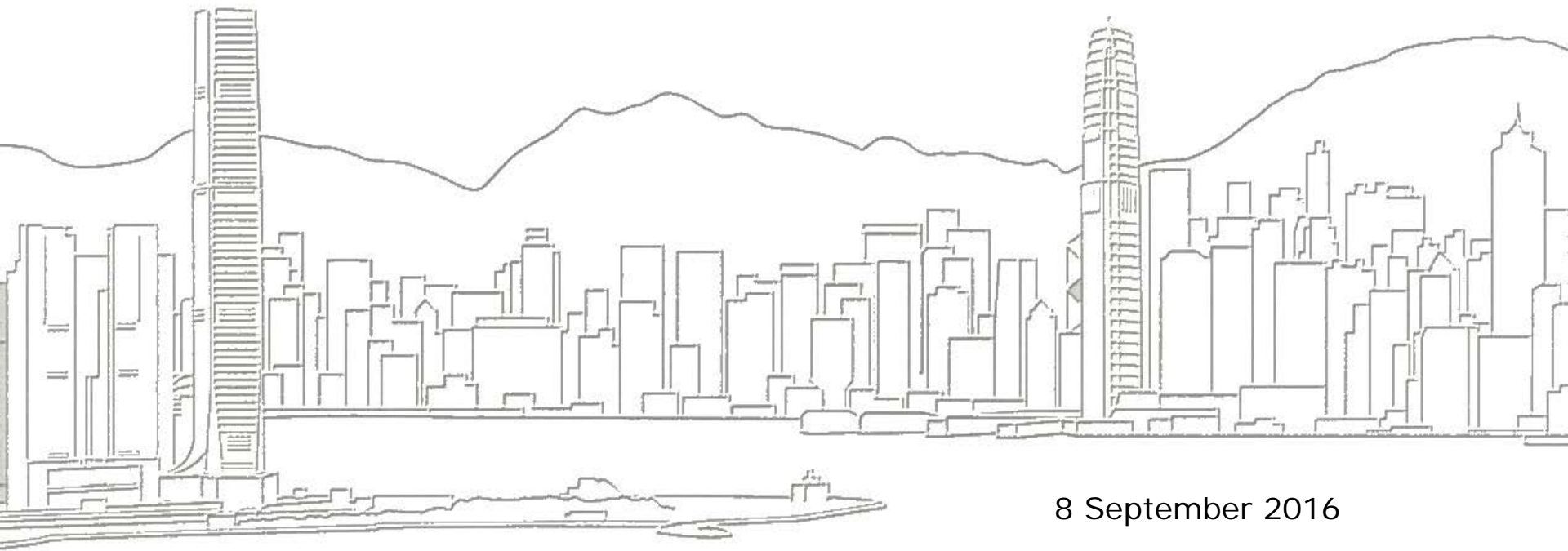




**Sun Hung Kai Properties**

*Building Homes with Heart*

**FY2016 Annual Results**



8 September 2016

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# Annual Results Highlights

# Annual Results Highlights

	FY2016	FY2015	Change
Profit attributable to the Company's shareholders			
- Underlying* (HK\$ mn)	24,170	19,825	21.9 %
- Reported (HK\$ mn)	32,666	31,082	5.1 %
Basic earnings per share for profit attributable to the Company's shareholders			
- Underlying* (HK\$)	8.37	7.07	18.4 %
- Reported (HK\$)	11.31	11.09	2.0 %
Final dividend per share (HK\$)	2.80	2.40	16.7 %
Total dividend per share (HK\$)	3.85	3.35	14.9 %

Remarks:

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

# Annual Results Highlights (Cont'd)

Profit Breakdown by Segment (in HK\$ mn)	FY2016	FY2015	Change
(1) Property rental			
- Hong Kong	13,233	12,299	
- Mainland	2,737	2,520	
- Singapore	511	533	
Sub-total	16,481	15,352	7.4%
(2) Property sales			
- Hong Kong	9,671	4,571	
- Mainland	2,008	2,764	
- Singapore	22	(3)	
Sub-total	11,701	7,332	59.6%
(3) Hotel operation	1,259	1,293	-2.6%
(4) Other businesses	4,299	4,269	0.7%
<b>Total (1) + (2) + (3) + (4)</b>	<b>33,740</b>	<b>28,246</b>	<b>19.5%</b>

# Annual Results Highlights (Cont'd)

	30 Jun 2016	31 Dec 2015	30 Jun 2015
Shareholders' funds (HK\$ mn)	468,707	455,766	451,026
- Shareholders' fund per share (HK\$)	161.9	157.5	156.8
Net debt (HK\$ mn)	50,713	56,551	50,571
Net gearing ratio <sup>(1)</sup>	10.8%	12.4%	11.2%
	<b>FY2016</b>		<b>FY2015</b>
Interest cover <sup>(2)</sup>	12.5x		9.3x

*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



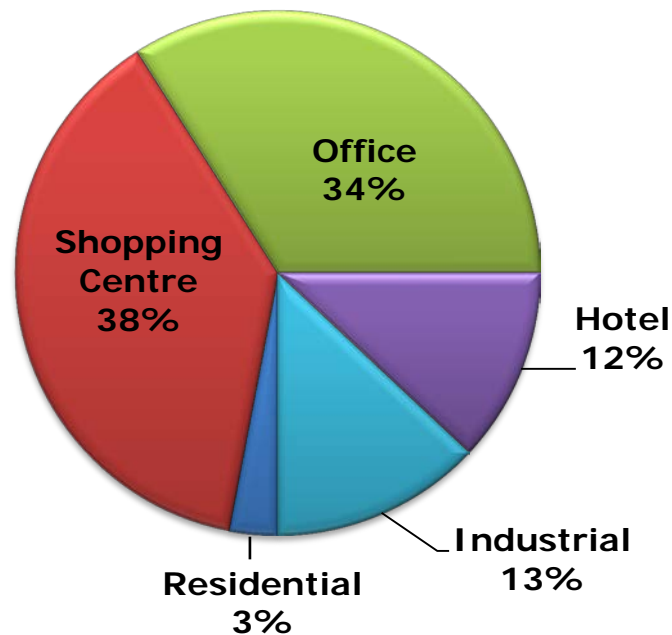
Land Bank

Hong Kong

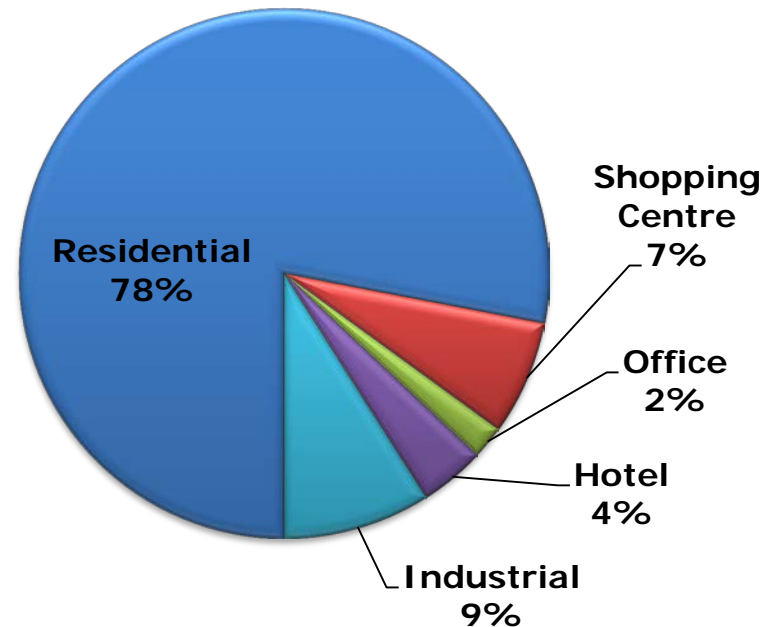


# Land Bank as at 30 June 2016

– Total land bank: 49.9mn sq.ft.<sup>(1)</sup>



**Completed investment properties**  
**Total: 29.0mn sq.ft.**



**Properties under development**  
**Total: 20.9mn sq.ft.**

Remarks:

(1) Excluding over 30mn sq.ft. (site area) of agricultural land

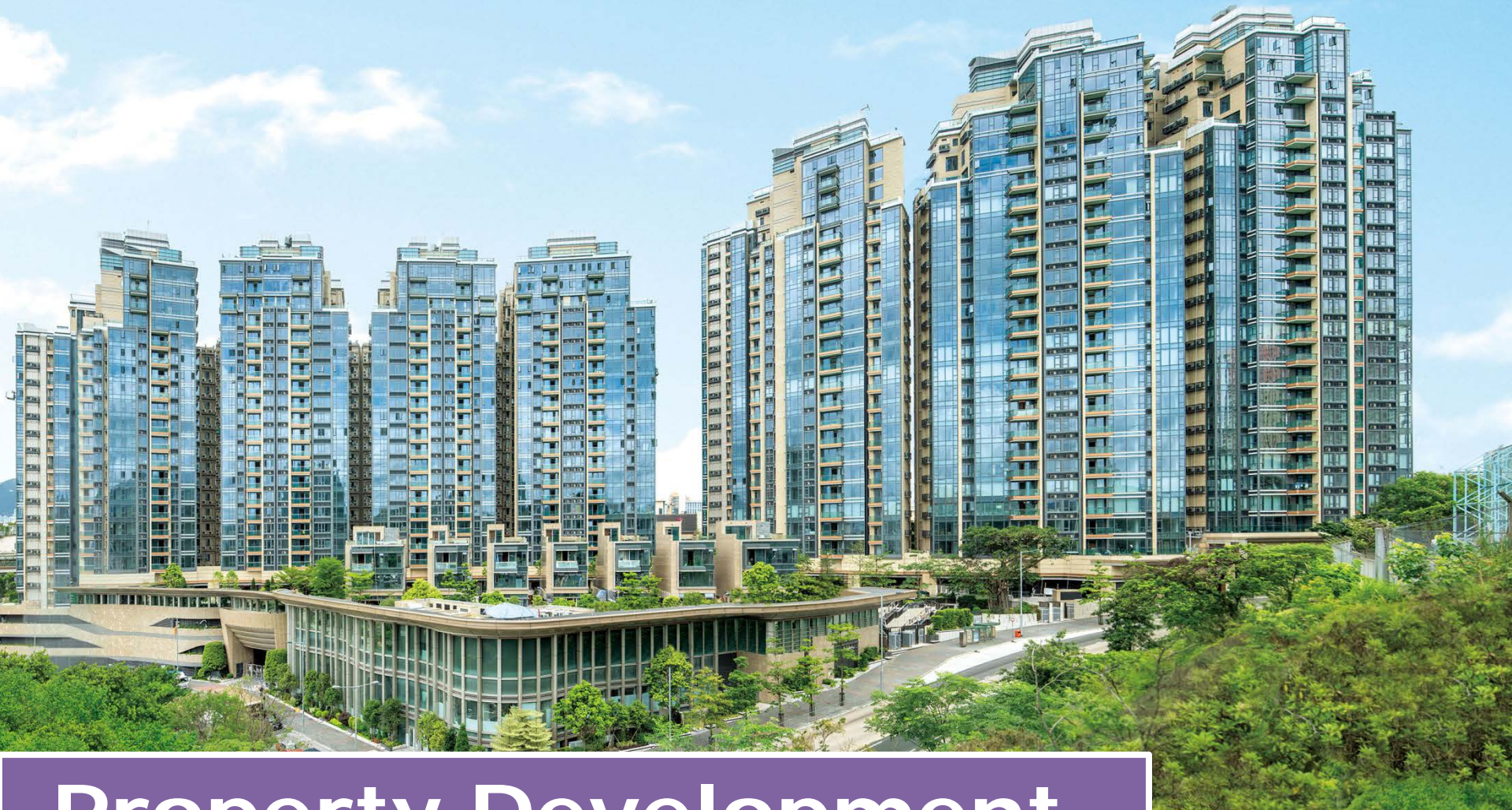
# Land Acquisitions

- 4 new sites were added during the year
  - Situated along existing or upcoming railway stations

Location	Stake (%)	Usage	Attributable GFA (sq.ft.)
Yuen Long Station Development	JV	R/S	1,468,000
Sha Tin Town Lot No. 617	100	O/S	174,000
Pak Tai Street / San Shan Road, Ma Tau Kok	JV	R/S	105,000
Kwai Chung Town Lot No. 522	100	O/S	58,000
<b>Total</b>			<b>1,805,000</b>

Remarks: R=Residential, S=Shopping Centre / Shops, O=Office

- Further acquired a premium residential site in Sha Tin with a GFA of 434,000 sq.ft. in August 2016
  - Total land bank has increased to 50.3mn sq.ft.



# Property Development

Hong Kong

# Property Development in Hong Kong

---

- Around HK\$36.4bn property sales<sup>(1)</sup> were booked with decent profit margins
  - Century Link Phases 1 & 2 in Tung Chung
  - Ultima Phases 1 & 2 in Ho Man Tin
  - The Wings IIIA in Tseung Kwan O South
- Completed 4 projects with 3.2mn sq.ft. of attributable GFA
  - Over 3mn sq.ft. were residential properties for sale

Remarks:

(1) Including shares of Associates and JCEs

# Contracted Sales

- Contracted sales of about HK\$32bn during the year, mainly from

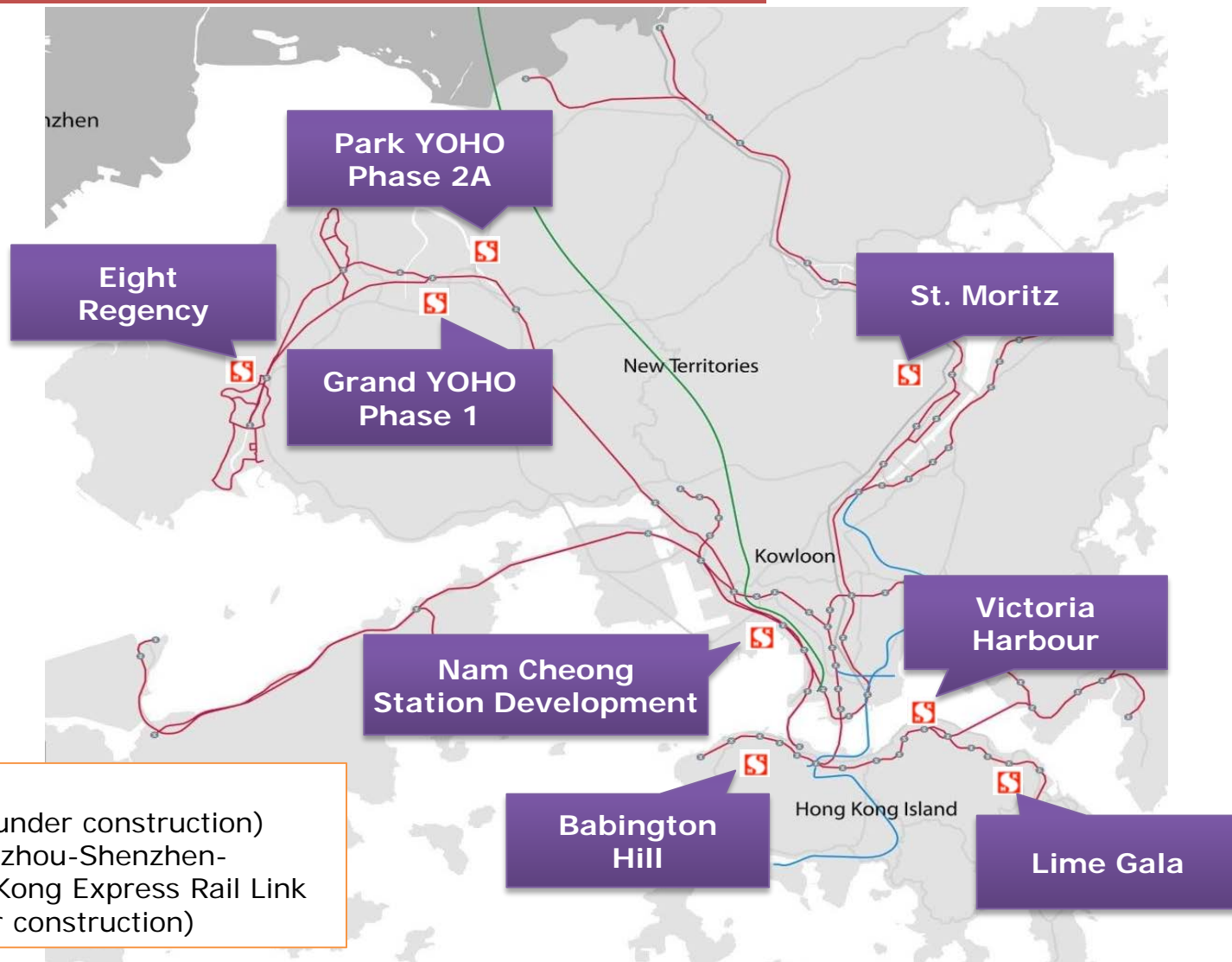
Project Name	Location	Stake (%)	Attr. Sales Proceeds (HK\$ bn)	Expected Completion
Ultima Phases 1 & 2	Ho Man Tin	100	12.1	Completed
Century Link Phases 2	Tung Chung	100	5.5	Completed
Ocean Wings	Tseung Kwan O South	100	4.8	FY2018
Twin Regency	Yuen Long	100	1.7	FY2017

- Over HK\$10bn contracted sales have been achieved since July 2016

# Ample Saleable Resources

Project Name	Location	Stake (%)	Attr. Res. GFA (sq.ft.)	Approx. Attr. No. of Units	Expected Completion
<b>Recently launched</b>					
Grand YOHO Phase 1	Yuen Long	100	740,000	1,130	FY2017
Lime Gala	Island East	92	291,000	600	FY2018
<b>Expect to be launched in 4Q2016</b>					
Babington Hill	Mid-Levels	82.8	55,000	65	FY2018
St. Moritz	Sha Tin	100	130,000	35 units 24 houses	FY2017
Eight Regency	Tuen Mun	100	141,000	320	FY2018
<b>Expect to be launched in 1H2017</b>					
Nam Cheong Station Development Phase 1A	Nam Cheong	JV	769,000	1,000	FY2018
Victoria Harbour Phase 1	North Point	100	320,000	360	FY2017
Park YOHO Phase 2A	Yuen Long	100	1,073,000	1,400	FY2017

# Wide Range of Residential Development for Sale





# Property Investment

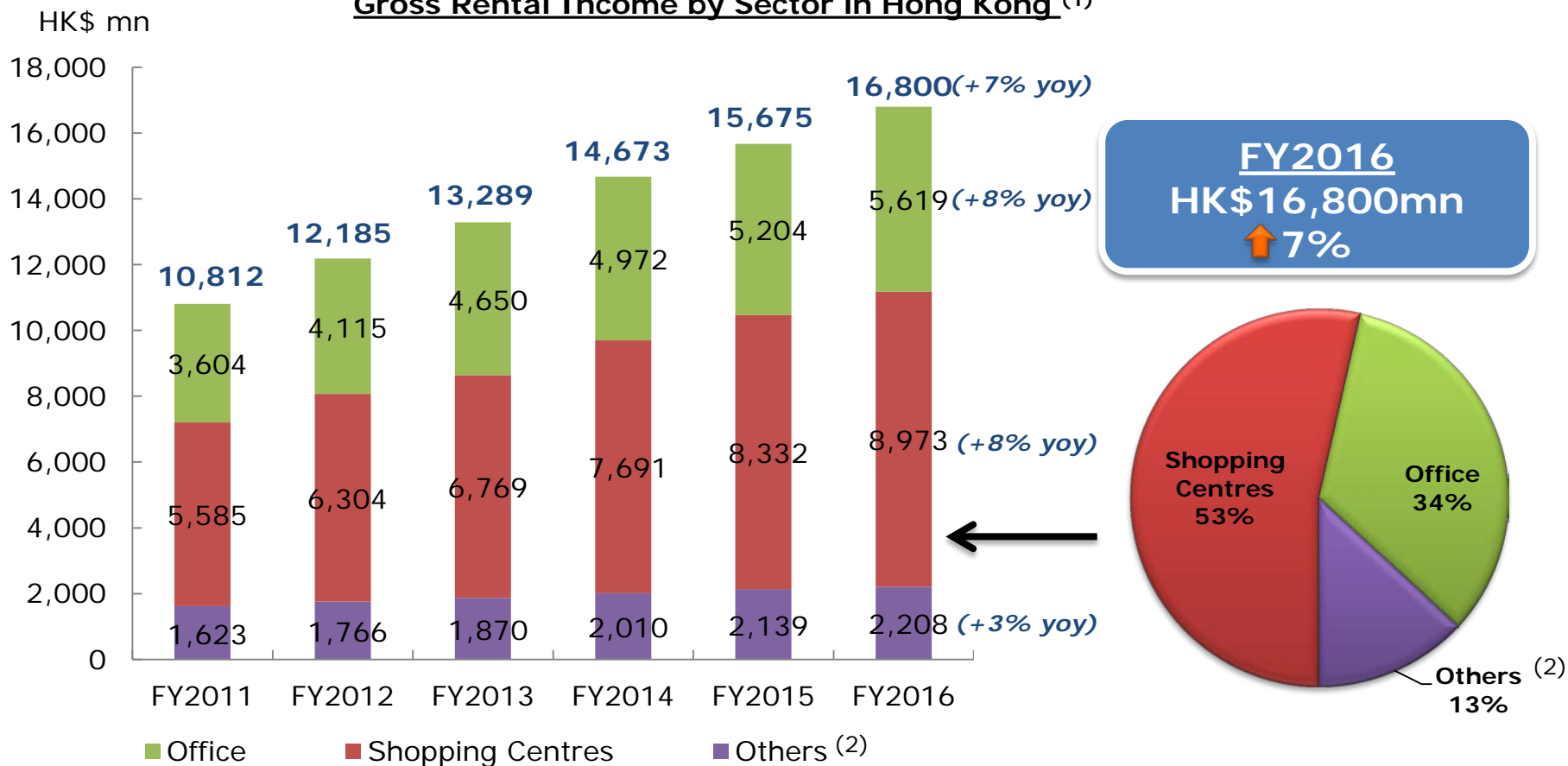
Hong Kong



# Property Investment in Hong Kong

- Steadily-growing rental income from diversified portfolio

Gross Rental Income by Sector in Hong Kong <sup>(1)</sup>



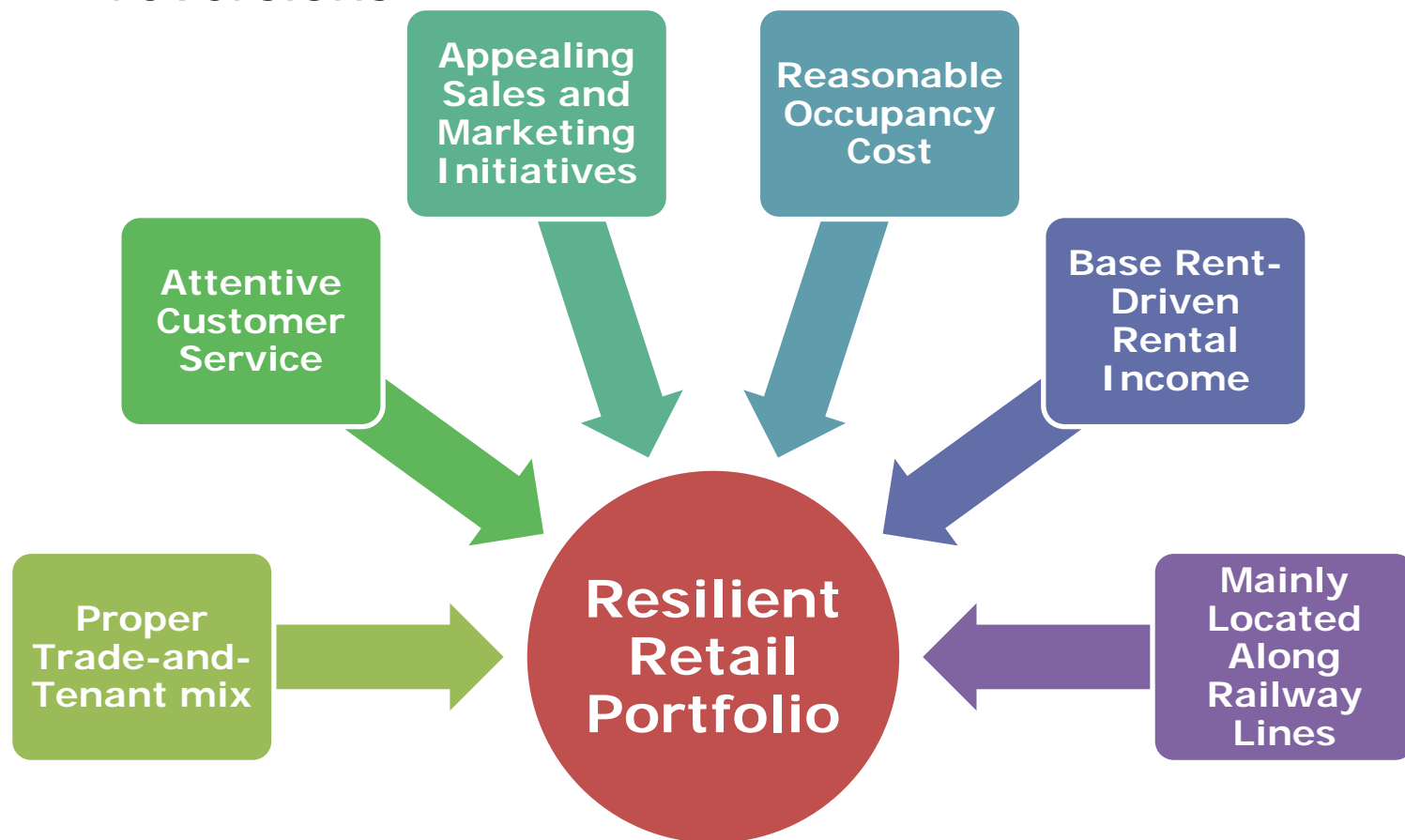
Remarks:

(1) Including shares of Associates and JCEs

(2) Residential, industrial and car parks

# Retail Portfolio

- Diversified portfolio of over 10.9mn sq.ft. of GFA
  - Sustained high occupancy and positive rental reversions



# Continuous Asset Enhancement Initiatives



## APM, Kwun Tong

- Conversion of over 150,000 sq.ft. of office space for retail use is under way
- Greening project at podium garden to be completed in 2018



## MOKO, Mong Kok

- Reconfiguration completed in August 2015
- Meaningful growth in visitor traffic and rents



## Metroplaza, Kwai Fong

- Initiatives included floor layout reconfiguration
- Renovation to be completed by FY2017/18

# Strong Pipeline for Future Expansion



## YOHO Mall, Yuen Long: 1.1mn sq.ft. (GFA)

- YOHO Mall I (*orange in map*) opened in September 2015 while renovation at YOHO Mall II (*orange in map*) was completed recently
- YOHO Mall I extension (*blue in map*) with about 450,000 sq.ft.
  - Pre-leasing is progressing well
  - Well-connected through MTR Yuen Long Station and public transportation terminal underneath
  - Scheduled to open in 2017
- Yuen Long Station Development (*yellow in map*) will have another 107,000 sq.ft. of retail space



# Strong Pipeline for Future Expansion (Cont'd)

## Mall at Nam Cheong Station Development

- 300,000-sq-ft mall with extensive transport network
- Layout design is at the final stage
- Scheduled to open by the end of 2018



## PopWalk, Tseung Kwan O South

- A total of over 240,000 sq.ft.
- Ph. 1 under The Wings II with 66,000 sq.ft.
  - Opened in late August 2016
  - Fully leased
- Retail portions under The Wings IIIA and IIIB with 95,000 sq.ft.
  - Encouraging pre-leasing response
  - Expect to open in 2017



## Harbour North, North Point

- Over 140,000 sq.ft. of retail space underneath the residential project Victoria Harbour
- Next to MTR North Point Station
- Ph. 1 scheduled to open in 2018
- Foundation work for Ph. 2 under way



- MTR
- MTR (under construction)
- Guangzhou-Shenzhen-Hong Kong Express Rail Link (under construction)
- S** Malls in the pipeline

# Premium Office Portfolio

---

- About 10mn sq.ft. of quality office space continued to generate promising results
  - Well-diversified in terms of location and tenant mix
- IFC recorded higher spot rent
  - Benefited from tight supply and low vacancy in Central
- ICC in West Kowloon achieved strong positive rental reversions and improved occupancy during the year
- Millennium City cluster in Kowloon East continued to perform well with increased rental levels

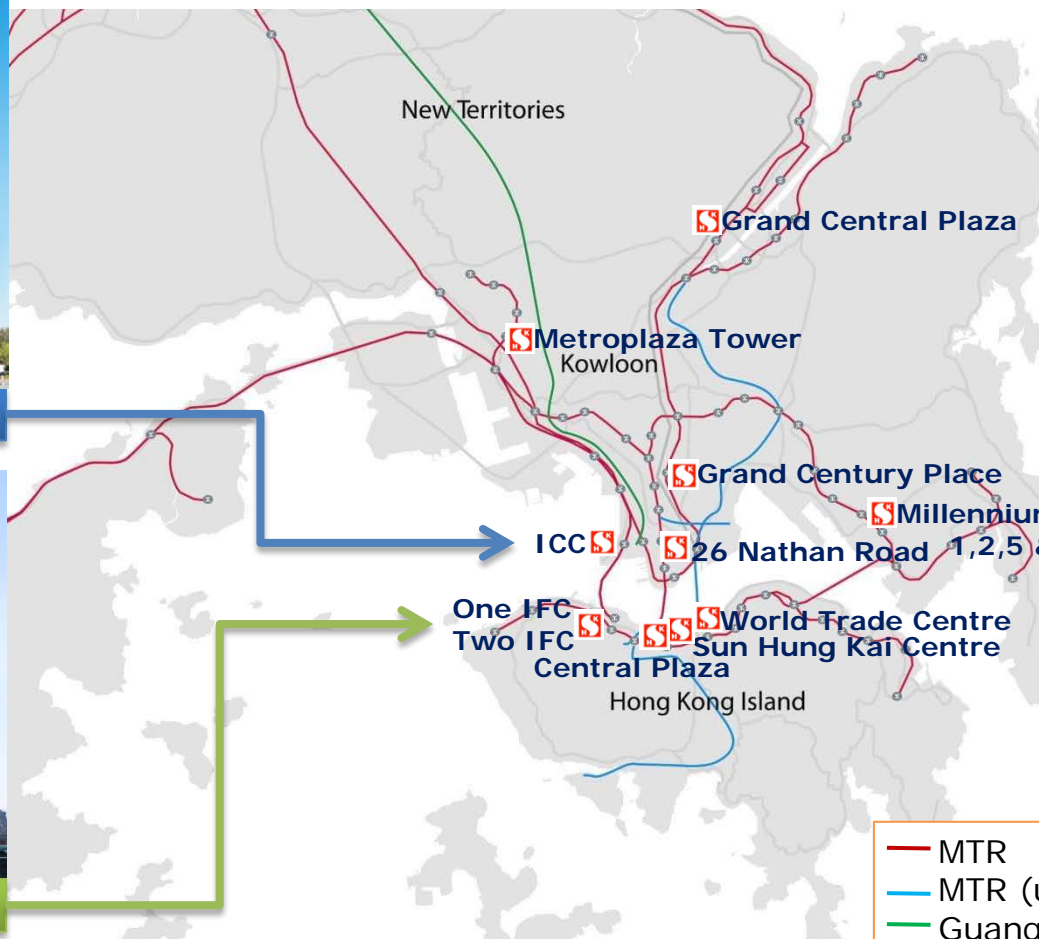
# Diversified Office Portfolio



Occupancy: 97%



Occupancy: 100%



Occupancy: 98% (2)

- MTR
- MTR (under construction)
- Guangzhou-Shenzhen-Hong Kong Express Rail Link (under construction)

Remarks:

(1) Occupancy as at 30 June 2016

(2) Weighted average occupancy of Millennium City 1,2,5 & 6

# Land Use Conversion

- The land use conversion for the site at 98 How Ming Street in Kwun Tong to commercial use was completed in early August 2016
  - 67.6% effective stake
  - About 1.2mn sq.ft. of total GFA
  - Development plan is being finalized
  - Create much synergy with the Group's well-established Millennium City office cluster





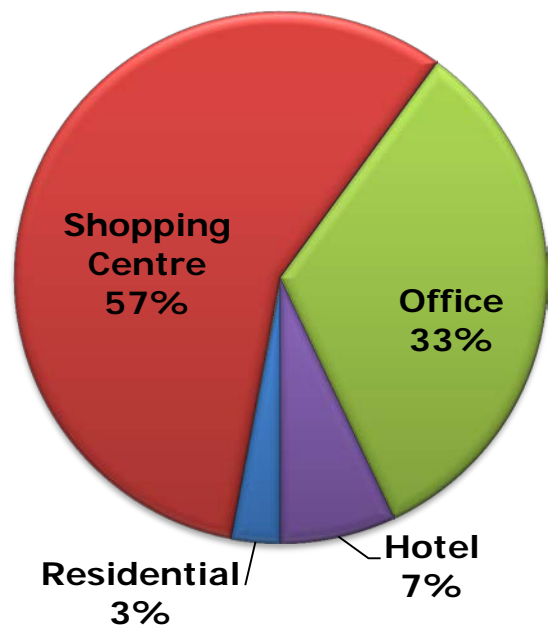


Land Bank

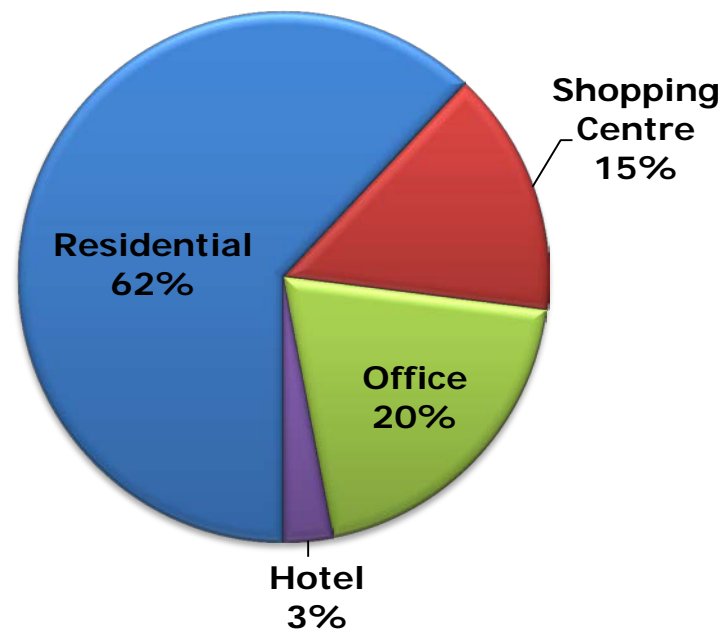
Mainland

# Land Bank as at 30 June 2016

- Total land bank: 69.9mn sq.ft.



**Completed investment properties**  
**Total: 12.1mn sq.ft.**



**Properties under development**  
**Total: 57.8mn sq.ft.**



# Property Development

Mainland

# Property Development on the Mainland

---

- Booked about HK\$6.9bn property sales<sup>(1)</sup>, mainly from
  - Shanghai Arch
  - Shanghai Cullinan
  - Hangzhou MIXC Phase 2C <sup>(2)</sup> (serviced apartments)
- Completed over 1.6mn sq.ft. of attributable GFA
  - Of which IGC in Guangzhou will be retained for rental purpose
- Over HK\$6bn property sales yet to be recognized

Remarks:

(1) Including shares of Associates and JCEs, and only sales from units that have been handed over to buyers

(2) SHKP owns 40% stake

# Contracted Sales

- Achieved contracted sales of about RMB7.5bn<sup>(1)</sup> for the year under review, mainly from

Project Name	Location	Stake (%)	Attr. Sales Proceeds (RMB bn)	Expected Completion
Shanghai Arch Phase 1 and 2A	Shanghai	100	1.8	Phase 1: Completed Phase 2A: FY2018
Shanghai Cullinan	Shanghai	100	1.1	Completed
Top Plaza East Tower <sup>(2)</sup>	Guangzhou	33.3	0.7	FY2017
Grand Waterfront Phase 1	Dongguan	100	0.7	FY2017

- Since July this year, contracted sales have reached over RMB1.8bn<sup>(3)</sup>

Remarks:

(1) Contracted sales in terms of HKD amounted to HK\$9bn

(2) Office project

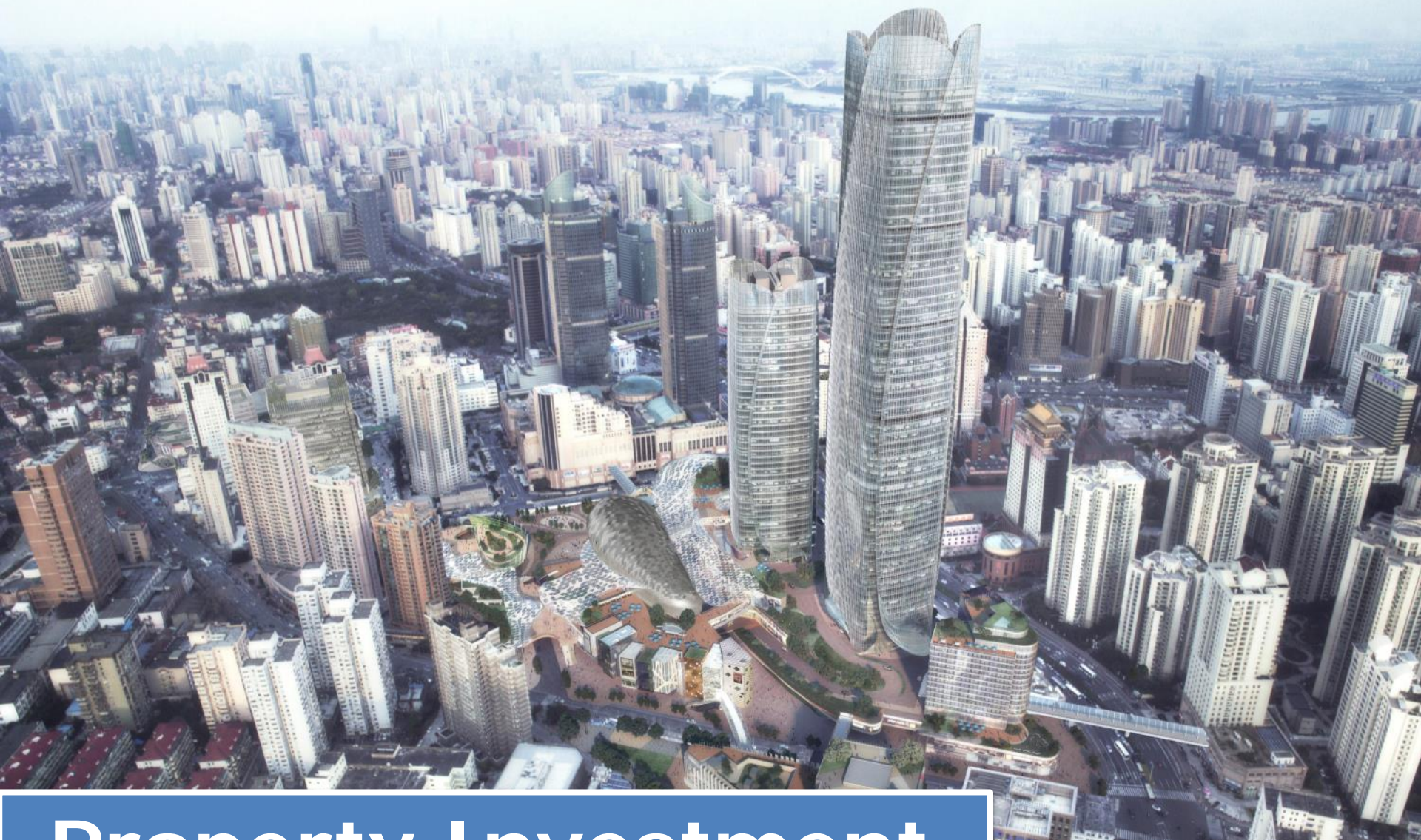
(3) Contracted sales in terms of HKD amounted to HK\$2bn

# Major Upcoming New Launches

Project Name	Location	Stake (%)	Attr. Res. GFA (sq.ft.)	Expected Completion
Grand Waterfront Phase 2	Dongguan	100	840,000	FY2019
Guangzhou Commerce Centre <sup>(1)</sup>	Guangzhou	70	254,000	FY2017
Shanghai Arch Phase 2B (Townhouses)	Shanghai	100	25,000	FY2019

Remarks:

(1) Office project

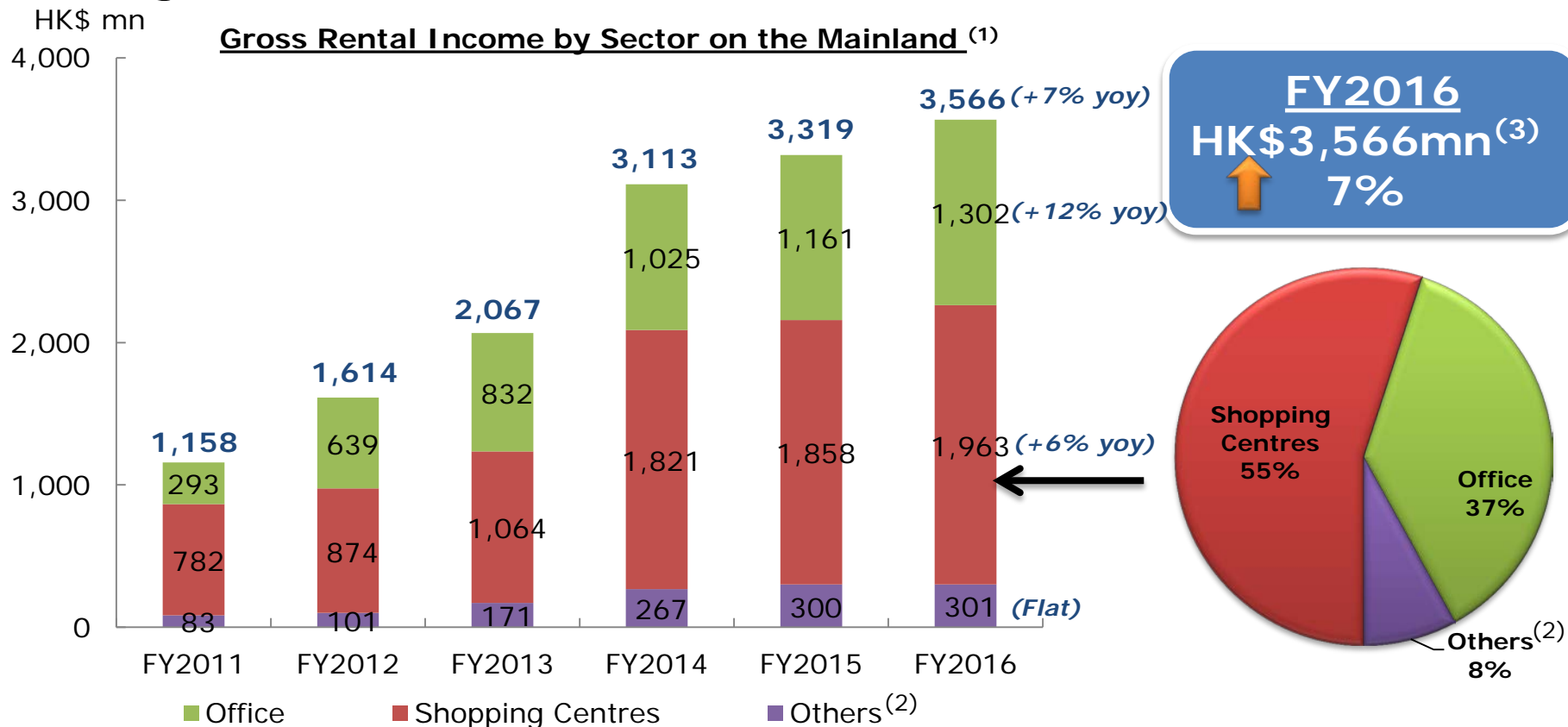


Property Investment

Mainland

# Growing Rental Income

- Accounted for around 17% of the Group's total gross rental income



Remarks:

(1) Including shares of Associates and JCEs

(2) Residential and car parks

(3) Gross rental income in terms of RMB amounted to RMB 2,968mn, up 12% yoy



# Two Signature Integrated Projects in Shanghai



## Shanghai IFC in Pudong

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

- Both towers were virtually fully occupied and achieved strong rental reversions

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

- High occupancy
- Recorded encouraging rental reversions
- Pedestrian tunnels linking the malls to neighbouring buildings will open soon

## Shanghai ICC in Puxi

### Office: 1.3mn sq.ft. (GFA)

- One ICC has been fully leased
- Majority of the office space at Two ICC has been pre-leased

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

- High occupancy
- Tenant sales and traffic flow increased steadily following the opening of line 12 extension

# New Malls in Guangzhou



## Parc Central (50% stake)

- Total GFA of about 900,000 sq.ft
- Located in the prosperous Tianhe district and along Guangzhou's central axis
- Soft opened in March 2016
- Target the mid- to high-end customers
- Visitor traffic has been increasing steadily since soft opening

## IGC (33.3% stake)

- Total GFA of about 1mn sq.ft
- Situated at the central business district of Zhujiang New Town
- To be opened in 4Q2016
- Attract executives, business travellers and high-spending residents
- The progress of pre-leasing has been encouraging

# Future Growth Driver



## Xujiahui Centre Project: 7.6mn sq.ft. (GFA)

- Contain about 4mn sq.ft. of premium offices, 3mn sq.ft. of high-end retail space and a luxury hotel
- Construction of Phase 1 is progressing well
  - 180,000-sq-ft office space is undergoing interior decoration and is scheduled for completion in 1H2017
  - 330,000-sq-ft shopping mall will open in 2018 and response to pre-marketing has been encouraging
- Superstructure work for Phase 2 is in progress

# Future Growth Driver (Cont'd)

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

- Consist of around 2mn sq.ft. of quality office space, over 1mn sq.ft. of shopping mall and a high-end hotel
- Situated atop an interchange station of two metro lines in the Hexi business core of Nanjing
- Construction of the project is progressing smoothly
  - The luxury mall has drawn keen interest from top-tier international brands while pre-marketing of the quality office space has also commenced

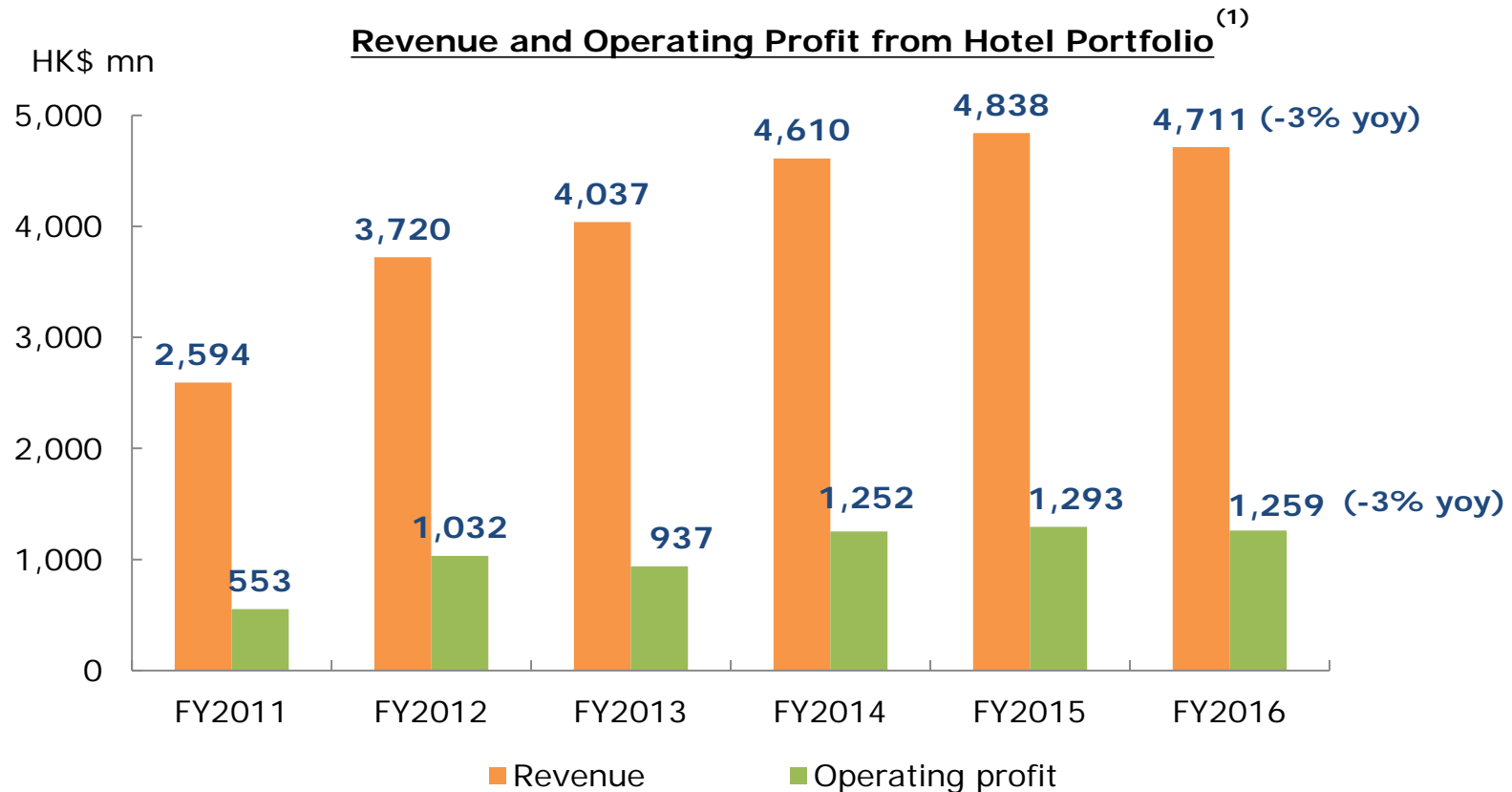




Hotel Business

# Hotel Business

- Mild decline in both revenue and operating profit amid falling visitor arrivals in Hong Kong



Remarks:

(1) Including shares of Associates and JCEs

# Hotel Business (Cont'd)

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- Achieved a relatively high average occupancy despite lower room rates in Hong Kong
  - Well established hotel brands
  - Outstanding service
  - Effective marketing and sales strategies
- The Ritz-Carlton Shanghai, Pudong
  - Solid revenue growth with higher room rates and good performance in food and beverage businesses



# Strategy and Prospects



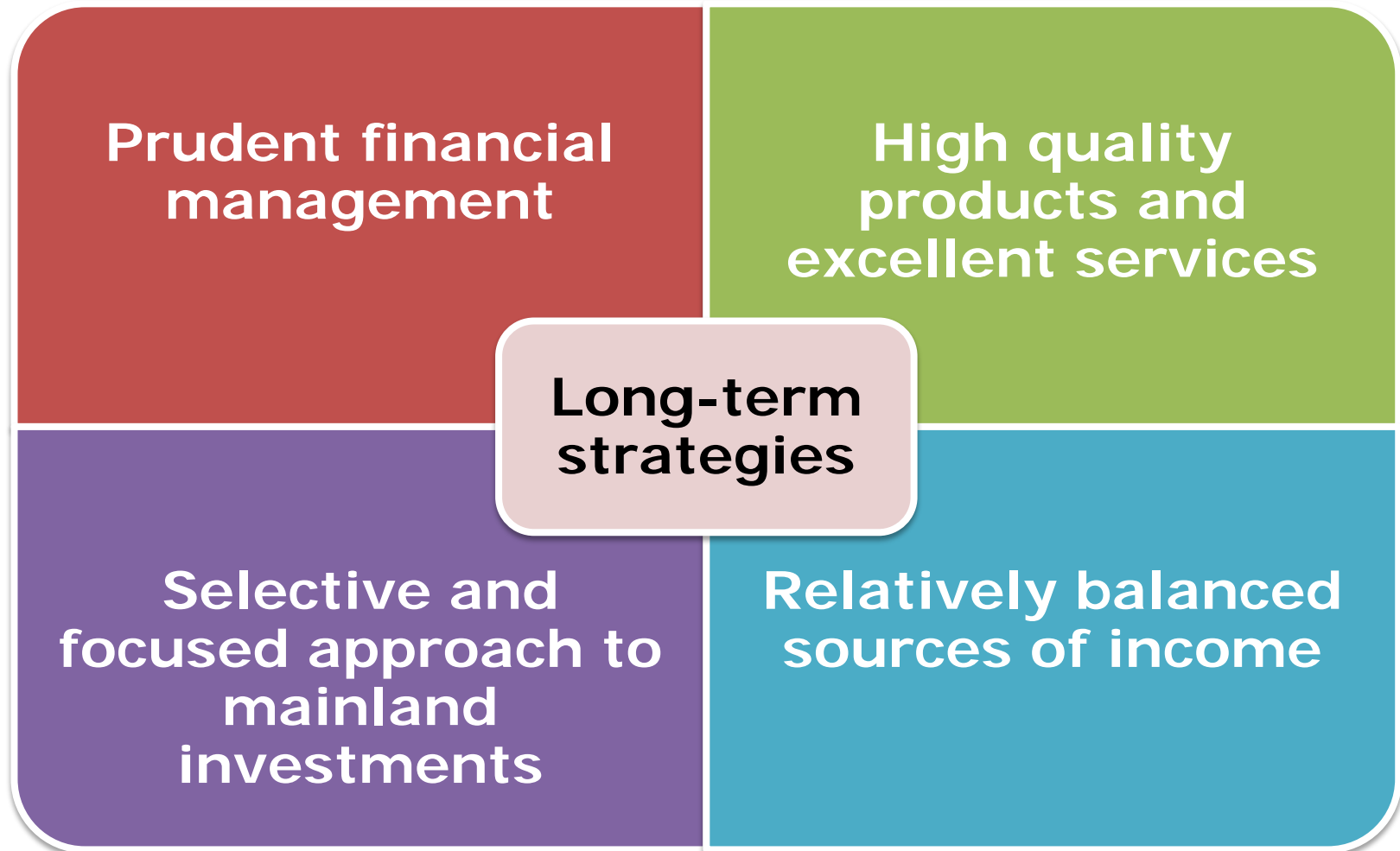
# Market Prospects

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- Hong Kong
  - Residential market will continue to do well, supported by increased homebuyer confidence and relatively low interest rates etc.
  - Grade-A office leasing market is expected to remain solid amid healthy demand and low vacancies while performance of regional malls is likely to be resilient
- First-tier cities on the mainland
  - Residential market is likely to remain active on back of robust demand
  - Well-managed premium shopping malls and grade-A offices in prime locations will continue to outperform

# Business Strategy

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# Business Prospects – Property Development

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- Aiming at high asset turnover
  - Abundant saleable resources
    - Wide range of products ranging from luxury apartments to mass market developments
      - Already achieved over HK\$12bn contracted sales since July 2016
    - High volume of annual residential completion for the next 3 years in Hong Kong
    - Satisfactory margins expected
  - Land bank sufficient for 5-year development needs

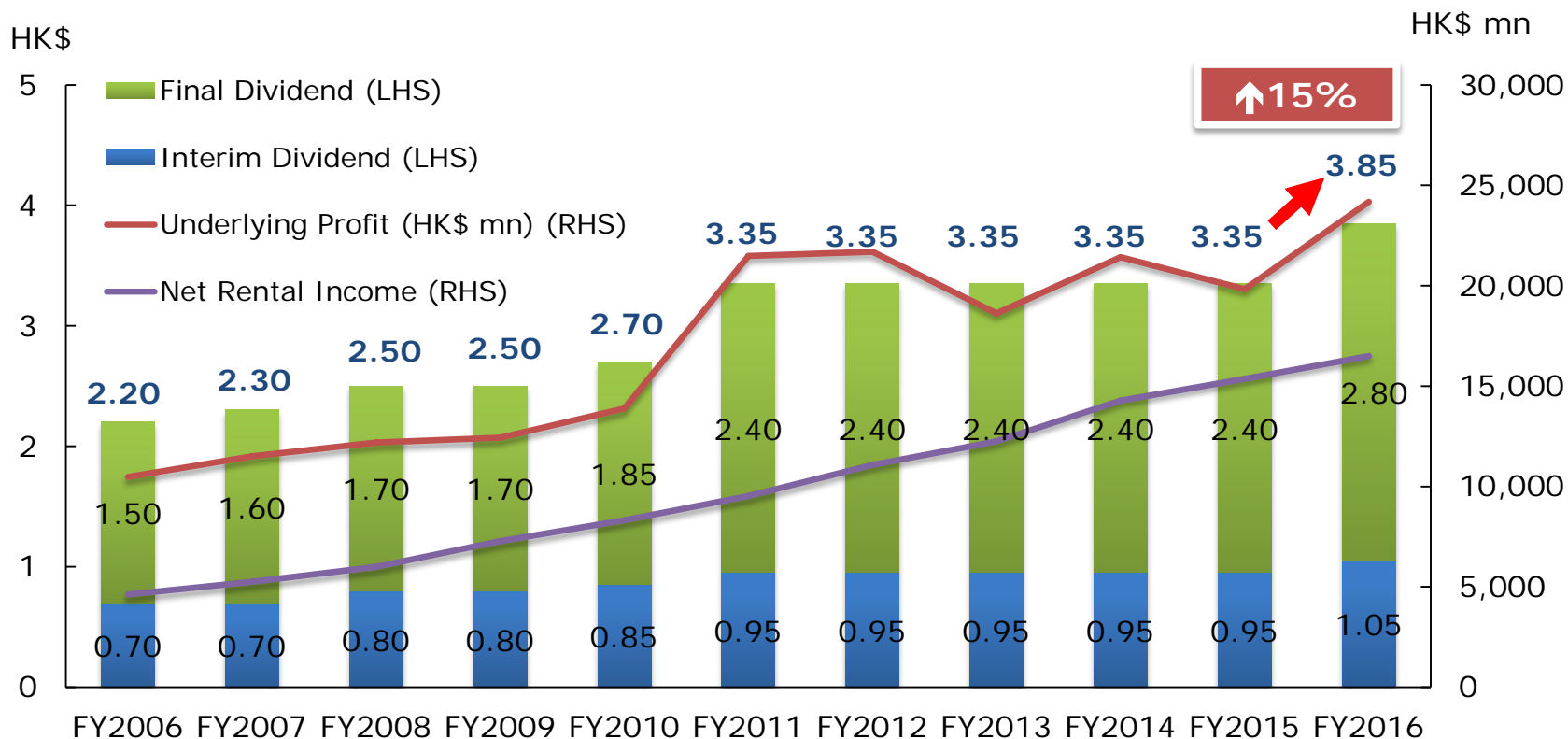
# Business Prospects – Property Investment

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- Robust rental income stream supported by
  - Diversified rental portfolio (by usage and location)
    - High occupancies, on the back of quality premises, strong brand name and good relationships with tenants
    - Positive rental reversions, although at a slower pace
    - Proactive tenant and trade mix refinements
    - Ongoing asset enhancement initiatives
  - Strong pipeline of new investment properties
    - About 1.8mn sq.ft. of attributable GFA, located both in Hong Kong and on the mainland, will be opened in the next 3 financial years

# Sustainable DPS

- Intend to maintain sustainable DPS with growth over time
  - Well supported by recurring income





**Sun Hung Kai Properties**

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Building Homes with Heart

**Q&A**

