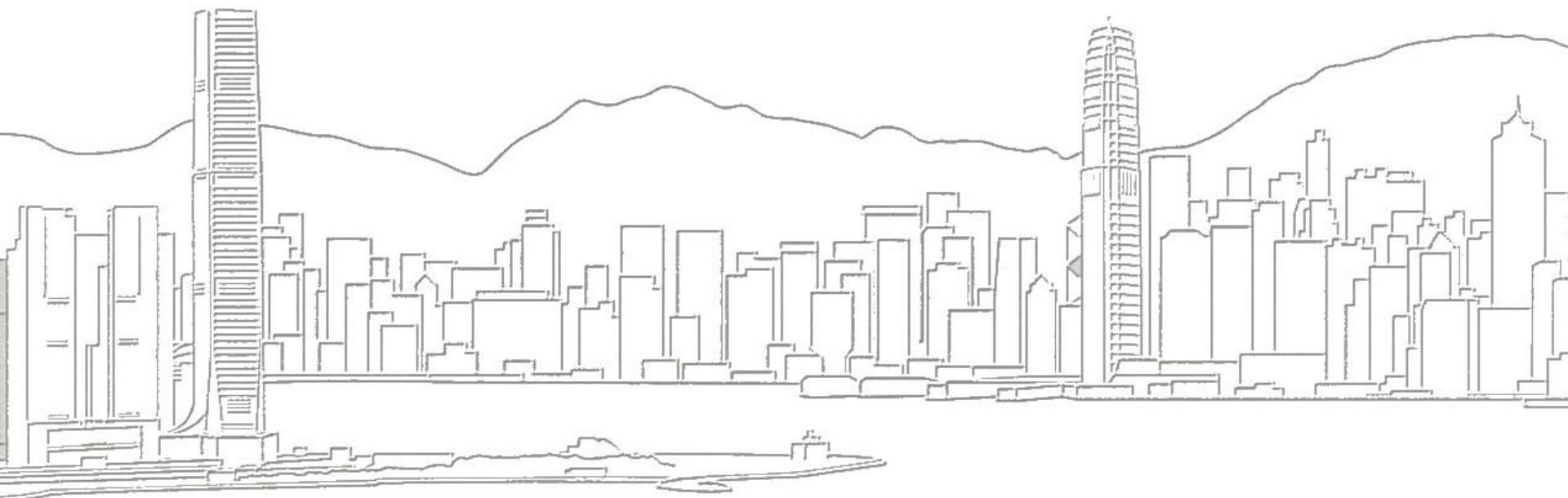




# Sun Hung Kai Properties

Building Homes with Heart

## FY2019 Interim Results



27 February 2019

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Cullinan West, West Kowloon, Hong Kong



**KEY MESSAGES**

# Key Messages

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- **Impressive contracted sales**
  - Up to mid-February 2019, accumulated contracted sales already met FY2019 full-year target of HK\$47bn
- Continued **healthy growth of sizeable recurring rental income stream** during the period
  - Strong pipeline of new investment properties
- Land banking through various means including active land use conversion of agricultural land
  - Two pieces of agricultural land were converted
- Strong balance sheet with prudent financial management
- **Sustainable dividend**



# FINANCIAL REVIEW – 1H FY2019

# Financial Highlights

	1H FY2019	1H FY2018	Change
Profit attributable to the Company's shareholders			
- Underlying <sup>(1)</sup> (HK\$ mn)	13,733 <sup>(2)</sup>	19,973	-31%
- Reported (HK\$ mn)	20,469	33,031	-38%
Basic earnings per share for profit attributable to the Company's shareholders			
- Underlying <sup>(1)</sup> (HK\$)	4.74	6.90	-31%
- Reported (HK\$)	7.07	11.40	-38%
Interim dividend per share (HK\$)	1.25	1.20	+4%

*Remarks:*

(1) Excluding the effect of fair-value changes on investment properties net of deferred taxation and non-controlling interests

(2) Based on the previous accounting standard, the Group would report an underlying profit of HK\$20,467 million

# Earnings Drivers

Profit Breakdown by Segment <sup>(1)</sup> (HK\$ mn)	1H FY2019	1H FY2018	Change
(1) Property rental			
- Hong Kong	7,472	6,973	
- Mainland	1,773	1,651	
- Singapore	263	267	
Sub-total	9,508	8,891	+6.9%
(2) Property sales			
- Hong Kong	5,507	12,671	
- Mainland	1,187	1,224	
Sub-total	6,694	13,895	-51.8%
(3) Hotel operation	792	776	+2.1%
(4) Other businesses	2,301	2,315	-0.6%
<b>Total (1)+(2)+(3)+(4)</b>	<b>19,295</b>	<b>25,877</b>	<b>-25.4%</b>

Remarks:

(1) Including shares of associates and joint ventures



# Financial Position

	31 Dec 2018	30 Jun 2018	31 Dec 2017
Shareholders' funds (HK\$ mn)	545,856	539,098	526,547
- Shareholders' fund per share (HK\$)	188.4	186.1	181.8
Net debt (HK\$ mn)	64,389	65,339	44,659
Net gearing ratio <sup>(1)</sup>	11.8%	12.1%	8.5%
	<b>1H FY2019</b>		<b>1H FY2018</b>
Interest cover <sup>(2)</sup>	13.0x		24.6x

Remarks:

(1) Calculated on the basis of net debt to Company's shareholders' funds

(2) Measured by the ratio of operating profit to total net interest expenses including those capitalized

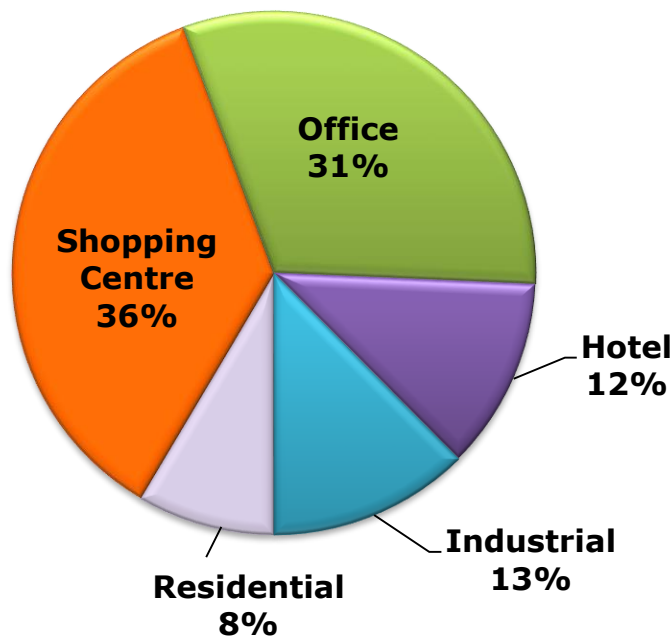
Victoria Harbour, North Point, Hong Kong



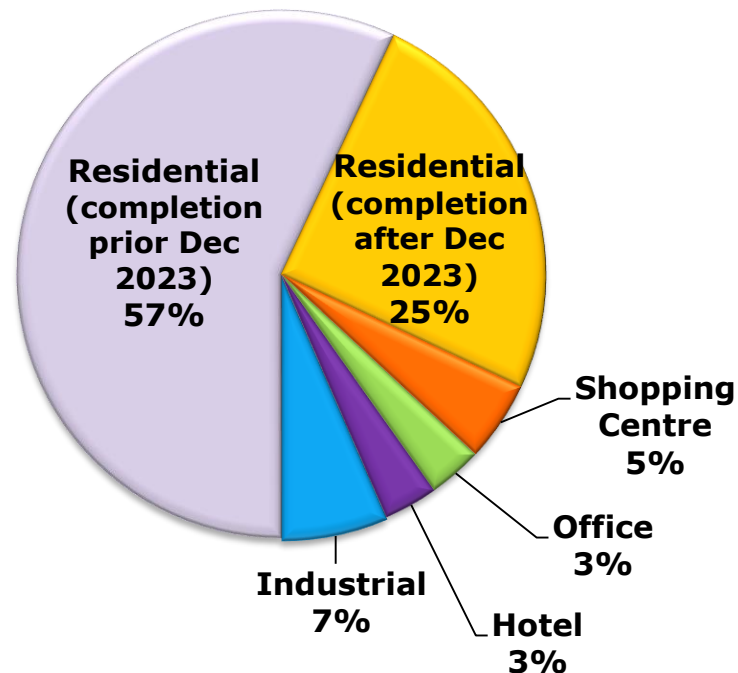
**PROPERTY BUSINESS - HONG KONG  
LAND BANK**

# Land Bank in Hong Kong

- Total land bank as at 31 December 2018: 57.4mn<sup>(1)</sup>



**Completed properties<sup>(2)</sup>**  
**Total: 32.9mn sq.ft.**



**Properties under development**  
**Total: 24.5mn sq.ft.**

Remarks:

(1) In attributable terms; excluding about 31mn sq.ft. of agricultural land in terms of site area as at 31 December 2018

(2) An overwhelming majority are for rent / investment

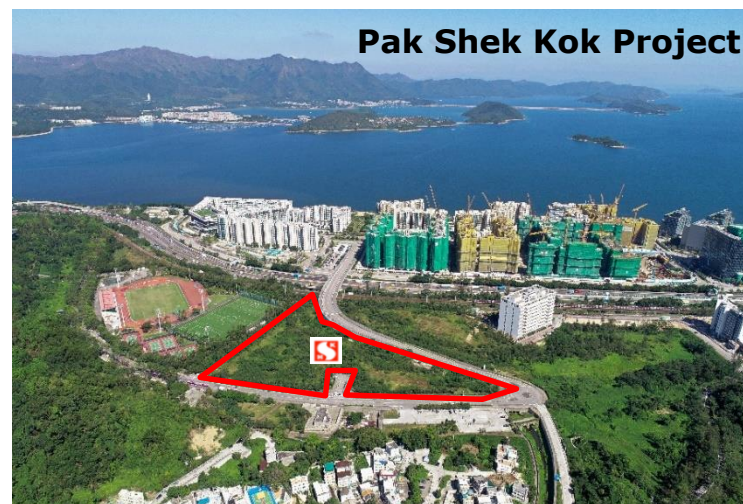
# Land Acquisitions in Hong Kong

➤ Added 4 sites through different means in 1H FY2019

Location	Stake (%)	Usage	Method of Acquisition	Attributable GFA (sq.ft.)
Tseung Kwan O Town Lot No. 131 <i>(Acquired by SUNeVision)</i>	74	Data Centre	Government Tender	896,000
Tuen Mun Town Lot No. 463	59	Residential	Farmland conversion	205,000
Lot 2579 in DD 92, Kwu Tung, Sheung Shui	100	Residential	Farmland conversion	162,000
233 Prince Edward Road West, Kowloon City	58	Residential	Old Building Redevelopment	42,000
<b>Total</b>				<b>1,305,000</b>

# Land Acquisitions since 1 January 2019

- A prime residential site along the Kai Tak Runway (GFA: 649,000 sq.ft.)
  - Unrivalled panoramic views of both sides of the Harbour
  - Convenient access to West Kowloon through the planned Central Kowloon Route
  - To be developed into a luxury residential landmark
  - Synergize with the Group's other iconic project in Kai Tak City Centre
- A residential site in Pak Shek Kok, Tai Po (GFA: 917,000 sq.ft.)
  - A premium residential project
  - Part of the units with extensive views overlooking Tolo Harbour



APM, Kwun Tong, Hong Kong

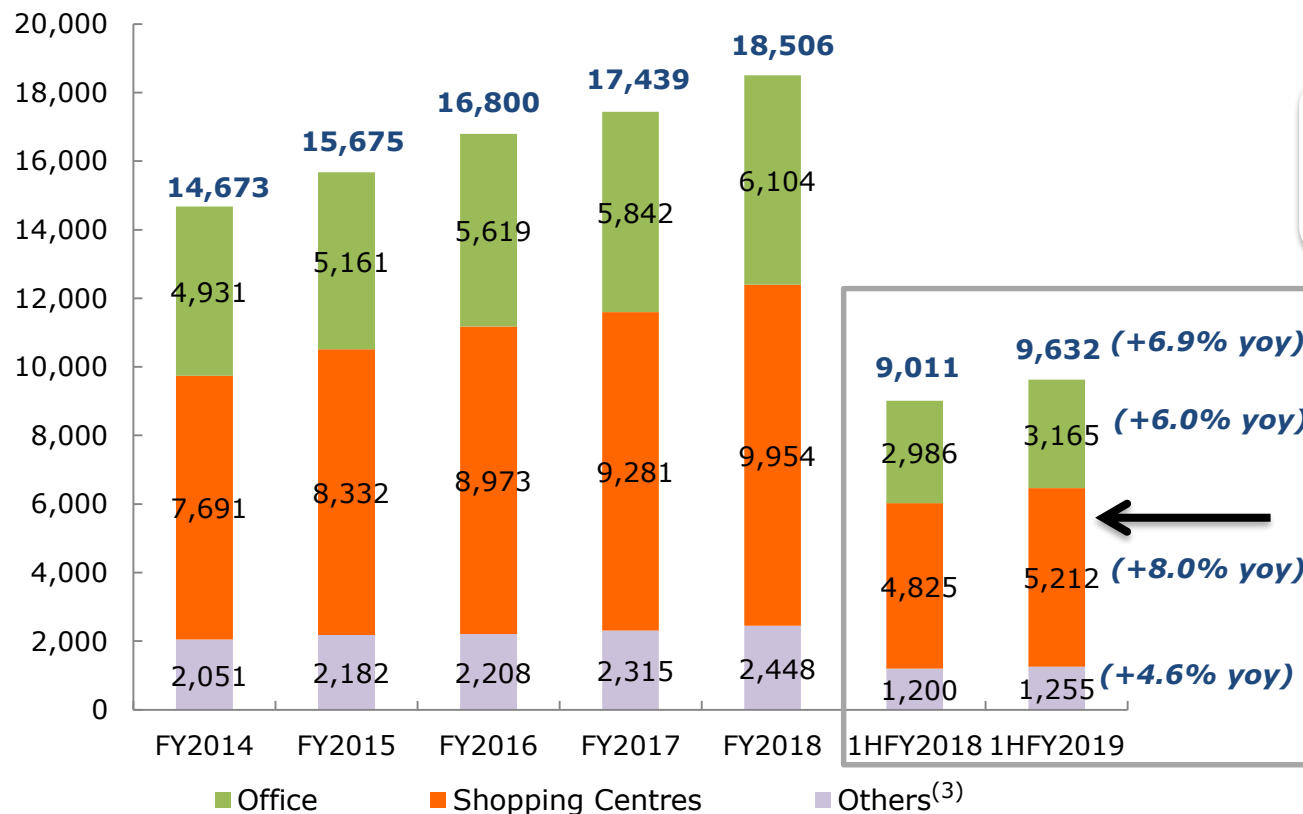


**PROPERTY BUSINESS - HONG KONG  
PROPERTY INVESTMENT**

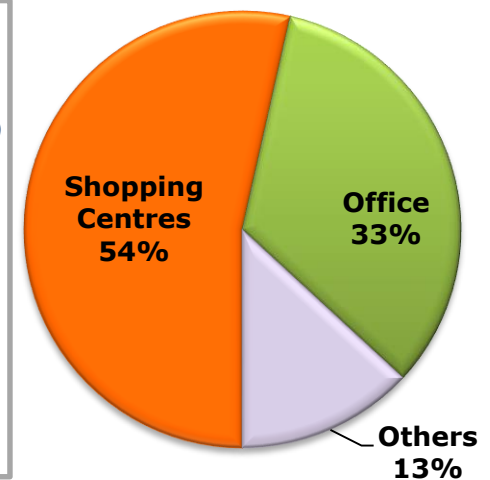
# Rental Income Growth Continued Across All Segments

HK\$ mn

**Gross Rental Income by Segment in Hong Kong** <sup>(1) (2)</sup>



**1H FY2019**  
**HK\$9,632mn**  
**+6.9% yoy**



**Overall occupancy**  
**~95%**

Remarks:

(1) Including shares of Associates and JCEs

(2) Gross rental income of office and others for FY2016, FY2015 and FY2014 have been restated due to regrouping

(3) Residential, industrial and car parks

# Well Diversified Retail Portfolio

- A quality portfolio of 12mn sq.ft. with a relatively healthy mix of local and tourist shoppers
- **Better-than-market retail sales growth** at the Group's major malls
- **Positive rental revisions with reasonable occupancy cost**





# Major Asset Enhancement Works



## New Town Plaza, Sha Tin

- Recently revamped space at New Town Plaza III fully occupied
- The second phase of refurbishment has started and is scheduled for completion by late this year

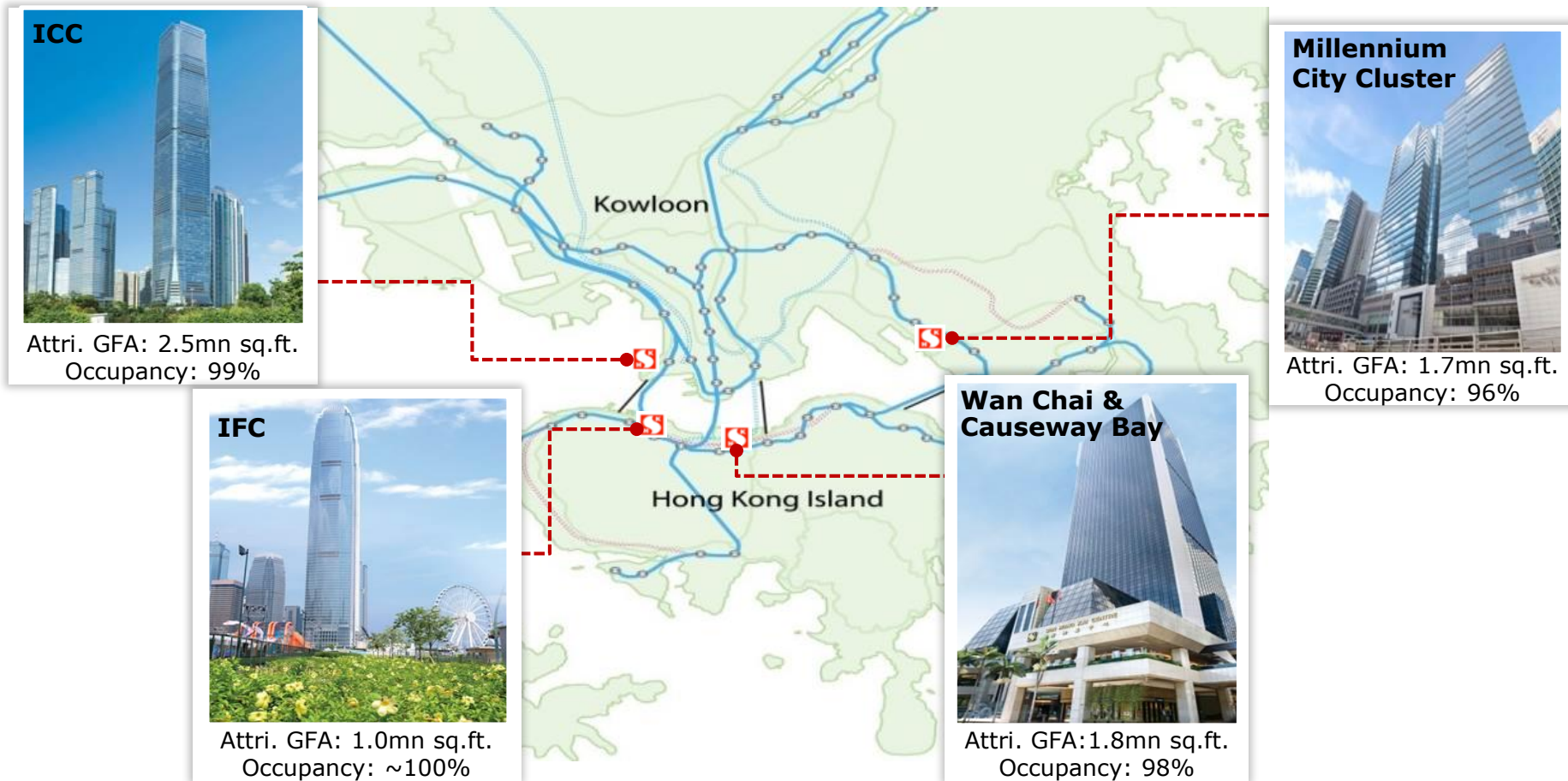


## Park Central, Tseung Kwan O

- The second phase of the renovation is targeted for completion in the first half of 2019

# Hong Kong Office – Solid Performance

- Over 10mn sq. ft. of premium office portfolio



Remarks:

\* Occupancies during July – December 2018

# Major New Additions in the Pipeline

## V Walk, West Kowloon



Stake: 100%

**Atop MTR Nam Cheong Station;** provide wide range of trendy fashion and specialty cuisine

**Total GFA:** 298,000 sq.ft.  
**Expected Opening:** Mid-2019  
**Committed Occupancy:** 90%

## Harbour North, North Point



Stake: 100%

**Retail component of the landmark Victoria Harbour development;** create synergy with adjacent recently opened **Harbour North@VIC**

**Total GFA:** 145,000 sq.ft.  
**Expected Opening:** Open in phases during the next 12 months or so

## 98 How Ming Street, Kwun Tong



Stake: 68.8%

Synergize with **APM and Millennium City office cluster** in the vicinity; strengthen the Group's presence in Kowloon East

**Total GFA:** 1.15mn sq.ft.  
**Attri. GFA:** 791,000 sq.ft.  
**Usage:**  
Office: 650,000 sq.ft.  
Retail: 500,000 sq.ft.

Ultima, Ho Man Tin, Hong Kong



**PROPERTY BUSINESS - HONG KONG  
PROPERTY DEVELOPMENT**

# Recognized Property Sales in Hong Kong

Property Sales <sup>(1)</sup>	1H FY2019	1H FY2018	Change
Revenue (HK\$ mn)	<b>12,119</b>	31,761	↓ 61.8%
Operating profit (HK\$ mn)	<b>5,507</b>	12,671	↓ 56.5%
<i>Margin</i>	<b>45%</b>	40%	

- Decline was mainly due to **the adoption of HKFRS 15** which leads to later recognition of revenue
  - *Under the previous accounting standard, **revenue and operating profit would be HK\$28.9bn and HK\$13.6bn respectively***
- Higher development margin
- Completed 1.6mn sq.ft. residential GFA in 1H FY2019
  - Another 1.6mn sq.ft. residential GFA due for completion in 2H FY2019
- Over **HK\$56bn<sup>(2)</sup>** contracted sales yet to be recognized

*Remarks:*

(1) *Including shares of associates and joint ventures*

(2) *As at 31 December 2018*

# Impressive Contracted Sales in Hong Kong

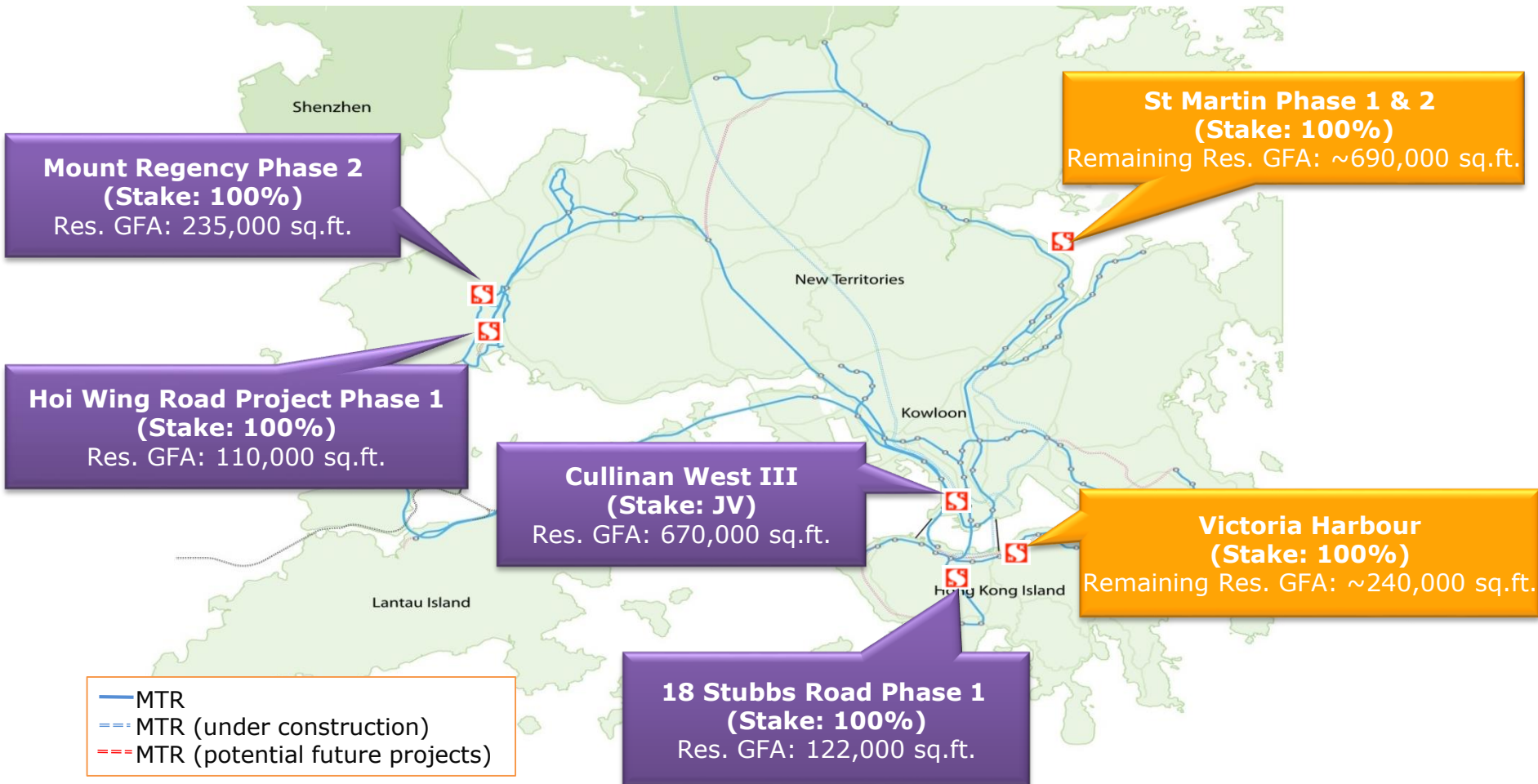
Project	Stake (%)	Attri. Sales Proceeds (HK\$ bn)
Cullinan West II, West Kowloon	JV	9.3
Ultima, Ho Man Tin	100	5.4
PARK YOHO Milano, Yuen Long	100	3.7
St Martin, Pak Shek Kok	100	3.6
Twelve Peaks, The Peak	100	3.3
Grand YOHO, Yuen Long	100	3.1
W LUXE, Shek Mun (Office)	100	2.7
Wings at Sea, Tseung Kwan O	JV	1.9
Others *		6.7
<b>Total (for 1H FY2019)</b>		<b>39.7</b>

**Up to mid-Feb 2019, achieved contracted sales of over HK\$43bn, exceeding HK\$42.5bn full-year sales target**

Remarks:

\* Including proceeds of HK\$885mn from sales of non core properties (e.g. carparks)

# Upcoming Launches in Hong Kong in the Next 10 Months



**Nanjing IFC, Nanjing**



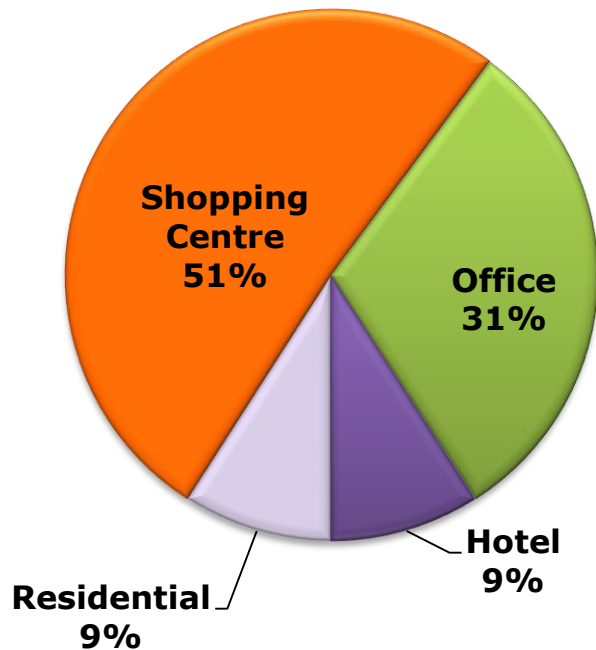
Rendering

**PROPERTY BUSINESS - MAINLAND CHINA  
LAND BANK**

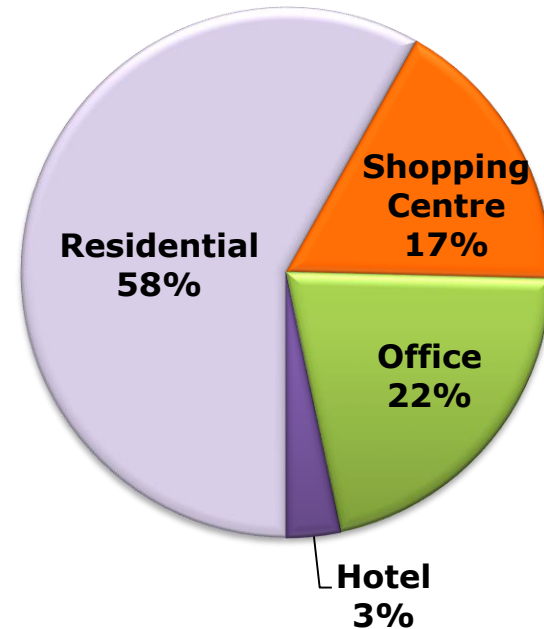


# Land Bank in Mainland China

- Total land bank as at 31 December 2018: 63.1mn sq.ft.<sup>(1)</sup>



**Completed properties<sup>(2)</sup>**  
**Total: 14.3mn sq.ft.**



**Properties under development**  
**Total: 48.8mn sq.ft.**

Remarks:

(1) In attributable terms

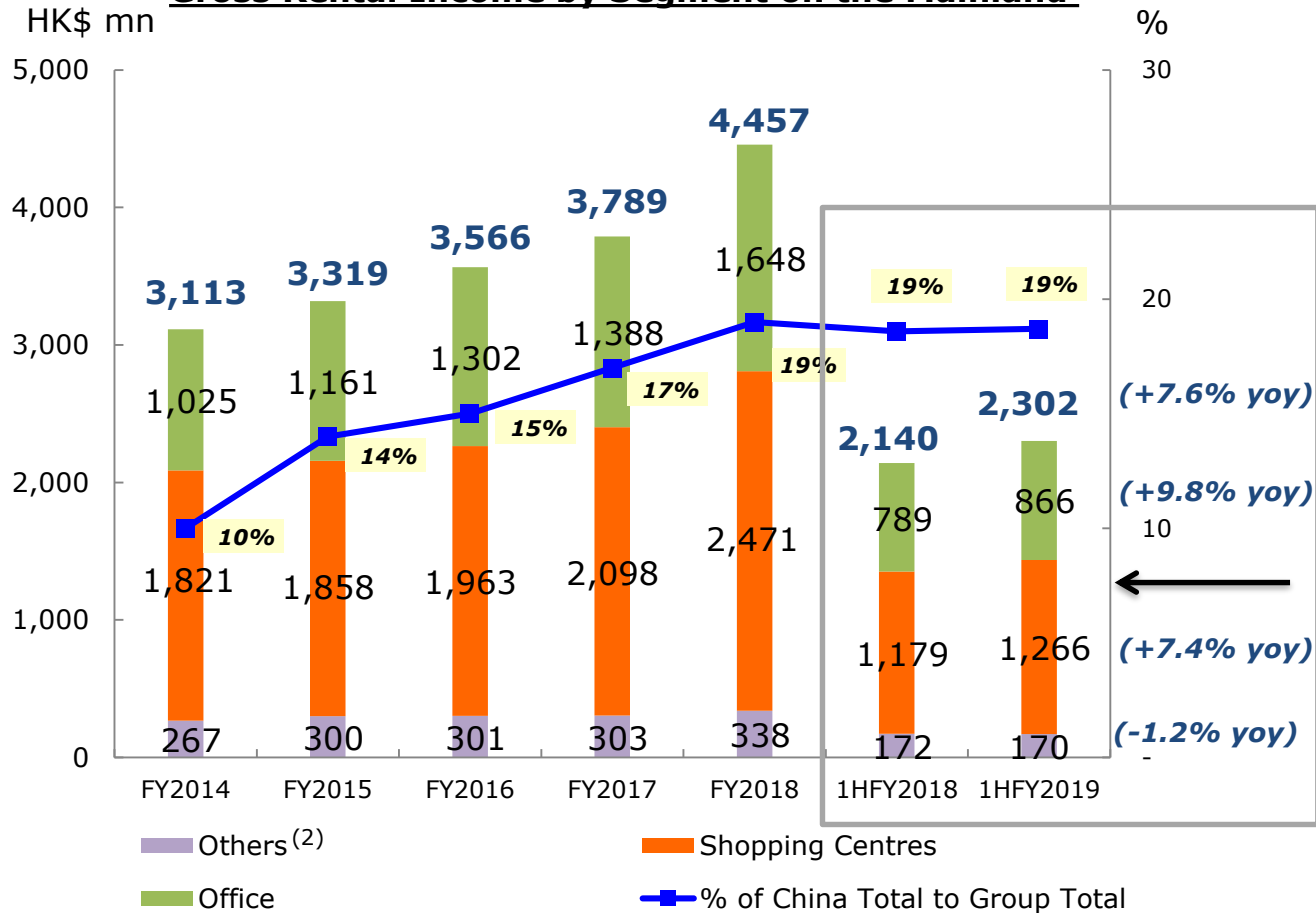
(2) Almost all are for rent / investment



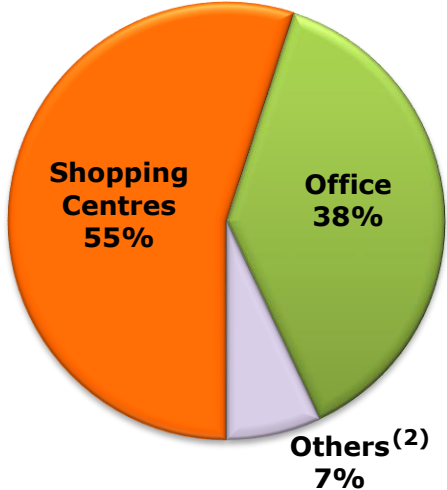
# PROPERTY BUSINESS - MAINLAND CHINA PROPERTY INVESTMENT

# Healthy Rental Growth in Mainland China

**Gross Rental Income by Segment on the Mainland (1)**



**1H FY2019**  
**HK\$2,302mn**  
**+7.6% yoy**  
**(RMB2,025mn**  
**+11.5% yoy)**



Remarks:  
 (1) Including shares of Associates and JCEs  
 (2) Residential and car parks

# Strong Presence in Shanghai



## Shanghai IFC, Pudong Shanghai ICC, Puxi

Offices: High occupancies and healthy rental reversions

Malls: High occupancies and satisfactory growth in rental income

## Shanghai ITC, Xujiahui (Total GFA: 7.6mn sq.ft.)

Phase 1 & 2 office space (490,000 sq.ft.): completed; ~90% pre-leased

Mall at Phase 1: almost fully let with scheduled opening in 2H 2019

Remaining phases to be fully completed by the end of 2023

# New additions in Other Top-tier Mainland Cities

## Nanjing IFC



**Stake:** 100%

**Total GFA:** 3.4mn sq.ft.

**Construction Progress:**  
NJ One IFC: 0.5mn sq.ft. offices; to be completed soon  
NJ Two IFC: 1.5mn sq.ft. offices; superstructure topped out  
Shopping Mall: 1.1mn sq.ft.; interior fit-out works in progress

**Pre-leasing Status:** Pre-leasing negotiations progressing smoothly

**Completion (office/mall):** Before late 2020

## Beijing New Town Plaza



**Stake:** 100% (40% prior April 2013)

**Total GFA:** Over 220,000 sq.ft.

**Location:** Near Puhuangyu metro station and close to South Second Ring Road

**Status:** Reconfiguration work completed; already fully pre-leased

**Target Opening:** 2H 2019



**PROPERTY BUSINESS - MAINLAND CHINA  
PROPERTY DEVELOPMENT**

# Recognized Property Sales in Mainland China

	1H FY2019	1H FY2018	Change
Revenue	<b>2,558</b>	2,822	↓ 9.4%
Operating profit	<b>1,187</b>	1,224	↓ 3.0%
<i>Margin</i>	<b>46%</b>	43%	

- Major contributors:
  - Grand Waterfront Phase 2 in Dongguan
  - Oriental Bund Phase 2C in Foshan
  - Office units in Top Plaza East Tower in Guangzhou
- Higher development margin
- Completed 1.5mn sq.ft. of attri. residential GFA
- Around **HK\$5bn** contracted sales yet to be recognized

*Remarks:*

- (1) Including shares of associates and joint ventures
- (2) As at 31 December 2018

# Contracted Sales on the Mainland

Project Name	Location	Stake (%)	Attri. Sales Proceeds (RMB bn)
TODTOWN Phase 1	Shanghai	35	0.9
Park Royale	Guangzhou	100	0.8
Oriental Bund	Foshan	50	0.6
Others			0.6
<b>Total (for 1H FY2019)</b>			<b>2.9<sup>(1)</sup></b>

Remarks:

(1) Contracted sales in terms of HKD amounted to HK\$3.3bn



# Upcoming Launches on the Mainland in Next 10 Months

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Project Name	Location	Stake (%)	Attri. Res. GFA (sq.ft.)
New phase of The Woodland	Zhongshan	JV	714,000
New phase of Shanghai Arch (Residential Towers)	Shanghai	100	381,000
Remaining tower of TODTOWN Phase 1	Shanghai	35	71,000



# HOTEL BUSINESS

# Hotel Business

Hotel Business <sup>(1)</sup> (HK\$ mn)	1H FY2019	1H FY2018	Change
Revenue	<b>2,955</b>	2,738	↑ 7.9%
Operating Profit	<b>792</b>	776	↑ 2.1%
<i>Margin</i>	<b>27%</b>	28%	

## ➤ Hong Kong

- Steady performance with higher average RevPAR
- Grand opening of Hotel VIC in December 2018
- ALVA HOTEL BY ROYAL in Sha Tin will open in 2H 2019, creating synergy with Royal Park Hotel
- Development plan of a high-quality hotel site on West Kowloon waterfront to be finalized soon

## ➤ Stable room rates at The Ritz-Carlton Shanghai, Pudong



Remarks:

(1) Including shares of associates and joint ventures



# MARKET AND BUSINESS PROSPECTS

# Market Prospects

## Hong Kong

### Primary residential market

- Expected to be relatively active with improved market sentiment of late
- Rising income, still low mortgage rates and abundant liquidity will continue to support end-user demand

### Grade-A office leasing market

- Tight supply in the core areas will underpin office rents despite an uncertain external environment
- Hong Kong's key role in the Greater Bay Area will drive additional demand over the medium term

### Retail leasing market

- Rents in major malls will outperform the market
- A tight labour market is likely to support domestic consumption
- An expanded customer base backed by increasing cross-border connectivity and visitor arrivals
  - Will offset the impact of softened demand for big-ticket items

# Market Prospects (Cont'd)

## Key Cities in Mainland China

### Grade-A office leasing market

- Positive fiscal and monetary policy initiatives will help underpin steady economic growth
- Quality space at prime locations with good management service will remain highly sought-after by multinationals and corporates

### Retail leasing market

- Fiscal incentives such as tax reduction will benefit domestic consumption
- Well-managed shopping malls with continuous tenant-mix refinement and tailored shopping experiences at prime locations will outperform

### Primary residential market

- Transaction volume and prices in first-tier cities will continue to be constrained by the regulatory measures
- Fine-tuning in city-specific property measures in some selected cities will support the transaction volume

# Business Prospects

## Property Investment

### Existing portfolio

- Expect positive rental reversions and high occupancies
- Boost shoppers' experience through continuous active management of tenant / trade mix and the use of digital applications
  - A cross-mall loyalty programme covering 14 shopping malls in Hong Kong to be launched in March
- Ongoing AEIs to create more value

### New investment properties

- Strong pipeline of new additions in Hong Kong and on the mainland to drive rental growth
  - In next 3 years: V Walk, Harbour North in Hong Kong; Nanjing IFC on the mainland
  - Over 3 years: 98 How Ming Street in Hong Kong, remaining phases of ITC in Shanghai

### Non-core property

- Continue to seek opportunities for non-core property disposals

# Business Prospects (Cont'd)

## Property Development

Aim at high asset turnover

- Continue to launch residential units when ready
- Abundant saleable resources
- Expect good development margin
- Huge unrecognized property sales

Sufficient land bank

- Schedule to complete 14mn sq.ft. of attributable GFA of residential property in Hong Kong before Dec 2023

Various sources of land banking

- Continue to seek land acquisition opportunities in both Hong Kong and major cities in mainland China through different means at reasonable cost



# Sustainable Business Growth

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*“With its strong brand, solid foundation, prudent financial discipline and seasoned management team, the Group is confident of overcoming future challenges and accomplishing sustainable business growth in the years ahead.”*

***Kwok Ping-luen, Raymond***

*Chairman & Managing Director*

*27 Feb 2019*

*(Extracted from Chairman Statement, 2018/19 Interim Results)*

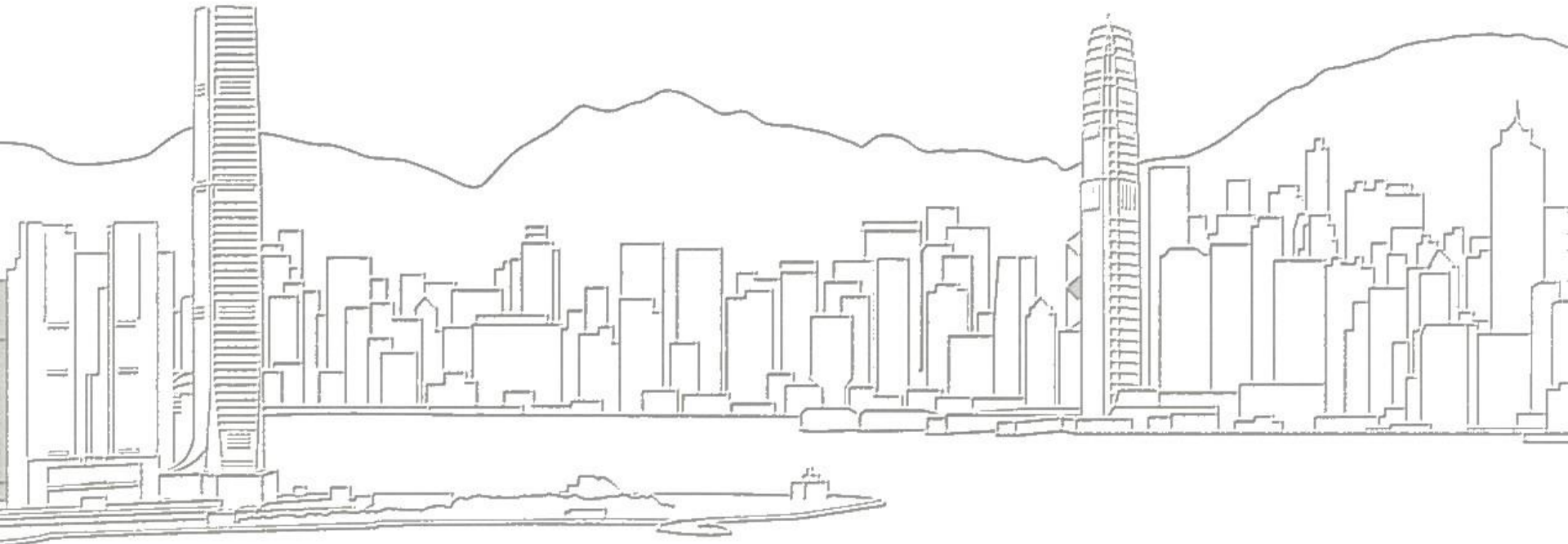


# Sun Hung Kai Properties

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Building Homes with Heart

**Q&A**



# SHKP in Sustainability

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Hang Seng Corporate  
Sustainability Index  
Series Member 2018-2019



FTSE4Good



Top 20 Companies of the  
Hong Kong Business  
Sustainability Index



SEHK:0016

