



Sun Hung Kai Properties

Building Homes with Heart

FY2018 Annual Results



13 September 2018

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KEY MESSAGES

Key Messages

- **Impressive FY2018 contracted sales** in Hong Kong
 - Expect to remain strong in FY2019
- **Sizeable and growing rental income stream**
 - Supported by good performance of existing rental portfolio, proactive AEIs and new investment properties in the pipeline
- **Double-digit growth in dividend in FY2018**
 - Aim at sustainable dividend
- Sizeable land bank of a relatively low average cost
 - Sufficient for development needs of 5 – 6 years
- Continue to acquire lands with satisfactory expected return through various means, including conversion of agricultural land
- Focus on Hong Kong and major cities in mainland China
- Strong balance sheet with prudent financial management



FINANCIAL REVIEW - FY2018

Financial Highlights

	FY2018	FY2017	Change
Profit attributable to the Company's shareholders			
- Underlying* (HK\$ mn)	30,398	25,965	+17.1%
- Reported (HK\$ mn)	49,951	41,782	+19.6%
Basic earnings per share			
- Underlying* (HK\$)	10.49	8.97	+16.9%
- Reported (HK\$)	17.24	14.43	+19.5%
Final dividend per share (HK\$)	3.45	3.00	+15.0%
Total dividend per share (HK\$)	4.65	4.10	+13.4%

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

Earnings Drivers

Profit Breakdown by Segment ⁽¹⁾ (in HK\$ mn)	FY2018	FY2017	Change
(1) Property sales			
- Hong Kong	13,936	9,936	
- Mainland	2,314	1,950	
- Singapore	11	31	
Sub-total	16,261	11,917	+36.5%
(2) Property rental			
- Hong Kong	14,549	13,677	
- Mainland	3,534	2,952	
- Singapore	564	513	
Sub-total	18,647	17,142	+8.8%
(3) Hotel operation	1,470	1,325	+10.9%
(4) Other businesses	4,488	4,306	+4.2%
Total (1)+(2)+(3)+(4)	40,866	34,690	+17.8%

(1) Including shares of associates and joint ventures

Financial Position

As at	30 Jun 2018	31 Dec 2017	30 Jun 2017
Shareholders' funds (HK\$ mn)	539,098	526,547	498,215
- Shareholders' funds per share (HK\$)	186.1	181.8	172.0
Net debt (HK\$ mn)	65,339	44,659	36,052
Net gearing ratio ⁽¹⁾	12.1%	8.5%	7.2%
	FY2018		FY2017
Interest cover ⁽²⁾	17.6x		14.2x

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

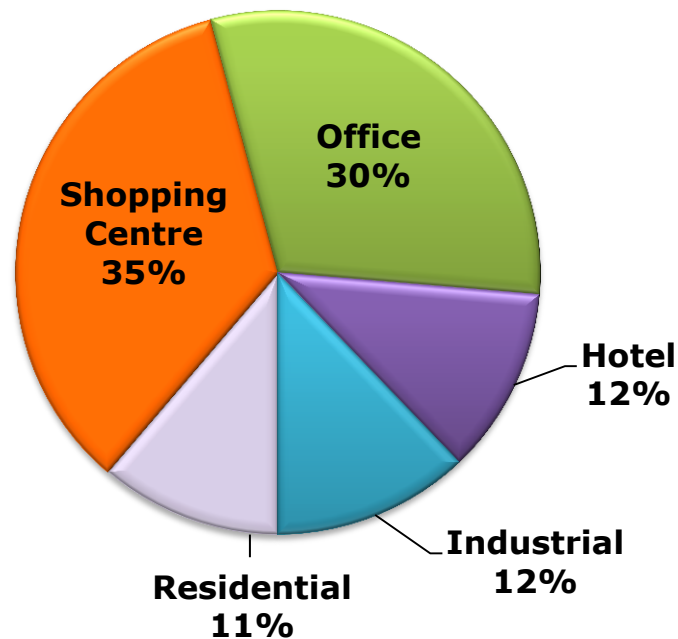
(2) Measured by the ratio of operating profit to total net interest expenses including those capitalized



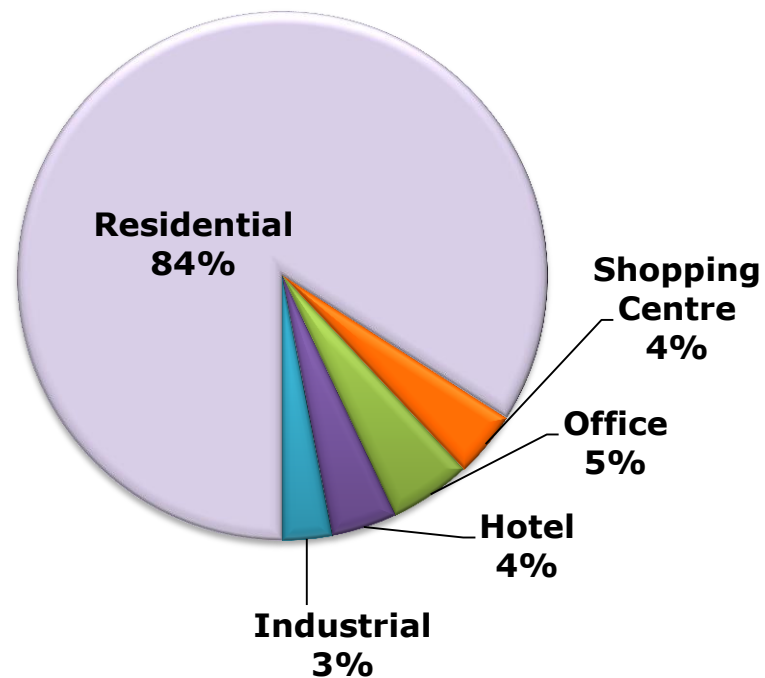
**PROPERTY BUSINESS - HONG KONG
LAND BANK**

Land Bank in Hong Kong

Total land bank as at 30 June 2018: 56.5mn sq.ft.⁽¹⁾



Completed properties⁽²⁾
Total: 33.8mn sq.ft.



Properties under development
Total: 22.7mn sq.ft.

(1) Excluding about 32mn sq.ft. of agricultural land in terms of site area as at 30 June 2018

(2) A substantial majority are for rent/investment

Land Acquisitions in Hong Kong

- Added 5 projects through different means

Location	Stake (%)	Usage	Method of Acquisition	Attributable GFA (sq.ft.)
Tai Po Town Lot No. 157, Shap Sz Heung	100	Residential/ Shopping centre	Conversion of Agricultural Land	4,788,000
New Kowloon Inland Lot No. 6568, Kai Tak	100	Residential/ Shopping centre	Government Tender	1,328,000
New Kowloon Inland Lot No. 6550, West Kowloon	100	Hotel	Government Tender	374,000
Tsuen Wan Town Lot No. 428 ⁽¹⁾	74	Industrial	Government Tender	149,000
222-228 Wan Chai Road	92	Office	Old Building Redevelopment	121,000
Total				6,760,000

(1) Acquired by SUNeVision for its business expansion

Kai Tak Project - A Landmark Residential and Commercial Complex

- **To replicate the success of The Cullinan, West Kowloon**
 - Strategically located in the core area of Kai Tak, Hong Kong's alternative CBD
 - Direct access to the future MTR Kai Tak Station
 - Tallest residential blocks in the area
 - Premium mall in the podium to create retail cluster with other developments nearby
 - Accessibility further enhanced upon the commissioning of the Central Kowloon Route



Project Particulars

Residential GFA	1.1m sq.ft. ⁽¹⁾
Retail GFA	0.26m sq.ft.
Expected completion ⁽²⁾	FY2023/24

(1) Part of it retained for rental purpose

(2) Completion refers to the issue of the Certificate of Compliance or the Consent to Assign

Victoria Harbour, North Point, Hong Kong



**PROPERTY BUSINESS - HONG KONG
PROPERTY DEVELOPMENT**

Recognized Property Sales in Hong Kong

Property Sales ⁽¹⁾ (HK\$ mn)	FY2018	FY2017	Change
Revenue	35,725	30,261	↑ 18.1%
Operating Profit	13,936	9,936	↑ 40.3%
Margin	39.0%	32.8%	↑ 6.2ppt

- Strong property sales performance driven by
 - Overwhelming sales responses of Cullinan West, Cullinan West II, PARK YOHO Genova and Ocean Wings
 - Sales of remaining units of The Cullinan and Imperial Cullinan
 - Encouraging development margin
- Over **HK\$29bn**⁽²⁾ contracted sales yet to be recognized

(1) Including shares of associates and joint ventures

(2) As at 30 June 2018

Property Completion in Hong Kong

- Completed nearly 3.7mn sq.ft. of attri. GFA
 - About 2.6mn sq.ft. residential properties
 - Remainder being non-residential premises for long-term investment, including
 - Hotel VIC on North Point waterfront
 - V Walk, a shopping mall atop MTR Nam Cheong Station
- Aim to maintain completion⁽¹⁾ volume of over 3mn sq.ft. GFA per annum in the next 3 years on average

(1) Completion refers to issue of the Certificate of Compliance or the Consent to Assign from FY2018/19 onwards

Impressive Contracted Sales of over HK\$41bn in Hong Kong

➤ **Far exceeded full-year target of HK\$36bn**

Project	Stake (%)	Attr. Sales Proceeds (HK\$ bn)
Wings at Sea and Wings at Sea II, Tseung Kwan O	JV	13.9
Cullinan West II, West Kowloon ⁽¹⁾	JV	6.9
PARK YOHO Genova, Yuen Long ⁽¹⁾	100	5.1
St. Barths, Ma On Shan	100	3.6
Mount Regency, Tuen Mun	100	2.6
Victoria Harbour, North Point	100	1.7
Others		7.8
Total		41.6

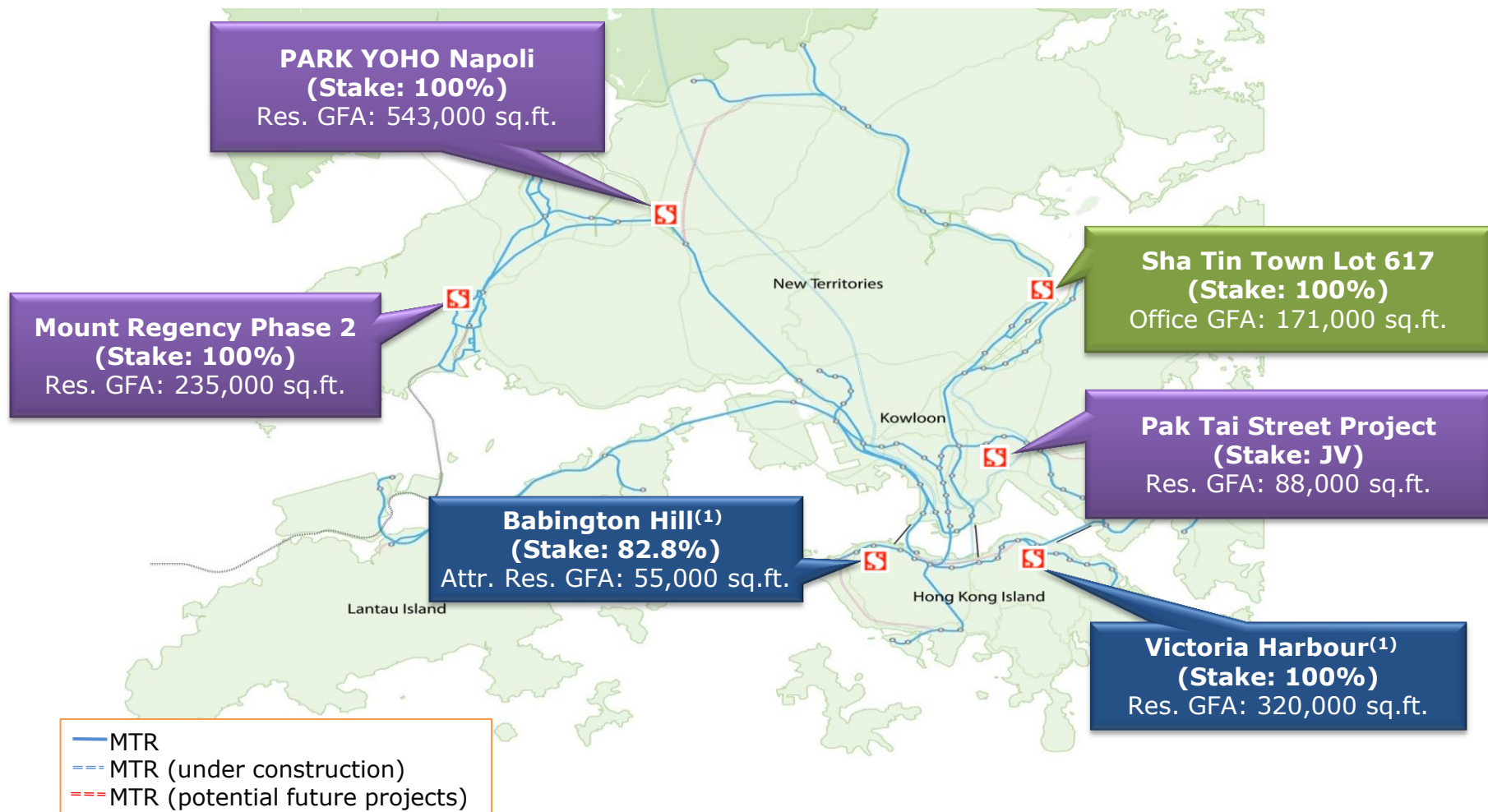
⁽¹⁾ Contracted sales already recognized in FY17/18

Property Sales since July 2018

- Achieved contracted sales of **about HK\$26bn in Hong Kong since July 2018**
 - Mainly from:
 - Cullinan West II in West Kowloon
 - St Martin in Tai Po
 - PARK YOHO Milano and Grand YOHO in Yuen Long
 - Wings at Sea II in Tseung Kwan O
 - Majority of the units sold are those with occupation permits

- Aim at **high asset turnover**
 - Continue to sell residential units from both new launches and launched projects

Upcoming Launches in Next 9 Months



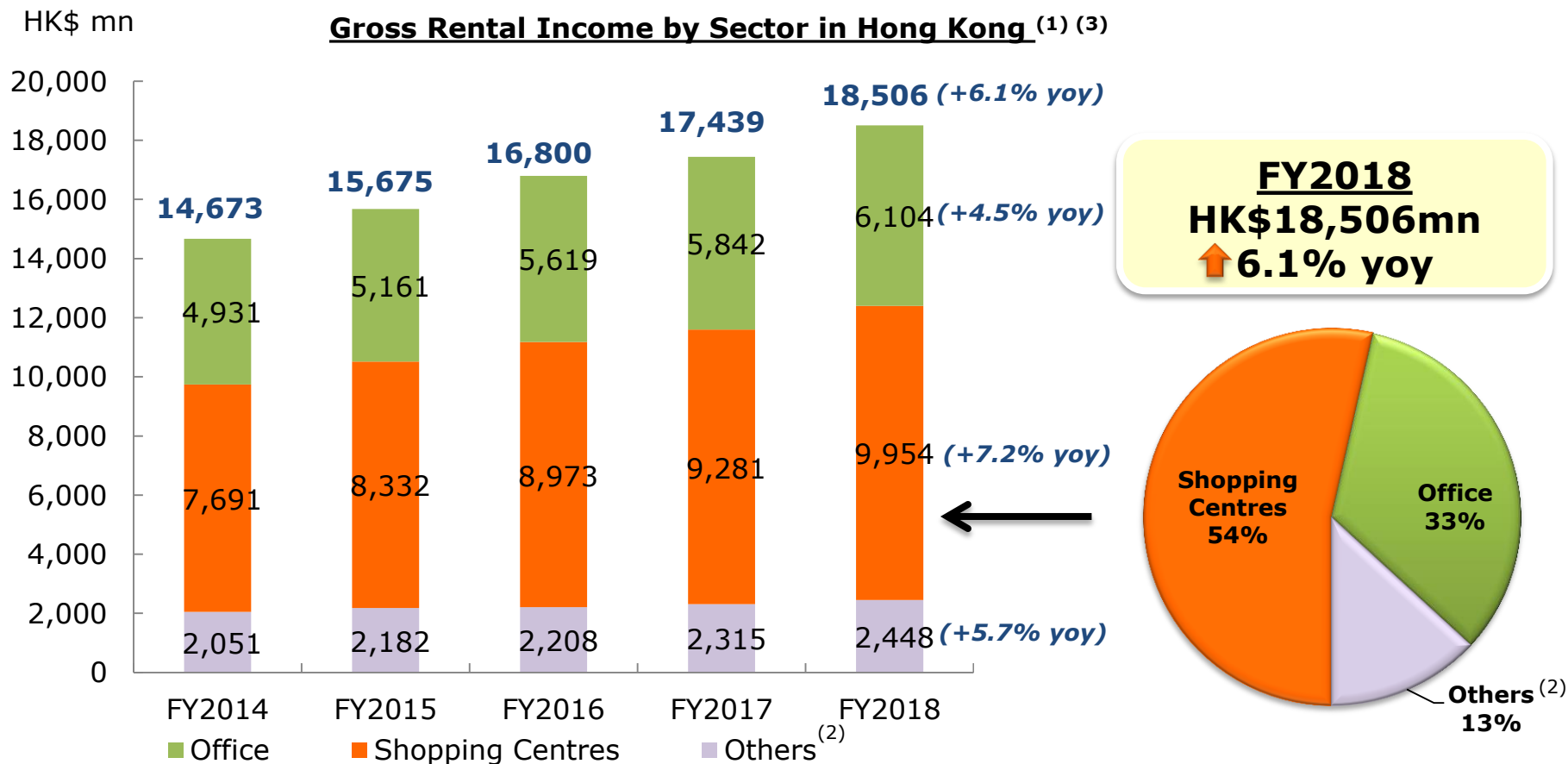
(1) Remaining units will be put on the market



PROPERTY BUSINESS - HONG KONG PROPERTY INVESTMENT

Steadily Growing Rental Income

- Diversified rental portfolio provides sizeable recurring income stream



(1) Including shares of Associates and JCEs

(2) Residential, industrial and car parks

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

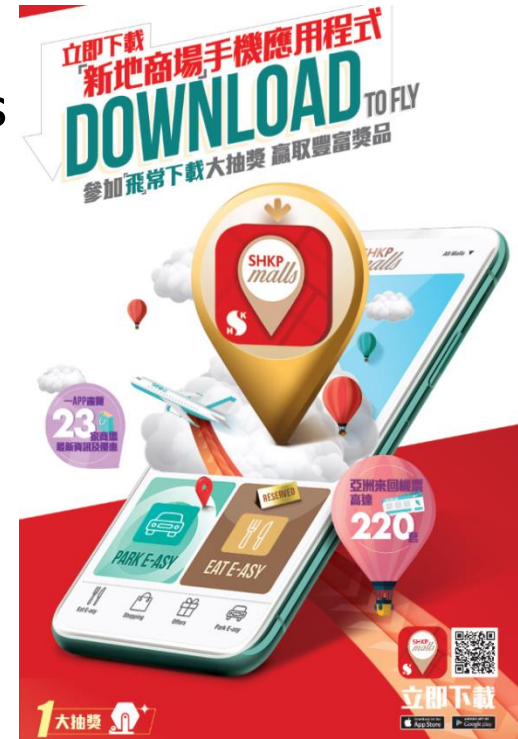
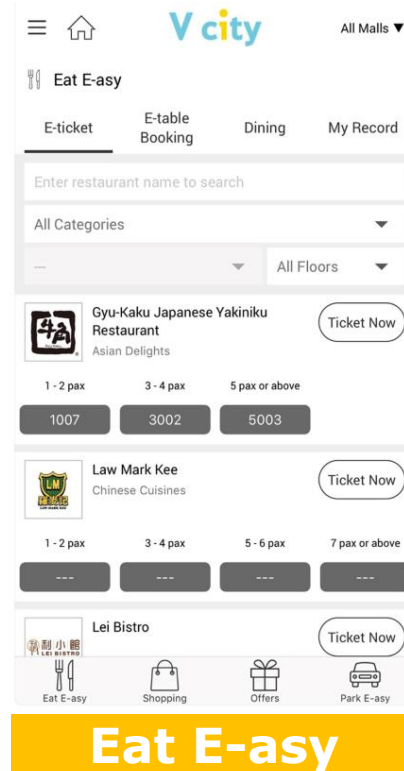
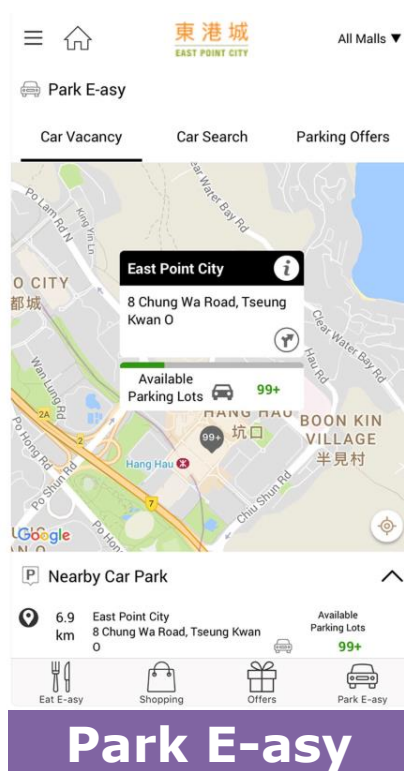
Healthy Growth of Retail Rental Portfolio

- Quality retail space totaling ~12mn sq.ft.
- A well balanced mix of regional and upscale malls
- Better-than-market retail sales growth at the Group's major malls
- Positive rental revisions and high occupancies achieved
- Reasonable occupancy cost



Customer-focused Strategy – SHKP Malls App

- 23 major malls already linked to this app; 2 other malls to be linked in next 6 months
- Integrated Loyalty Program to be launched in early 2019



Proactive Asset Enhancement Initiatives



New Town Plaza, Sha Tin

- First phase of renovation recently completed
 - Newly opened Movie Town, the largest cinema in the New Territories
 - Higher rents after refurbishment
- Second phase of renovation to commence by end of 2018



Metroplaza, Kwai Fong

- Newly added organic farm and kids-play-facilities was opened recently
- Significant increase in traffic flow

Major Upcoming New Shopping Malls



V Walk, West Kowloon (~300,000 sq.ft.)

- Opening in mid 2019
- Set to benefit from superior transport connectivity and rising population in the neighbourhood

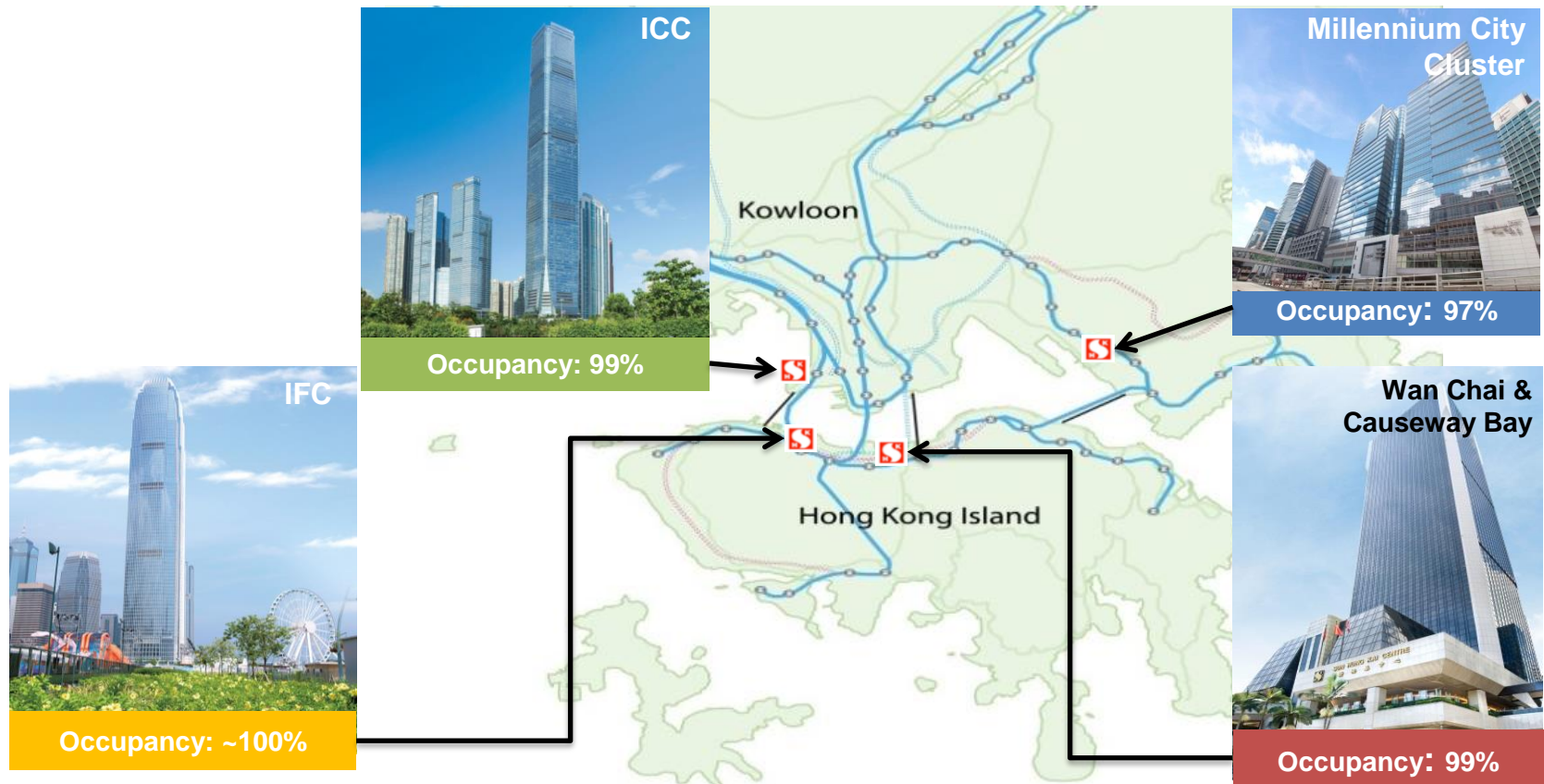


Harbour North, North Point (~145,000 sq.ft.)

- 1st phase of 7,000-sq-ft street-level shops opening in early 2019
- 2nd phase of 138,000 sq.ft. mall's superstructure completed
- Together with 67,000-sq-ft retail outlets at Hotel VIC (opening in late 2018) next to it, there will be a 212,000-sq-ft retail cluster

Solid Performance for Premium Office Portfolio in Hong Kong

- Balanced and diversified office portfolio of 10mn sq.ft. GFA
- Achieved steady rental income growth and high occupancy
- Rapid developments in the Greater Bay Area to drive growth further



(1) Occupancies as at 30 Jun 2018

Strengthening the Commercial Portfolio

- 98 How Ming Street (68.7% owned)
 - Total GFA: ~1.2mn sq.ft.
 - An office-cum-retail project
 - Foundation work commenced

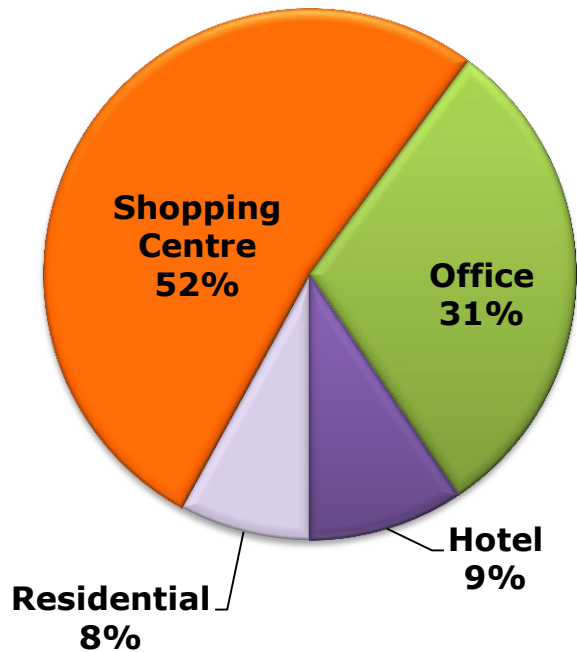




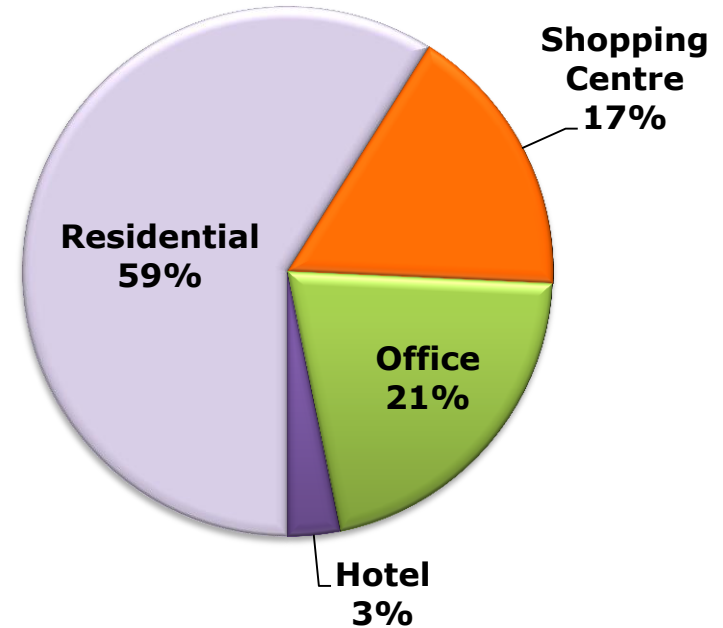
**PROPERTY BUSINESS - MAINLAND CHINA
LAND BANK**

Land Bank in Mainland China

Total land bank as at 30 June 2018: 64.5mn sq.ft.



Completed properties⁽¹⁾
Total: 13.8mn sq.ft.



Properties under development⁽¹⁾
Total: 50.7mn sq.ft.

- Included a commercial site of 435,000 GFA in Nansha Free Trade Zone, Guangzhou acquired in May 2018

(1) A substantial majority are for rent/investment



**PROPERTY BUSINESS - MAINLAND CHINA
PROPERTY DEVELOPMENT**

Recognized Property Sales in Mainland China

Property Sales ⁽¹⁾ (HK\$ mn)	FY2018	FY2017	Change
Revenue	6,195	8,304	↓ 25.4%
Operating Profit	2,314	1,950	↑ 18.7%
<i>Margin</i>	<i>37.4%</i>	<i>23.5%</i>	↑ 13.9ppt

- Major contributors include:
 - Forest Hills Phase 2B in Guangzhou
 - Park Royale Phase 2A in Huadu
 - Top Plaza East Tower in Guangzhou
 - The Arch·Chengdu
- Completed about 2.3mn sq.ft. of attr. GFA
- Around **HK\$4.7bn**⁽²⁾ contracted sales yet to be recognized

(1) Including shares of associates and joint ventures

(2) As at 30 June 2018

Contracted Sales in Mainland China

Project Name	Location	Stake (%)	Attr. Sales Proceeds (RMB bn)
Oriental Bund	Foshan	50	1.4
Top Plaza	Guangzhou	33.3	0.6
Grand Waterfront	Dongguan	100	0.6
Forest Hills	Guangzhou	70	0.3
Others			0.7
Total			3.6 ⁽¹⁾

(1) Contracted sales in terms of HKD amounted to about HK\$4.4 bn

Upcoming Launches in Next 9 Months

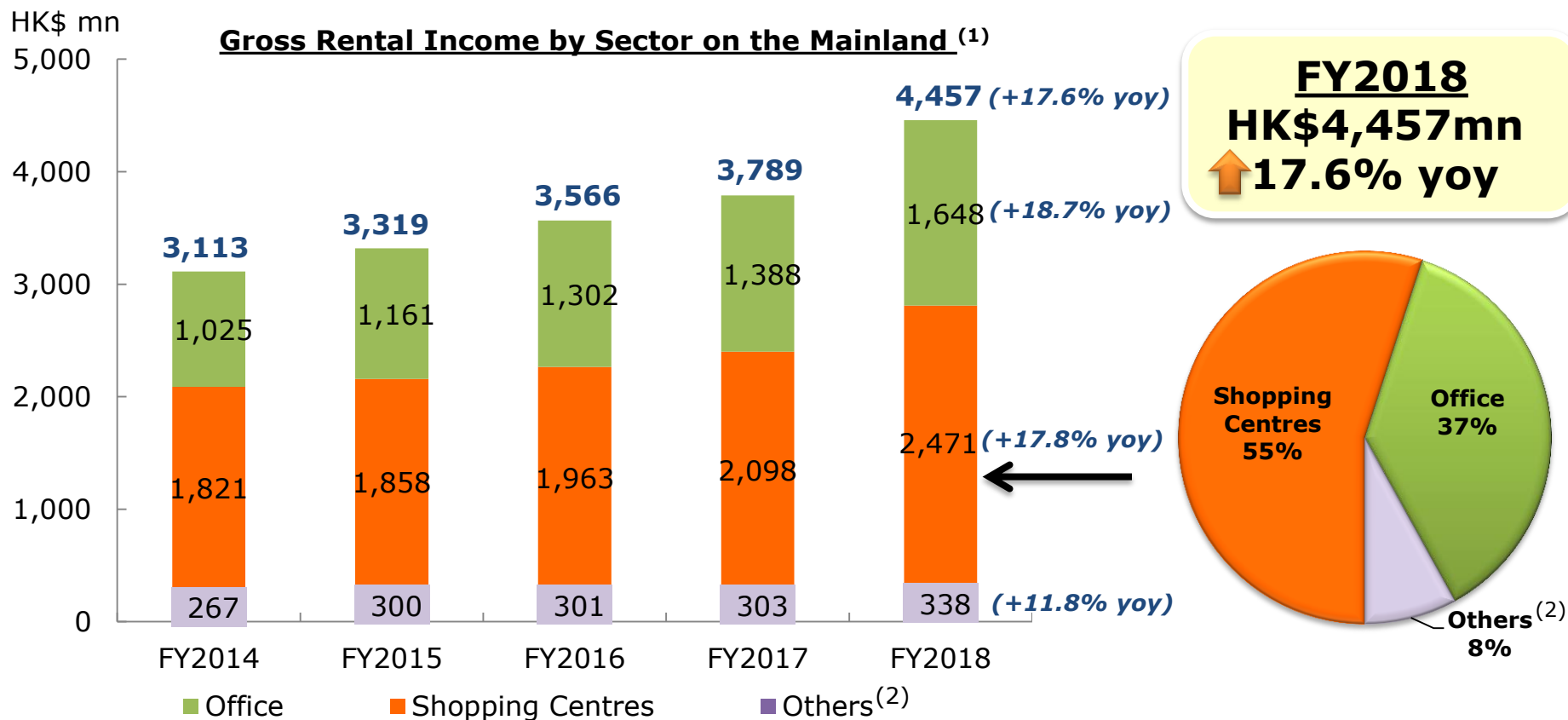
Project Name	Location	Stake (%)	Attr. Res. GFA (sq.ft.)
Remaining Block of Grand Waterfront Phase 2A	Dongguan	100	210,000
Remaining Block of TODTOWN Phase 1	Shanghai	35	71,000



PROPERTY BUSINESS - MAINLAND CHINA
PROPERTY INVESTMENT

Strong Rental Growth in Mainland China

- Represented ~19% of the Group's total gross rental income
- Gross rental income of RMB3,701mn, up 11.4% in RMB terms



(1) Including shares of Associates and JCEs

(2) Residential and car parks

Landmark Developments in Shanghai



Shanghai IFC in Pudong

Office: 1.6mn sq.ft. (Attr. GFA)

- Virtually fully leased
- Strong growth in rental rates on renewals

Shanghai IFC Mall: 1.2mn sq.ft. (GFA)

- Healthy retail sales growth
- Notable rental reversions



Shanghai ICC in Puxi

Office: 1.3mn sq.ft. (GFA)

- High occupancy
- Healthy rental reversions



IAPM Mall: 1.3mn sq.ft. (GFA)

- Higher rents for new leases and renewals

ITC, an Upcoming Landmark in Shanghai

ITC: 7.6mn sq.ft. (GFA)



One ITC (Phase 1)

- Completed in 2017
- Office space (170,000 sq.ft.): noted MNCs already moved in, including a reputable co-working space provider
- Upscale mall (340,000 sq.ft.): keen interest from luxury brands and popular restaurants; opening by mid 2019



Phase 2

- Recently completed
- Office space (320,000 sq.ft.): fully leased
- Retail space (43,000 sq.ft.): seeing favourable leasing response

Entire ITC Project

- Expect to be completed by late 2023

Nanjing IFC, New Commercial Icon in Nanjing



Nanjing IFC: 3.4mn sq.ft. (GFA)

- Completed superstructure of the first office tower
- Positive pre-leasing response of 2mn sq.ft. of premium offices and 1.1mn-sq-ft-plus mall
- Entire project to be completed in 2020



HOTEL BUSINESS

Hotel Business

Hotel Business ⁽¹⁾ (HK\$ mn)	FY2018	FY2017	Change
Revenue	5,333	4,896	↑ 8.9%
Operating Profit	1,470	1,325	↑ 10.9%
<i>Margin</i>	27.6%	27.1%	↑ 0.5ppt

- Achieved higher average RevPAR
- Acquired a high-quality hotel site on West Kowloon waterfront with spectacular harbour views in Oct 2017

(1) Including shares of associates and joint ventures

New Hotel Additions



Hotel VIC (100% owned)

- Soft-opened in July 2018
- Further elevate the status of the integrated development as one of the most prestigious neighbourhoods on Island East



A premium hotel in Sha Tin (100% owned)

- Opening in mid 2019
- 618 rooms
- Sister project of Royal Park Hotel



Four Seasons Hotel Suzhou (90% owned)

- On the waterfront of Jinji Lake in Suzhou
- 192 rooms + 11 lakeside villas
- Currently under development



MARKET AND BUSINESS PROSPECTS

Market Prospects

Hong Kong

Primary residential market

- Expected to be relatively active despite headwinds including anticipated interest rate hikes
 - End-user demand remains solid backed by household income gains, wealth accumulation and solid demographic factors

Grade-A office leasing market

- Tight supply in the core areas will support office rents
- Demand is expected to be resilient, underpinned by the continued economic expansion and the Greater Bay Area development

Retail leasing market

- Likely to do well, despite worries over RMB volatilities. It is mainly supported by:
 - Favourable local consumption amid a tight labour market
 - Positive inbound tourism due to increasing cross-border connectivity

Market Prospects (Cont'd)

First-tier / Key Cities in Mainland China

Grade-A office leasing market

- Proactive policy responses should alleviate economic downside risks and enable stable economic growth
- Quality space at prime locations with good management service will continue to attract keen interest from major corporates including multinationals

Retail leasing market

- Rising spending power of the millennials and middle-income class will continue to drive domestic consumption
- Well-managed shopping malls at prime locations will remain highly sought-after by tenants and shoppers

Primary residential market

- Transaction volume and prices in first-tier cities will continue to be contained by stabilization measures

Business Prospects

Property Development

Aim at high asset turnover

- Continue to sell residential units from both new launches and launched projects
- Abundant saleable resources
- Expect encouraging development margin

Sufficient land bank

- About 19mn sq.ft. (attributable GFA) of residential development land bank in Hong Kong, sufficient for development needs of 5 to 6 years

Various sources of land banking

- Continue to seek land acquisition opportunities with satisfactory expected return in Hong Kong and major cities on the mainland

Business Prospects (Cont'd)

Property Investment

Existing portfolio

- Expect satisfactory rental growth in the year ahead
- Continue to carry out AIEs to create more value

New investment properties

- To drive rental growth further over the short-to-medium term
 - Short-term: V Walk and Harbour North in Hong Kong, mall at One ITC and office tower in Phase 2 of ITC in Shanghai
 - Medium-term: 98 How Ming Street in Hong Kong, remaining phases of ITC in Shanghai, Nanjing IFC

Non-core property

- Continue to review opportunities for non-core property disposals

Creating Value for Shareholders

Key Inputs

Sufficient Land Bank of a Relatively Low Average Cost

Growing Rental Portfolio

Premium Brand

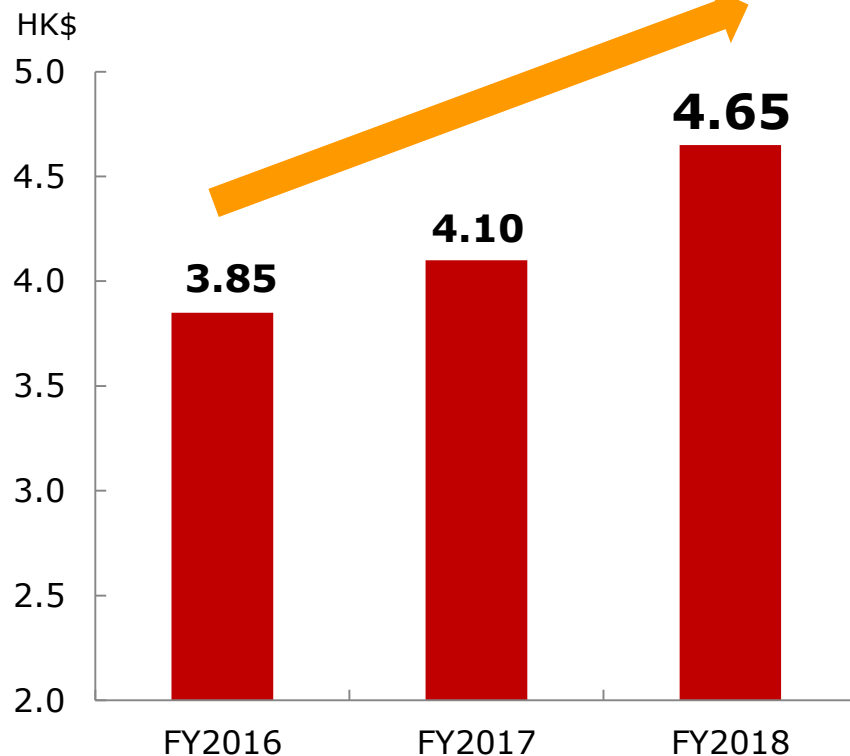
Broad Market Exposure

Strong Balance Sheet

Seasoned Management Team



Growing DPS

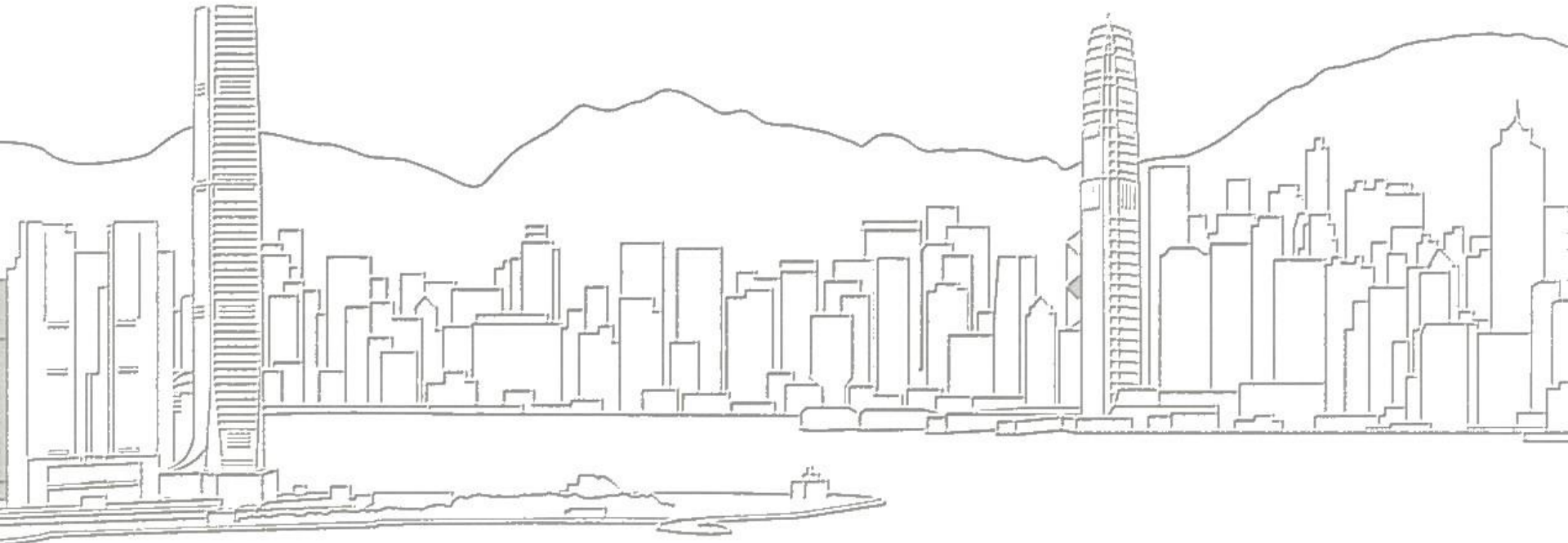




Sun Hung Kai Properties

Building Homes with Heart

Q&A





APPENDIX

Adoption of HKFRS 15

- HKFRS 15 will be effective for FY18/19 replacing existing revenue standard HKAS 18
- Recognize revenue upon the transfer of control of goods or services to customers at an amount that reflects the consideration expected to be received
- Cumulative catch-up method on transition to HKFRS 15 will be adopted, i.e. apply new requirements retrospectively only to contracts that are not considered completed under the existing revenue standards before 1 July 2018
- Expect insignificant transition impact of HKFRS 15 upon the initial adoption of the standard