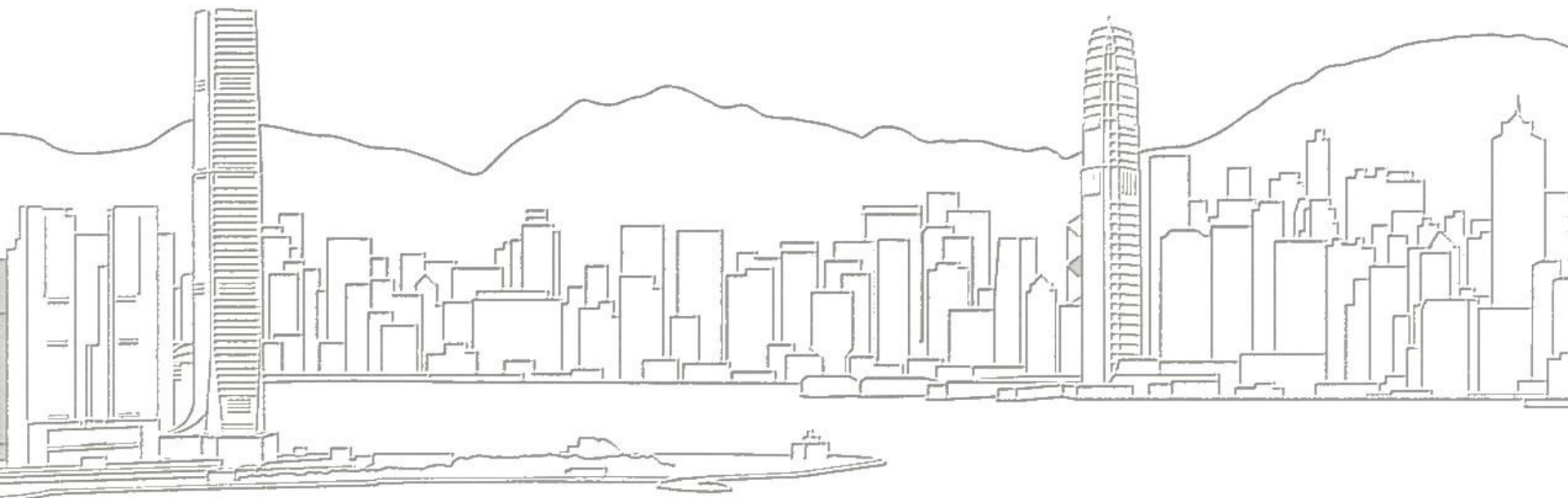




# Sun Hung Kai Properties

Building Homes with Heart

## FY2017 Annual Results



14 September 2017

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# KEY MESSAGES

# Key Messages

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- Record contracted sales in FY17, far exceeded original target
- Sufficient land bank for future development
- Land acquisition through difference sources, including farmland conversion
- Abundant saleable resources with wide range of products
- Steadily-growing rental income from sizeable well-diversified rental portfolio and well-planned new additions
- Strong balance sheet and seasoned management team
- Consistent long-term strategy focusing on Hong Kong and major cities on the mainland
- Sustainable dividends



# FINANCIAL REVIEW - FY2017

# Financial Highlights

	FY2017	FY2016	Change
Profit attributable to the Company's shareholders			
- Underlying* (HK\$ mn)	25,965	24,170	7.4 %
- Reported (HK\$ mn)	41,782	32,666	27.9 %
Basic earnings per share			
- Underlying* (HK\$)	8.97	8.37	7.2 %
- Reported (HK\$)	14.43	11.31	27.6 %
Final dividend per share (HK\$)	3.00	2.80	7.1 %
Total dividend per share (HK\$)	4.10	3.85	6.5 %

Remarks:

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

# Earnings Drivers

<b>Profit Breakdown by Segment<sup>(1)</sup> (in HK\$ mn)</b>	<b>FY2017</b>	<b>FY2016</b>	<b>Change</b>
(1) Property sales			
- Hong Kong	9,936	9,671	
- Mainland	1,950	2,008	
- Singapore	31	22	
Sub-total	11,917	11,701	1.8 %
(2) Property rental			
- Hong Kong	13,677	13,233	
- Mainland	2,952	2,737	
- Singapore	513	511	
Sub-total	17,142	16,481	4.0 %
(3) Hotel operation	1,325	1,259	5.2 %
(4) Other businesses	4,306	4,299	0.2 %
<b>Total (1)+(2)+(3)+(4)</b>	<b>34,690</b>	<b>33,740</b>	<b>2.8 %</b>

Remarks:

(1) Including shares of associates and joint ventures



# Financial Position

	30 Jun 2017	31 Dec 2016	30 Jun 2016
Shareholders' funds (HK\$ mn)	498,215	476,834	468,707
- Shareholders' funds per share (HK\$)	172.0	164.7	161.9
Net debt (HK\$ mn)	36,052	41,760	50,713
Net gearing ratio <sup>(1)</sup>	7.2 %	8.8 %	10.8 %
	<b>FY2017</b>		<b>FY2016</b>
Interest cover <sup>(2)</sup>	14.2x		12.5x

Remarks:

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

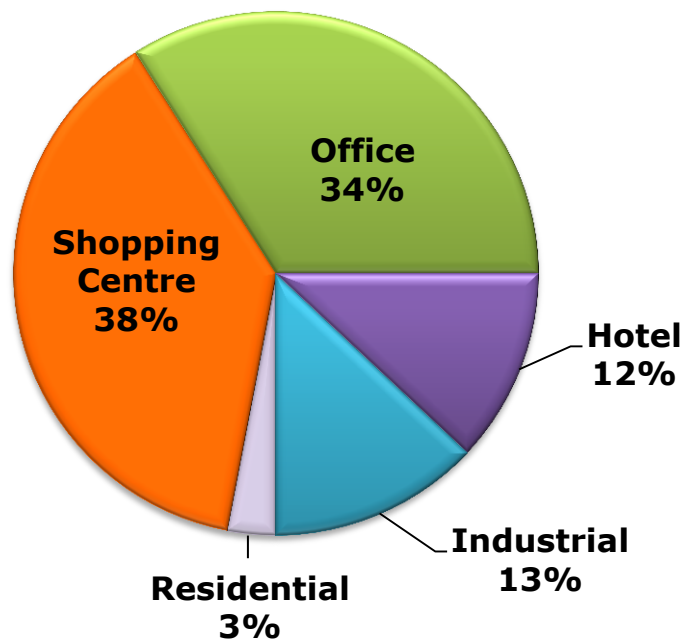
(2) Measured by the ratio of operating profit to total net interest expenses including those capitalized



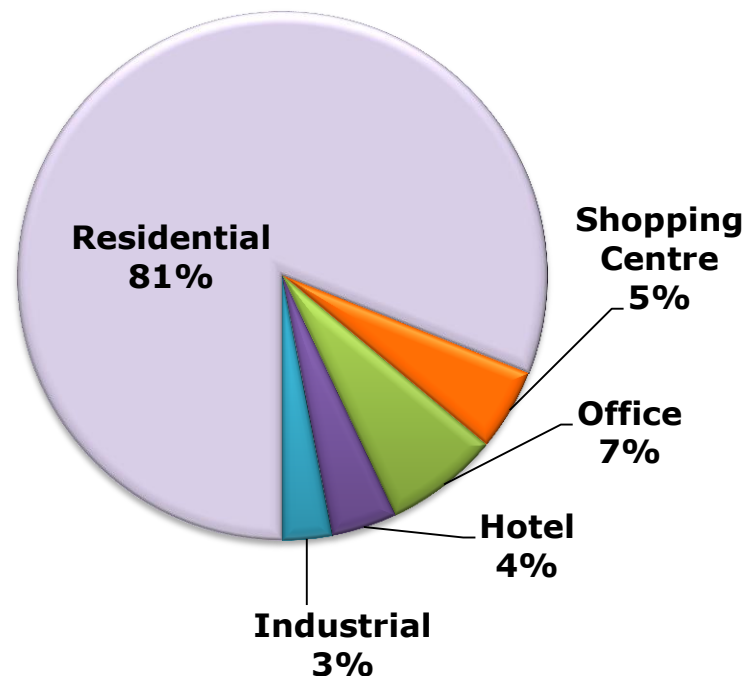
**PROPERTY BUSINESS - HONG KONG  
LAND BANK**

# Land Bank in Hong Kong

Total land bank as at 30 June 2017: 51.8mn sq.ft.<sup>(1)</sup>



**Completed investment properties**  
**Total: 29.8mn sq.ft.**



**Properties under development**  
**Total: 19.6mn sq.ft.**

Remarks:

(1) Including 2.4mn sq.ft. of completed properties pending for sale in Hong Kong and all of which are residential properties; excluding agricultural land which is over 28 million sq.ft. of site area as at mid September 2017

# Land Acquisitions

- Added two sites through government tender and land use conversion

Location	Stake (%)	Usage	Attributable GFA (sq.ft.)
Tuen Mun Town Lot No. 483	100	Residential/ Shopping centre	2,328,000
Sha Tin Town Lot No. 609	100	Residential	434,000
<b>Total</b>			<b>2,762,000</b>

- Continue to seek opportunities for land acquisitions
  - Adhere to prudent financial discipline on land replenishment
  - Seeking different sources to replenish land bank at reasonable cost
- Settled the premium for converting farmland in Shap Sz Heung (nearly 4.8mn sq.ft. of GFA) into residential use recently
  - Require substantial additional infrastructure expenditure
  - Long development period of over eight years



# PROPERTY BUSINESS - HONG KONG PROPERTY DEVELOPMENT

# Recognized Property Sales in Hong Kong

Property Sales <sup>(1)</sup> (HK\$ mn)	FY2017	FY2016	Change
Revenue	30,261	36,446	↓ 17.0%
Operating Profit	9,936	9,671	↑ 2.7%
<i>Margin</i>	32.8%	26.5%	↑ 6.3ppt

- Mainly driven by:
  - Grand YOHO, Park YOHO, The Wings IIIB, Twin Regency
  - Remaining units from luxury projects such as The Cullinan and Ultima
  - Non-residential projects
- Higher development margin
- Over HK\$24bn property sales yet to be recognized

Remarks:

(1) Including shares of associates and joint ventures

# Property Completion in Hong Kong

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- **Completed 4.1mn sq.ft. of attri. GFA** (FY2016: 3.2mn sq.ft.)
  - Over 3mn sq.ft. residential properties for sale
  - Around 825,000 sq.ft. non-residential properties retained for rental purpose
    - Including the 450,000-sq-ft YOHO Mall I Extension
  
- Expect to complete 3mn sq.ft. of residential GFA per annum in the next 3 years on average

# Record High Contracted Sales of HK\$44.7bn

## Major contributors

Project Name	Location	Stake (%)	Attr. Sales Proceeds (HK\$ bn)	Expected Completion
Cullinan West	Nam Cheong	JV	13.2	FY2018
Grand YOHO Development	Yuen Long	100	12.4	Completed
Lime Gala	Shau Kei Wan	92	4.5	FY2019
Park YOHO Phase 1	Yuen Long	100	3.6	Completed
Eight Regency	Tuen Mun	100	1.3	FY2019
Ocean Wings	Tseung Kwan O	100	1.2	FY2018

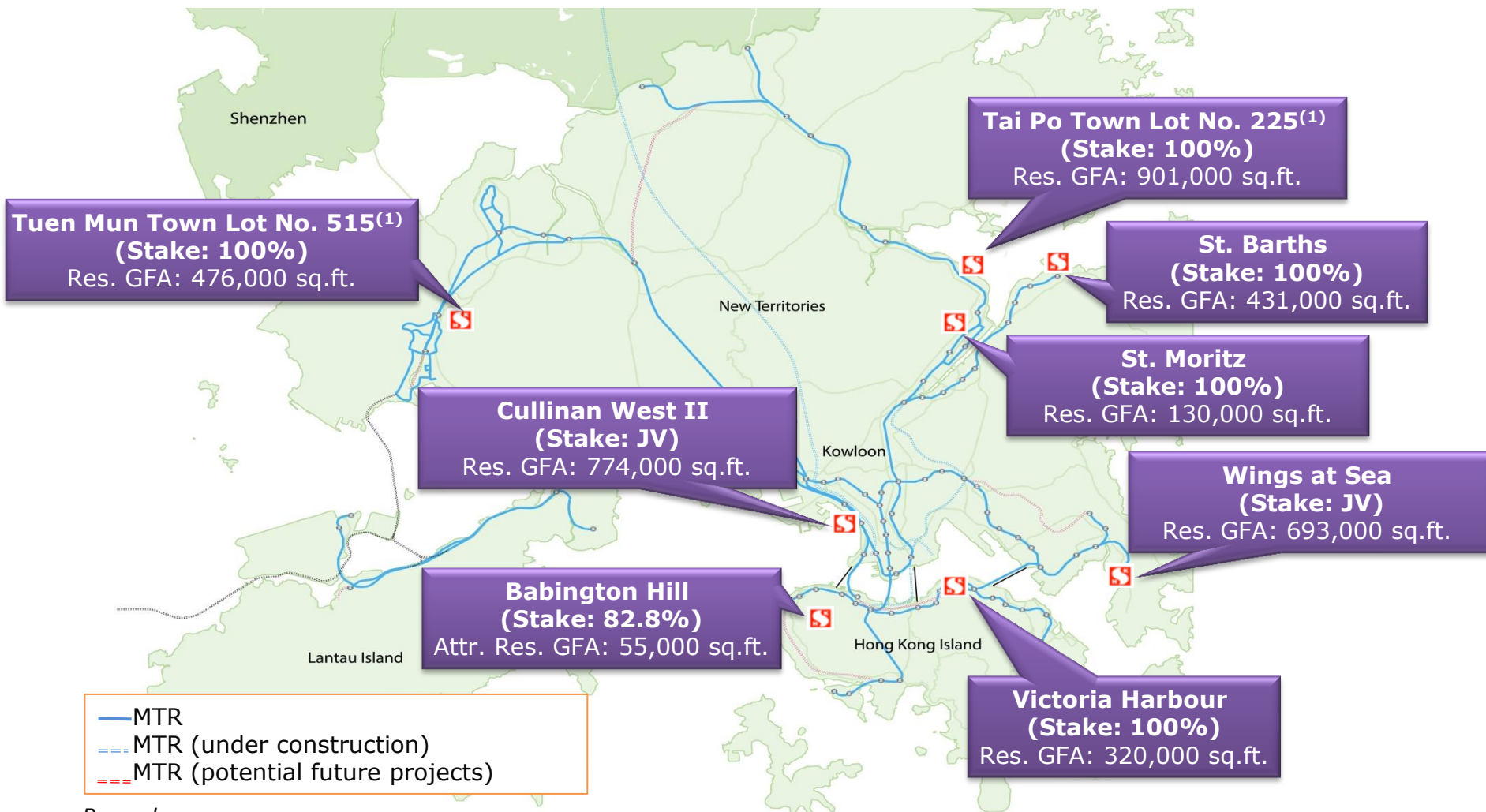
➤ **Far exceeded full-year target of HK\$33bn**

➤ Contracted sales since July 2017 reached around HK\$5.6bn\*

\* Represents contracted sales for July and August 2017



# Upcoming Launches in Next 9 Months



Remarks:

(1) These projects will be launched by phases



# PROPERTY BUSINESS - HONG KONG PROPERTY INVESTMENT

# Property Rental in Hong Kong

Gross Rental Income by Sector <sup>(1)</sup> (HK\$ mn)	FY2017	% of Total	FY2016 <sup>(2)</sup>	% of Total	Change
Shopping Centre	9,281	53%	8,973	54%	↑ 3.4%
Office	5,842	34%	5,573	33%	↑ 4.8%
Others <sup>(3)</sup>	2,315	13%	2,254	13%	↑ 2.7%
<b>Total</b>	<b>17,439</b>	<b>100%</b>	<b>16,800</b>	<b>100%</b>	<b>↑ 3.8%</b>

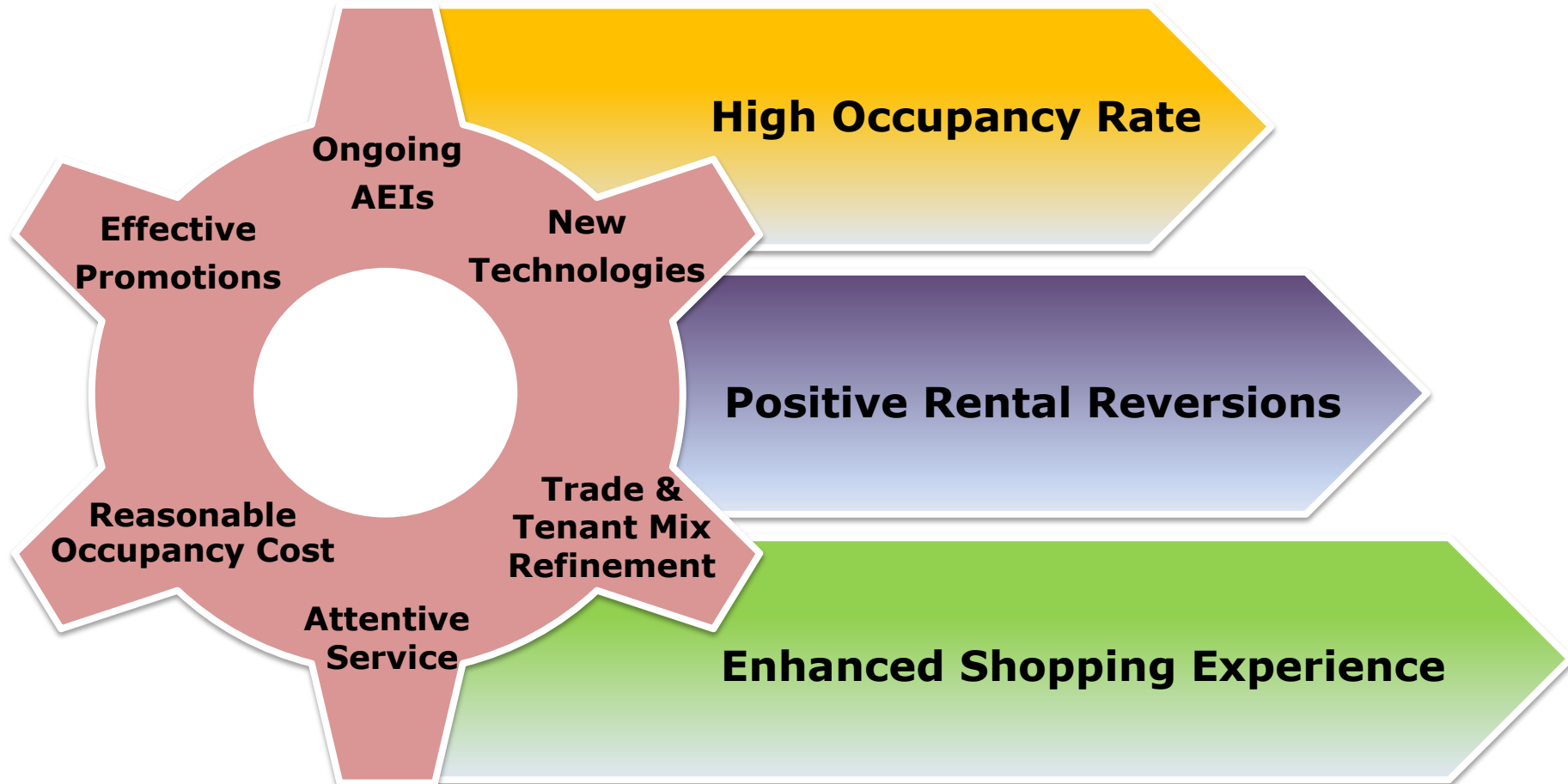
- Healthy performance with positive rental reversions and high occupancy
- Providing the Group with sizeable recurring income stream

*Remarks:*

- (1) Including shares of associates and joint ventures  
 (2) Comparative figures are restated due to regrouping  
 (3) Residential, industrial and car parks

# Strengthening Rental Value of Diversified Retail Portfolio

- Proactive management to boost rental income growth and brand value in the market



# Enjoyable and Refreshing Shopping Experiences

**East Point City, Tseung Kwan O**



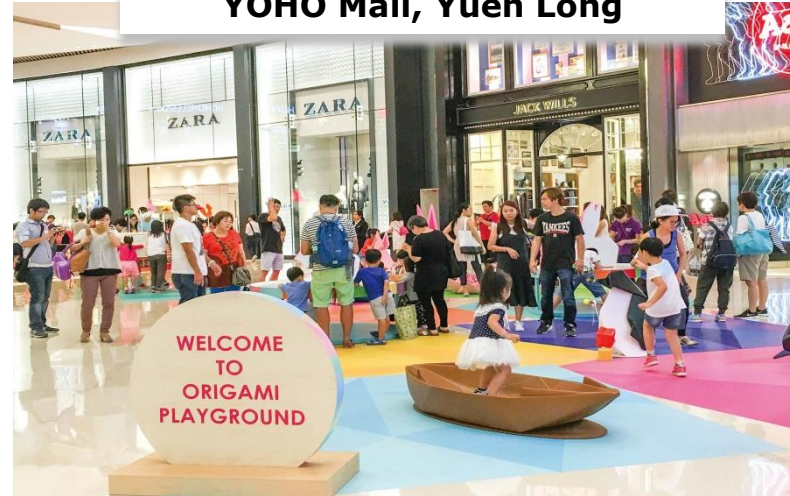
**Tsuen Wan Plaza**



**MOKO, Mong Kok**



**YOHO Mall, Yuen Long**



# Ongoing Asset Enhancement



## Metroplaza, Kwai Fong

- Major renovation work completed during the year
- New features at outdoor piazza will attract extra traffic and provide better shopping experience



## New Town Plaza, Sha Tin

- Phase III: new layouts with tenant mix refinement; revamp facade to elevate customer experience
- Phase I: new deluxe cinema opening in 2H 2018



## APM, Kwun Tong

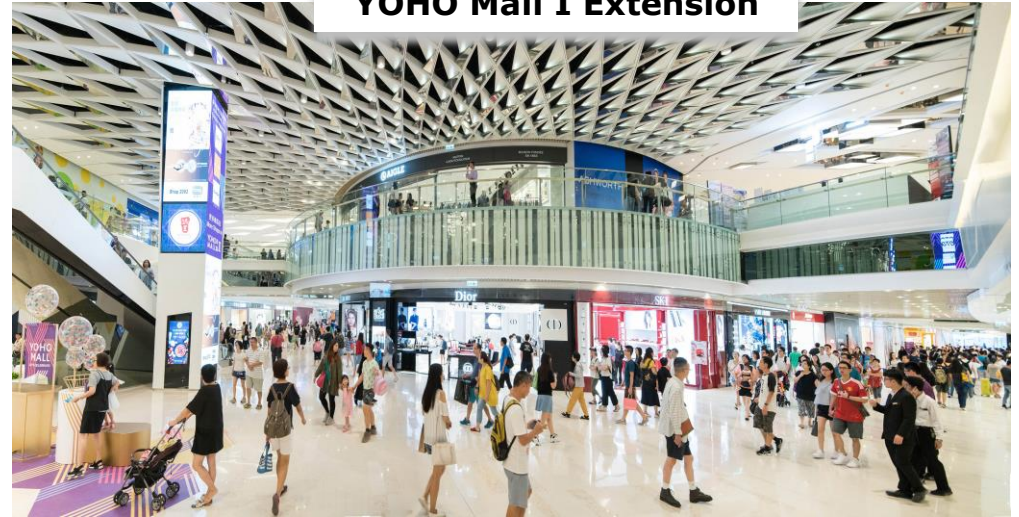
- Conversion of office space for retail use is under way
- Outdoor greening project is progressing well

# YOHO Mall in Yuen Long, Largest Retail Hub in Northwest N.T.

YOHO Mall I



YOHO Mall I Extension



YOHO Mall II



- Encouraging performance at YOHO Mall I and II
- Stronger traffic with the opening of the mall's extension in July 2017
- Featuring over 300 retail outlets
- IMAX cinema and the outdoor park adding much enjoyment to shopping experience

# Future New Shopping Malls



## PopWalk retail cluster, Tseung Kwan O South (~240,000 sq.ft.)

- PopWalk fully leased
- PopWalk 2 & 3 (95,000 sq.ft.) recently opened and nearly fully pre-leased
- Ocean PopWalk, the last phase, opening in early 2019 with pre-leasing started



## Mall at Nam Cheong Station Development (~300,000 sq.ft.)

- Atop an interchange, and one stop along West Rail away from the future Express Rail Link (HK section) terminus
- Opening in mid 2019
- Pre-marketing underway with good progress



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

- Mall under Victoria Harbour, near MTR North Point Station
- 1<sup>st</sup> phase of 7,000-sq-ft street-level shops to open in late 2018
- 2<sup>nd</sup> phase will be a 138,000-sq-ft mall
- Synergize with Hotel Vic and Victoria Harbour residences



# Solid Performance of Premium Office Portfolio



IFC

Occupancy: 100%



ICC

Occupancy: 99%



Millennium City Cluster

Occupancy: 96%

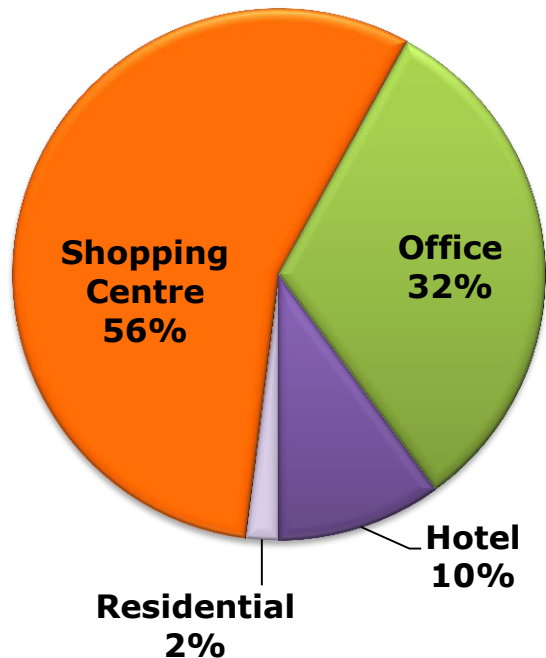
- Promising results with positive rental reversions and occupancy sustaining at high levels
- Strengthening the commercial portfolio in Kowloon East with the development in 98 How Ming Street, Kwun Tong
  - Total GFA of about 1.2mn sq.ft. (owns around 68% effective stake)
  - Finalizing development plan with a footbridge to be built linking to Millennium City 6



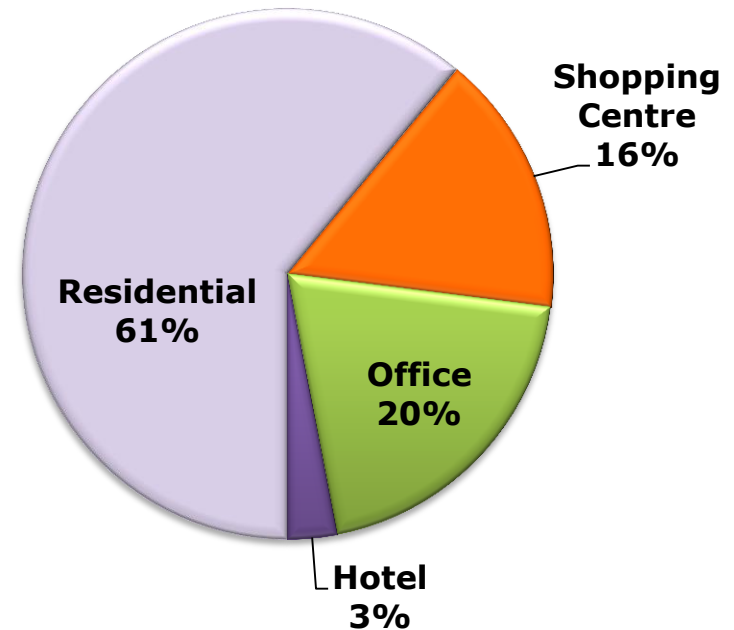
**PROPERTY BUSINESS - MAINLAND CHINA**  
**LAND BANK**

# Land Bank in Mainland China

Total land bank as at 30 June 2017: 66.5mn sq.ft.<sup>(1)</sup>



**Completed investment properties**  
**Total: 12.8mn sq.ft.**



**Properties under development**  
**Total: 52.6mn sq.ft.**

Remarks:

(1) Including 1.1mn sq.ft. of completed properties pending for sale on the mainland; majority of which are residential properties



# PROPERTY BUSINESS - MAINLAND CHINA PROPERTY DEVELOPMENT

# Recognized Property Sales in Mainland China

Property Sales <sup>(1)</sup> (HK\$ mn)	FY2017	FY2016	Change
Revenue	8,304	6,863	↑ 21.0%
Operating Profit	1,950	2,008	↓ 2.9%
<i>Margin</i>	<i>23.5%</i>	<i>29.3%</i>	↓ 5.8ppt

- Major contributors include:
  - Top Plaza East Tower and GCC in Guangzhou
  - Shanghai Arch and Shanghai Cullinan in Shanghai
  - Grand Waterfront in Dongguan and The Woodland in Zhongshan
  - Jovo Town in Chengdu
- Completed 5.2mn sq.ft. of attr. GFA (FY2016: 1.6mn sq.ft.)
  - Included 4.4mn sq.ft. of attr. residential GFA
- Around HK\$6.6bn property sales yet to be recognized

Remarks:

(1) Including shares of associates and joint ventures

# Contracted Sales of about RMB6.8bn<sup>(1)</sup>

## Major contributors

Project Name	Location	Stake (%)	Attr. Sales Proceeds (RMB bn)	Expected Completion
Shanghai Arch Phase 1 and 2A	Shanghai	100	1.1	Phase 1: Completed Phase 2A: FY2018
Forest Hills Phase 2B	Guangzhou	70	1.0	FY2018
Long King Phase 1D, 2A&2B <i>(formerly known as Oriental Bund)</i>	Foshan	50	0.9	FY2018
GCC	Guangzhou	70	0.8	Completed
Top Plaza East Tower	Guangzhou	33.3	0.8	Completed

Remarks:

(1) Contracted sales in terms of HKD amounted to about HK\$7.7bn

# Upcoming Launches in Next 9 Months

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Project Name	Location	Stake (%)	Attr. Res. GFA (sq.ft.)
Grand Waterfront Phase 2A <i>(New Batches)</i>	Dongguan	100	630,000
The Arch Suites	Chengdu	40	397,000
TODTOWN Phase 1	Shanghai	35	214,000



**PROPERTY BUSINESS - MAINLAND CHINA  
PROPERTY INVESTMENT**



# Property Rental in Mainland China

Gross Rental Income by Sector <sup>(1)</sup> (HK\$ mn)	FY2017	% of Total	FY2016	% of Total	Change
Shopping Centre	2,098	55%	1,963	55%	↑ 6.9%
Office	1,388	37%	1,302	37%	↑ 6.6%
Others <sup>(2)</sup>	303	8%	301	8%	↑ 0.7%
<b>Total</b>	<b>3,789</b>	<b>100%</b>	<b>3,566</b>	<b>100%</b>	<b>↑ 6.3%</b>

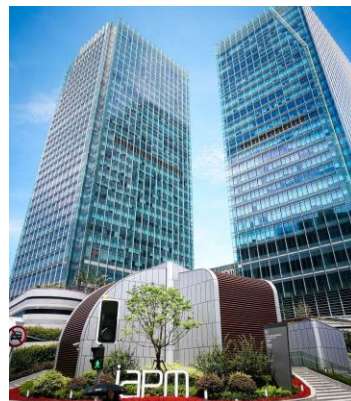
- Represented 17% of the Group's total gross rental income
- Generated respectable growth of 12% in RMB terms to RMB3,321mn, driven by:
  - Positive rental reversions
  - Additional rentals from new investment properties

Remarks:

(1) Including shares of associates and joint ventures

(2) Residential and car parks

# Iconic Presence in Shanghai



## Shanghai IFC in Pudong

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

- Almost fully let
- Positive rental reversions

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

- Notable rental reversions and robust growth in tenant sales
- Pedestrian tunnels to nearby buildings opened bringing in extra traffic

## Shanghai ICC in Puxi

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

- One ICC: virtually fully let with positive rental reversions
- Two ICC is now 90% leased and its occupancy is expected to go up

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

- Healthy growth in tenant sales and traffic
- Podium garden on Nanchang Road opened drawing much visitor traffic

# ITC, Mega Integrated Project in Shanghai

**ITC: 7.6mn sq.ft. (GFA)**



## One ITC (Phase 1)

- Completed during the year
- Office (170,000 sq.ft.): tenants start moving in
- Upscale mall (340,000 sq.ft): encouraging pre-marketing response



## Phase 2

- Completion in 2H FY2018
- Office (320,000 sq.ft.): positive pre-leasing response
- Retail space of 43,000 sq.ft.

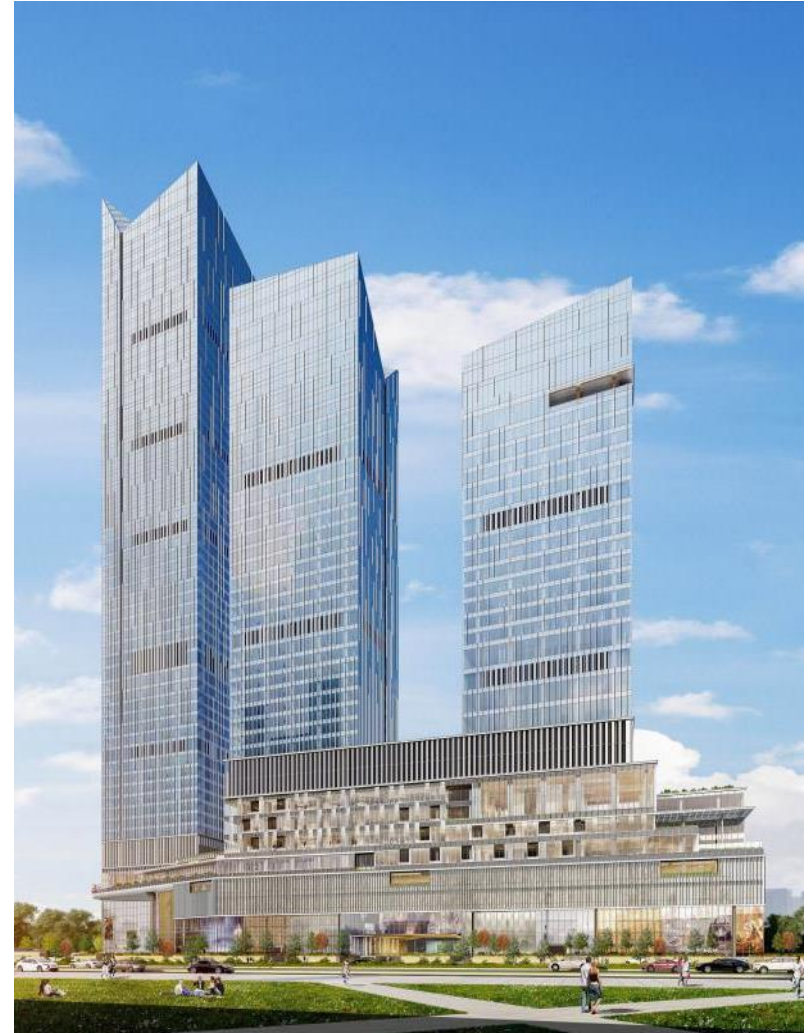


# Nanjing IFC, New Commercial Icon in Nanjing



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

- Situated atop an interchange station of two metro lines in the Hexi CBD
- Started pre-marketing for 2mn sq.ft. of premium offices and 1.1mn-sq-ft mall
- Entire project due for full completion by 2020



# Premium Malls in Guangzhou

- Both Parc Central and IGC were open in 2016
  - Over 80% retail space has been leased
  - Tenant sales and traffic ramping up steadily



**IGC (Stake: 33.3%)**  
**Attr. GFA: 332,000 sq.ft.**

- Easy access with direct connection to Liede metro station



**Parc Central (Stake: 50%)**  
**Attr. GFA: 431,000 sq.ft.**

- Located in Tianhe with cutting-edge design and urban park shopping concept



**HOTEL BUSINESS**

# Hotel Business

Hotel Business <sup>(1)</sup> (HK\$ mn)	FY2017	FY2016	Change
Revenue	4,896	4,711	↑ 3.9%
Operating Profit	1,325	1,259	↑ 5.2%
<i>Margin</i>	<i>27.1%</i>	<i>26.7%</i>	↑ <i>0.4ppt</i>

- Hong Kong hotels performed satisfactorily
- The Ritz-Carlton Shanghai, Pudong, continued to enjoyed steady growth in occupancy and room rates

Remarks:

(1) Including shares of associates and joint ventures

# New Hotel Additions

- Hotel Vic in North Point
  - Opening in 1H 2018
  - Part of Group's developments on North Point waterfront
  - Offers affordable luxury accommodation
- A premium hotel in Sha Tin
  - Opening in 1H 2019
  - A sister project of Royal Park Hotel
- Four Seasons Hotel in Suzhou
  - Construction under way
  - Completion in 2020







# MARKET AND BUSINESS PROSPECTS

# Market Prospects

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- Global economic expansion is continuing with relative low interest rate despite gradual approach to monetary policy normalization
- Anticipated moderate economic growth in Hong Kong and Mainland China will support the property markets
- Hong Kong
  - Residential primary market activity will remain active
  - Positive local fundamentals and initiatives like “Bond Connect” will support office leasing markets with diverse performance among districts
  - Solid local consumption and improved tourist arrivals will underpin retail sales

# Market Prospects (Cont'd)

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## ➤ Mainland China

- Quality office space in key cities will be highly sought-after back by stable economic growth and infrastructure improvements
- Rising spending power of middle-income class will support leasing demand for prime retail spaces in key cities
- First home sales will continue to be constrained by regulatory measures in key cities

# Business Prospects – Property Development

---

- Abundant saleable resources
  - Wide range of products with diverse flat mix from units for mass market to high-end residences across Hong Kong
  - Expect solid development margin
- Sufficient land bank with various sources of land banking
  - Current land bank of 15.9mn sq.ft. of residential GFA under development in Hong Kong sufficient for development needs of over five years
  - Prudent financial discipline on land acquisitions

# Business Prospects – Property Investment

---

- Continued organic growth from existing rental portfolio
  - Sizeable and well diversified premium rental portfolio
  - Positive rental reversions with high occupancy
  - Strong cash flow to support dividend
  
- Expanding investment property portfolio to further drive future rental income growth
  - Around 15mn sq.ft. attri. GFA to be completed in Hong Kong and on the mainland in the next 5 to 6 years
  
- Continue to review and monitor opportunities for non-core property disposals

# Strong Fundamentals

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**Sufficient  
Land Bank**

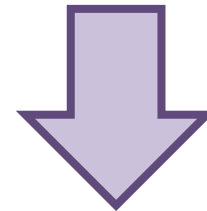
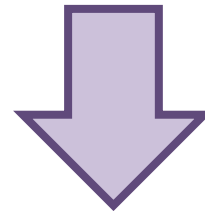
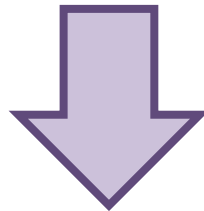
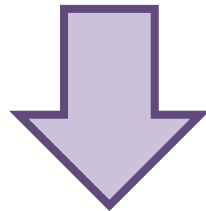
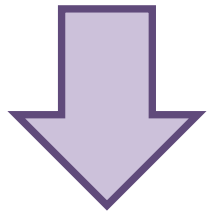
**Strong  
Balance  
Sheet**

**Sizable  
Investment  
Property  
Portfolio**

**Seasoned  
Management  
Team with  
Proven Track  
Record**

**Broad  
Market  
Exposure**

**Strong  
Brand**



**Sustainable Growth and Value Creation**



# Sun Hung Kai Properties

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Building Homes with Heart

**Q&A**

