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FEC
遠東發展

(Incorporated in the Cayman Islands with limited liability)
Website: http://www.fecil.com.hk
(Stock code：35.HK)

FEC Announces 2017/18 Interim Results
Sustainable Growth Supported by Strong Pipeline and Healthy Balance Sheet

INTERIM RESULTS HIGHLIGHTS

- Net profit attributable to shareholders of the Company grew 51.6% year-on-year to HK$1,033 million, primarily due to a higher margin on the property projects completed during the period, a strong recovery of the Group's hotel business, a steadily expanding car park portfolio, as well as a gain on sale of one of the non-core hotels of the Group.

- Adjusted cash profit[(i)] reached HK$1,071 million, a year-on-year increase of 72.6% from HK$620 million.

- Presale of residential properties remained robust with cumulative presales value of properties under development amounting to approximately HK$13.0 billion (HK$10.7 billion as at 31 March 2017) following the successful launch of (i) Artra in Singapore; (ii) Marin Point in Hong Kong; (iii) West Side Place Tower 4 in Melbourne; and (iv) The Star Residences in Gold Coast. The Group's residential development pipeline grew to HK$45.3 billion in projected gross development value as at 30 September 2017.

- Bank and cash balances and investment securities of the Group increased to approximately HK$5.9 billion as at 30 September 2017 (HK$5.6 billion as at 31 March 2017).

- Net gearing ratio[(ii)] fell slightly to 30.8% as at 30 September 2017 from 31.5% as at 31 March 2017.

- Earnings per share increased by 43.8% to HK$0.46 during the period.

- Interim dividend for 1H FY2018 increased to HK4.0 cents per share (1H FY2017: HK3.5 cents per share).

- Net assets attributable to shareholders as at 30 September 2017 amounted to HK$11.07 per share, adjusted for hotel revaluation surplus[(iii)].

(27 November, 2017, Hong Kong) – Far East Consortium International Limited ("FEC" or the "Group", SEHK: 35) is pleased to announce its unaudited consolidated results for the six months ended 30 September 2017 ("1H FY2018").

During 1H FY2018, profit attributable to shareholders of the Company amounted to HK$1,033 million, as a result of the completion of a number of high margin projects, a strong recovery of the hotel business, a steadily expanding car park portfolio, as well as a gain on sale of one of the non-core hotels of the Group during 1H FY2018. Gross profit (before depreciation of hotel and car park assets) came in at HK$1.6 billion, showing a strong growth of 24.7% from HK$1.3 billion for the six months ended 30 September 2016 ("1H FY2017"), despite a slight drop of 6.0% in the Group's revenue to approximately HK$2.8 billion as compared with 1H FY2017. Adjusted cash profit[i] reached HK1,071 million, a year-on-year increase of 72.6% from HK$620 million, demonstrating the Group's strong ability to continuously generate cash flow which provides ammunition for the Group's future growth. Net asset value per share for the Company as at 30 September 2017 was HK$11.07. Interim dividend for 1H FY2018 increased to HK4.0 cents per share (1H FY 2017: HK3.5 cents per share).

In 1H FY2018, revenue from sales of properties amounted to HK$1,655 million, down 15.5% as compared with 1H FY2017 owing to the completion timing of projects in the Group's pipeline, with gross profit climbing from HK$766 million in 1H FY2017 to HK$983 million for 1H FY2018, representing a 28.4% increase. During 1H FY2018, two projects were completed, namely Royal Crest II in Shanghai and Dorsett Bukit Bintang in Kuala Lumpur. Phased completion of the FIFTH in Melbourne also commenced during 1H FY2018 and will continue into second half of the financial year.

Presale of residential properties remained robust with cumulative presales value of properties under development amounting to approximately HK$13.0 billion following the successful launch of (i) Artra in Singapore; (ii) Marin Point in Hong Kong; (iii) West Side Place Tower 4 in Melbourne; and (iv) The Star Residences in Gold Coast, which provides a clear visibility of the Group's future profitability. Total expected attributable gross development value ("GDV") and attributable saleable floor area of these four development projects are approximately HK$7.3 billion and 1.1 million square feet ("sq. ft.") respectively. As at 30 September 2017, the Group had 23 active residential property development projects in the pipeline with expected attributable saleable floor area of approximately 8.0 million sq. ft. under various stages of development across the regions.

Revenue from hotel operations and management amounted to approximately HK$695 million in 1H FY2018, an improvement of 12.8% as compared to 1H FY2017, thanks to the solid recovery of the hotel market, in particular in Hong Kong, and the addition of new hotels in the Group's portfolio, namely Silka Tsuen Wan in Hong Kong (opened in February 2017) and Dorsett City in London (partially opened in August 2017), both of which having contributed to the Group's hotel revenue during 1H FY2018. Despite the opening of new hotels, gross margin from the Group's hotel operations and management (before depreciation and amortization) improved from 60.0% in 1H FY2017 to 61.5% in 1H FY2018, due to higher overall occupancy rate as well as average room rate.

As at 30 September 2017, the Group operated 22 owned hotels (9 in Hong Kong, 5 in Malaysia, 4 in Mainland China, 1 in Singapore, 2 in London and 1 in Gold Coast) with approximately 6,900 rooms. The Group also manages 4 other hotels (2 in Hong Kong and 2 in Malaysia) with approximately 880 rooms.

The Group has 13 hotels in the development pipeline, of which two are Ritz Carlton hotels, one each in Melbourne and Perth, and four world-class hotels in the integrated resort of Queen's Wharf, Brisbane in which the Group has a 25% interest, with the remaining expected to be operated by Dorsett. When all the hotels in the pipeline become operational, the Group will have 35 owned hotels operating more than 10,000 rooms. The Group's hotel business is expected to continue on its recovery track, especially those in Hong Kong, whereas new hotels in the pipelines will further add to the further recurring cash flow base.

Revenue from car park operations and facilities management amounted to approximately HK$333 million in 1H FY2018, an increase of 7.6% as compared to 1H FY2017, with adjusted gross profit increasing from HK$67.0 million for 1H FY2017 to HK$78.4 million for 1H FY2018, a 17.0% year-on-year growth, as the Group continued to allocate more resources to self-owned car parks which have higher margin compared to third-party car park management contracts. During 1H FY2018, approximately 9,300 car park bays were added to the Group's car park management portfolio, with another 1,392 car park bays added subsequent to 30 September 2017 through an acquisition of a portfolio of car parks in Budapest, Hungary.

The car park business extends to both third party owned car parks and self-owned car parks and generates a stable recurring income for the Group. This business sector has been achieving steady growth over the years, with the Group's portfolio under management growing into 427 car parks with approximately 83,801 car parking bays as at 30 September 2017. The Group had 70 contracts in relation to facilities management services as at 30 September 2017. The Group's direction of allocating more capital to the car park operations and facilities management business ensures this business sector will not only grow organically as it has been for years, but also through acquisitions of car park assets that yield good returns. It is expected that the car park operations and facilities management business will continue to be a steadily growing source of recurring cash flow streams.

As at 30 September 2017, the Group's liquidity position was at approximately HK$5.9 billion, and net gearing ratio was 30.8% (adjusted for hotel revaluation surplus[iii]), reflecting the strength of the Group's balance sheet. Together with the available undrawn credit facility of HK$6.2 billion and our abundant asset base which remains unencumbered, the Group has a significant war chest to support the growth.

In November 2017, the Company issued US$150 million 4.5 percent 5.5-year notes due on 13 May 2023 under the Medium Term Note Programme, which represented another successful fundraising by the Group in the international capital market and helped to further push out the debt maturity profile of the Group.

The board will take into account full year earnings and historical payout ratios in determining final dividend payment for the year ending 31 March 2018. With a strong first half performance, prospects for a growth in final dividend look promising.

Mr. David CHIU, Chairman of the Company said: "An increasingly diversified and constantly growing property development portfolio coming to fruition, the strong recovery of the hotel business, as well as the steadily expanding car park portfolio laid a solid foundation for FEC's growth. Our current land bank and pipeline projects provide good visibility for continuous development and future profitability. Our regionally-diversified but business-focused strategy enables us to capture good opportunities in various regions allowing us to generate good returns. We have a favourable liquidity position and a low net gearing ratio allowing us to make value accretive acquisitions. The global economic environment is likely to remain challenging, but we are confident about the outlook and prospects of the Group. We will continue to adopt the 'Chinese Wallet' strategy and business diversification approach, and continue to add to the development pipelines by allocating resources wisely. We believe we will continue to bring good returns to our shareholders."

Notes:

(i) Adjusted cash profit is calculated by adding depreciation and amortisation charges to, and subtracting fair value gain in investment properties from, net profit attributable to shareholders. The amounts are adjusted for minority interests.

(ii) Net gearing ratio represents total bank loans, notes and bonds less investment securities, bank and cash balances divided by carrying amount of total equity and hotel revaluation surplus.

(iii) Revaluation surplus on hotel assets of approximately HK$13,011 million was based on independent valuation carried out as at 31 March 2017 and was not recognized in the Company's consolidated financial statements, but was adjusted for the calculations of net asset value per share and the net gearing ratio.

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About Far East Consortium International Limited

Far East Consortium International Limited has been listed on the Hong Kong Stock Exchange since 1972 (HKEx stock code: 35.HK). The Group is mainly engaged in property development and investment, hotel operation and management, as well as car park and facilities management. The Group adopts diversified regional strategy and the "Chinese Wallet" strategy with business covering Hong Kong, mainland China, Australia, Malaysia, Singapore, the United Kingdom, Europe and New Zealand.

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