HK\$45.0 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 in early 2019, according to current planning and ii) Hopewell Centre II opens whereby the surroundings in Wan Chai will be further upgraded.
- **Lee Tung Avenue:** Connecting Wan Chai MTR station and Lee Tung Avenue, the Johnston Tunnel was opened in December 2017 and it has enhanced the connectivity of the Company's property portfolio in Wan Chai with the MTR station. In addition, the application for the QRE Tunnel connecting Lee Tung Avenue and Hopewell Centre has been submitted. The average occupancy rate was around 93% and the average rent was around HK\$63 per 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 dropped 4% yoy to HK\$65 million mainly due to tenant reshuffling and increased office supply in Kowloon East, whereas average occupancy rate dropped from 95% to 90%. Average passing rent fell 2% during the period under review to HK\$17.0 per sq.ft. and average spot rent fell to approximately HK\$19.0 per sq.ft., in line with market trend. In the fourth quarter of 2017, the Company signed a new lease with a media company for a total area of approximately 70,000 sq.ft. in KITEC, which comprised of 33,400 sq.ft. of office space to set up its headquarter and 36,100 sq.ft. of area in E-Max to set up a film and TV production studio on G/F. The lease will result in approximately 50% increase in rental income compared to that of the previous tenants.
- **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 in 2014, success has been shown. The introduction of more elements and popular brands to E-Max has been well-received by the market. In the second quarter of 2017, KITEC started to convert 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 enlarged area for F&B, the encouraging performance of the upmarket fashion outlet on G/F together with the second phase of evolution, E-Max's rental income is targeted to grow 50% in FY20 as compared to FY16.
- **Panda Hotel:** During the period under review, Panda Hotel's total revenue rose 11% yoy to HK\$177 million. Room revenue increased by 6% yoy to HK\$112 million, mainly due to the increase in average room rate by 5% yoy and occupancy rate remained at high level of 98%. F&B revenue increased by 20% yoy to HK\$65 million, mainly due to increase in banquets.

PROPERTY SALES

For Hopewell New Town in Huadu, Guangzhou, sales of 72 units or 8,800 sq.m. of apartments and 8 units or 2,300 sq.m. of townhouses were booked and generated revenue of RMB251 million during the period under review, representing a 47% yoy drop given the higher base in 1H FY17 due to handover progress. The Company expects it will be difficult to achieve the original FY18 sales booking target of RMB500 million, given the current tightening policies in the PRC property market.

As of 31 December 2017, all 76 units of Broadwood Twelve were sold. 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. during the period under review. 5 units with net sales revenue of HK\$227 million were booked in 1H FY18, including 1 unit that was sold in FY17.

PROPERTIES UNDER/ FOR DEVELOPMENT

Construction of Hopewell Centre II is advancing at full steam. In August 2017, the Town Planning Board approved the 2017 Scheme of Hopewell Centre II. The new approved scheme will enhance the pedestrian connectivity in Wan Chai South. Hopewell Centre II is targeted to open in 2021.

HHL 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. Under current planning, the project will be developed into a commercial property, and the estimated remaining capital expenditure to be spent is around HK\$500 million. Demolition works are planned to start in mid-2018 and the project is envisioned to commence operation in 2022, which will increase the interface for Hopewell Holdings' property portfolio on Queen's Road East.

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

TOLL ROAD

During the period under review, the average daily toll revenue of the Guangzhou-Shenzhen Superhighway ("GS Superhighway") increased by 5% yoy to RMB9.7 million. Meanwhile, the average daily full-length equivalent traffic of GS Superhighway grew by 7% yoy to 106,000 vehicles. The average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route amounted to RMB3.8 million and 52,000 vehicles, with yoy growth of 13% and 12% respectively.

Profit attributable to owners of HHI increased by 34% yoy from RMB267 million to RMB359 million mainly due to net exchange gain shared by HHI of RMB47 million was recorded during the period under review, as compared to a net exchange loss of RMB49 million in the last corresponding period. HHL's EBIT from toll road investment (net profit after interest and tax shared from joint ventures) during the period under review increased 42% yoy to HK\$434 million.

POWER PLANT

Heyuan JV's net profit decreased to RMB13 million from RMB75 million due to decrease in tariff rate, increase in cost of coal and increase in power plant depreciation. 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)

| For the six months ended 31 December | 2016 | 2017 | % Change |
|--|------------------------|--------------|-----------------|
| Revenue | | | |
| - Investment properties and hospitality | 782 | 832 | +6% |
| - Property letting and management | 567 | 582 | +3% |
| - Hotel, restaurant and catering | 215 | 250 | +16% |
| - Property development | 880 | 643 | -27% |
| - Toll road investment | 1,253 | 1,323 | +6% |
| - Power plant | 434 | 482 | +11% |
| - Treasury income | 38 | 42 | +10% |
| Revenue | 3,387 | 3,322 | -2% |
| EBIT^{N1} | | | |
| - Investment properties and hospitality | 427 | 462 | +8% |
| - Property letting and management | 383 | 394 | +3% |
| - Hotel, restaurant and catering | 44 | 68 | +55% |
| - Property development | 274 | 250 | -9% |
| - Toll road investment | 305 | 434 | +42% |
| - Power plant | 34 | 6 | -82% |
| - Treasury income | 38 | 42 | +10% |
| - Others | (68) | (58) | n/a |
| EBIT | 1,010 | 1,136 | +12% |
| Profit attributable to owners of the Company | 861 | 2,110 | +145% |
| Core profit attributable to owners of the Company | 669 | 759 | +13% |
| EPS (Basic) (HK \$) | 0.99 | 2.43 | +145% |
| Interim DPS (HK cents) | 55 | 55 | |
| Conditional Special Interim DPS (HK cents) ^{N5} | | 200 | |
| Net cash at HHL corporate level | 1,686 ^{N3} | 1,781 | |
| Net gearing ratio ^{N2} | Net cash ^{N3} | Net cash | |

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

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

N3: As at 30.6.2017

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

N5: Conditional upon Completion of Proposed Disposal of HHI having taken place

- End -

For further information, please contact:

Y Communications

Sukyi Yau
Office: 2254 8854
Mobile: 9030 7204
Email: syau@ycom.hk

Michael Yau
Office: 2254 8853
Mobile: 9781 5898
Email: myau@ycom.hk

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.