



Sun Hung Kai Properties

Building Homes with Heart

FY2019 Annual Results



12 September 2019

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FINANCIAL REVIEW – FY2019

Results Snapshot



Profit

Underlying
EPS

HK\$11.18

↑ 6.6% yoy



Dividend

Full-year
DPS

HK\$4.95

↑ 6.5% yoy



Balance Sheet

Net
Gearing
Ratio
12.9%

Financial Highlights

	FY2019 ⁽¹⁾	FY2018	Change
Profit attributable to the Company's shareholders			
- Underlying ⁽²⁾ (HK\$ mn)	32,398	30,398	+6.6%
- Reported (HK\$ mn)	44,912	49,951	-10.1%
Basic earnings per share			
- Underlying ⁽²⁾ (HK\$)	11.18	10.49	+6.6%
- Reported (HK\$)	15.50	17.24	-10.1%
Final dividend per share (HK\$)	3.70	3.45	+7.2%
Total dividend per share (HK\$)	4.95	4.65	+6.5%

(1) The results for the year ended 30 June 2019 have been impacted by the adoption of new accounting standard HKFRS 15 for revenue recognition, which affected timing of property sales recognition in Hong Kong

(2) 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)	FY2019	FY2018	Change
(1) Property rental			
- Hong Kong	15,373	14,549	
- Mainland	3,746	3,534	
- Singapore	559	564	
Sub-total	19,678	18,647	+5.5%
(2) Property sales			
- Hong Kong	16,395	13,936	
- Mainland	2,302	2,314	
- Singapore	0	11	
Sub-total	18,697	16,261	+15.0%
(3) Hotel operation	1,433	1,470	-2.5%
(4) Other businesses	4,580	4,488	+2.0%
Total (1)+(2)+(3)+(4)	44,388	40,866	+8.6%

(1) Including shares of associates and joint ventures

Financial Position

As at	30 Jun 2019	31 Dec 2018	30 Jun 2018
Shareholders' equity (HK\$ mn)	566,405	545,856	539,098
- Shareholders' equity per share (HK\$)	195.5	188.4	186.1
Net debt (HK\$ mn)	72,968	64,389	65,339
Net gearing ratio ⁽¹⁾	12.9%	11.8%	12.1%
	FY2019		FY2018
Interest cover ⁽²⁾	14.6x		17.6x

(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

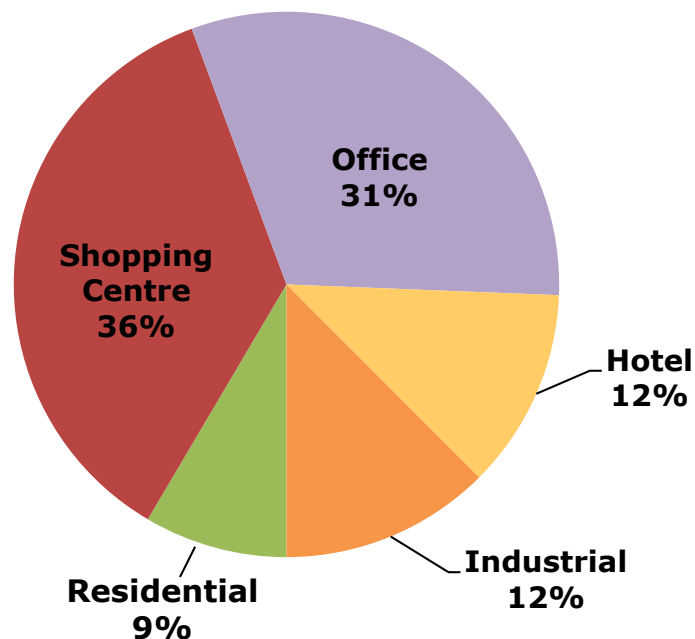
Victoria Harbour, North Point, Hong Kong



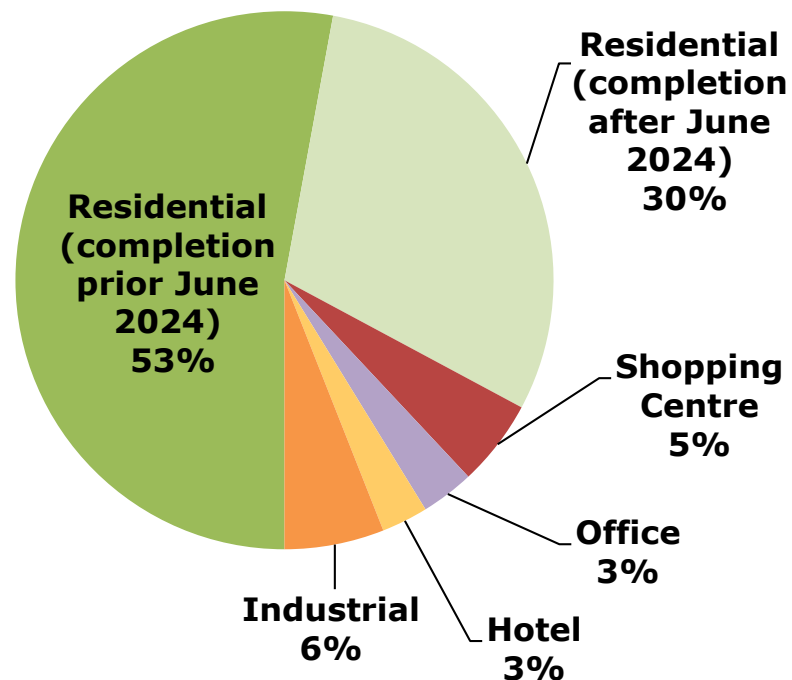
**PROPERTY BUSINESS - HONG KONG
LAND BANK**

Land Bank in Hong Kong

- Total land bank as at 30 June 2019: 58.0mn⁽¹⁾



Completed properties⁽²⁾
Total: 32.9mn sq.ft.



Properties under development
Total: 25.1mn sq.ft.

(1) In attributable terms

(2) An overwhelming majority are for rent / investment

Land Acquisitions in Hong Kong

- Added 7 sites through different means in FY2019

Location	Stake (%)	Usage	Method of Acquisition	Attributable GFA (sq.ft.)
Tai Po Town Lot No. 244	100	Residential/ Shops	Government Tender	917,000
Tseung Kwan O Town Lot No. 131 (Acquired by SUNeVision)	74	Data Centre	Government Tender	896,000
New Kowloon Inland Lot No. 6551, Kai Tak	100	Residential/ Shops	Government Tender	649,000
Lot 2091 in DD 105, Shek Wu Wai, Yuen Long	54	Residential	Farmland Conversion	265,000
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
Total				3,136,000

- Also reached a lease modification agreement for the redevelopment of an industrial building in Tsuen Wan into a residential project with a GFA of 168,000 sq.ft.

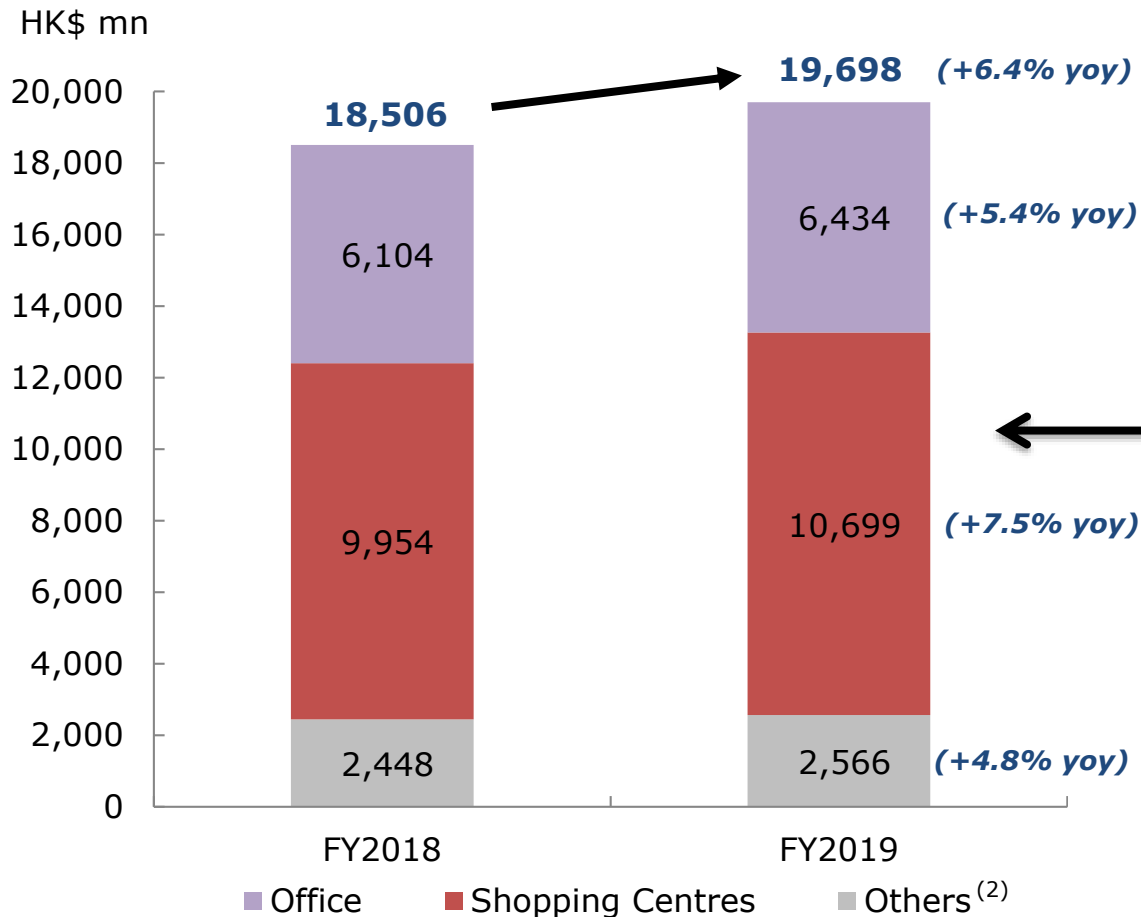


PROPERTY BUSINESS - HONG KONG

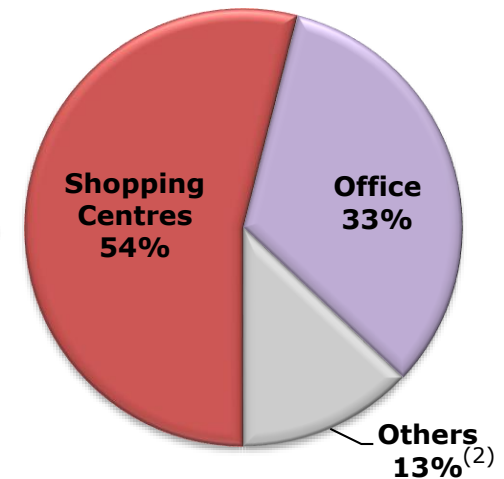
PROPERTY INVESTMENT

Healthy Rental Income from Diversified Portfolio

Gross Rental Income by Sector in Hong Kong ⁽¹⁾



FY2019
HK\$19,698mn
↑ **6.4% yoy**



Overall Occupancy
~94%

(1) Including shares of Associates and JCEs

(2) Residential, industrial and car parks

Diversified Quality Retail Portfolio of 12mn sq.ft.

- During the year, the Group's retail portfolio performed satisfactorily
- Weakening consumer sentiment and declining tourist spending have posed challenges in the retail market for recent months
- Adopt a proactive approach in managing the malls
 - Tenant and trade repositioning
 - Ongoing asset enhancements
- Enrich customer service through the use of digital applications



Latest Retail Addition – V Walk atop MTR Nam Cheong Station

V Walk, West Kowloon

Stake: 100%

Total GFA: 298,000 sq.ft.

- Underneath Cullinan West residential development
- Opened in July 2019
- Almost fully leased with an array of local favourites



Balanced and Diversified Office Portfolio of Over 10mn sq.ft.

ICC



Attri. GFA: 2.5mn sq.ft
Occupancy: 99%

IFC



Attri. GFA: 1.0mn sq.ft
Occupancy: 99%

Wan Chai & Causeway Bay



Attri. GFA: 1.8mn sq.ft
Occupancy: 98%

Millennium City Cluster



Attri. GFA: 1.7mn sq.ft
Occupancy: 94%⁽²⁾



(1) Occupancies as at 30 June 2019
(2) Included pre-leased area

Major New Additions in the Pipeline

Harbour North, North Point

Stake: 100%
Total GFA: 145,000 sq.ft.

- Retail component of the landmark Victoria Harbour development
- Feature a diverse collection of lifestyle retail and popular eateries
- Some of the street shops already opened and expect full opening by end of 2019



98 How Ming Street, Kwun Tong

Stake: 69.2%
Total GFA: 1.15mn sq.ft.

- Office-cum-retail joint-venture project
 - Two Grade-A office towers: 650,000 sq.ft.
 - Premium Shopping mall: 500,000 sq.ft.
- Expect to be completed in FY2022/23
- Further scale up the Group's presence in Kowloon East



PROPERTY BUSINESS - HONG KONG

PROPERTY DEVELOPMENT

Recognized Property Sales in Hong Kong

Property Sales ⁽¹⁾	FY2019	FY2018	Change
Revenue (HK\$ mn)	36,541	35,725	↑ 2.3%
Operating profit (HK\$ mn)	16,395	13,936	↑ 17.6%

- Adopted the new accounting standard HKFRS 15 for recognition of property sales in FY2019
- Major contributors:
 - Cullinan West II, Victoria Harbour Phase 1, St. Barths, Lime Gala, Ultima, PARK YOHO Milano, Twelve Peaks, Eight Regency
- Completed ~3.2mn sq.ft. of attri. residential GFA in FY2019
- Over HK\$47bn⁽²⁾ contracted sales yet to be recognized

(1) Including shares of associates and joint ventures

(2) As at 30 June 2019

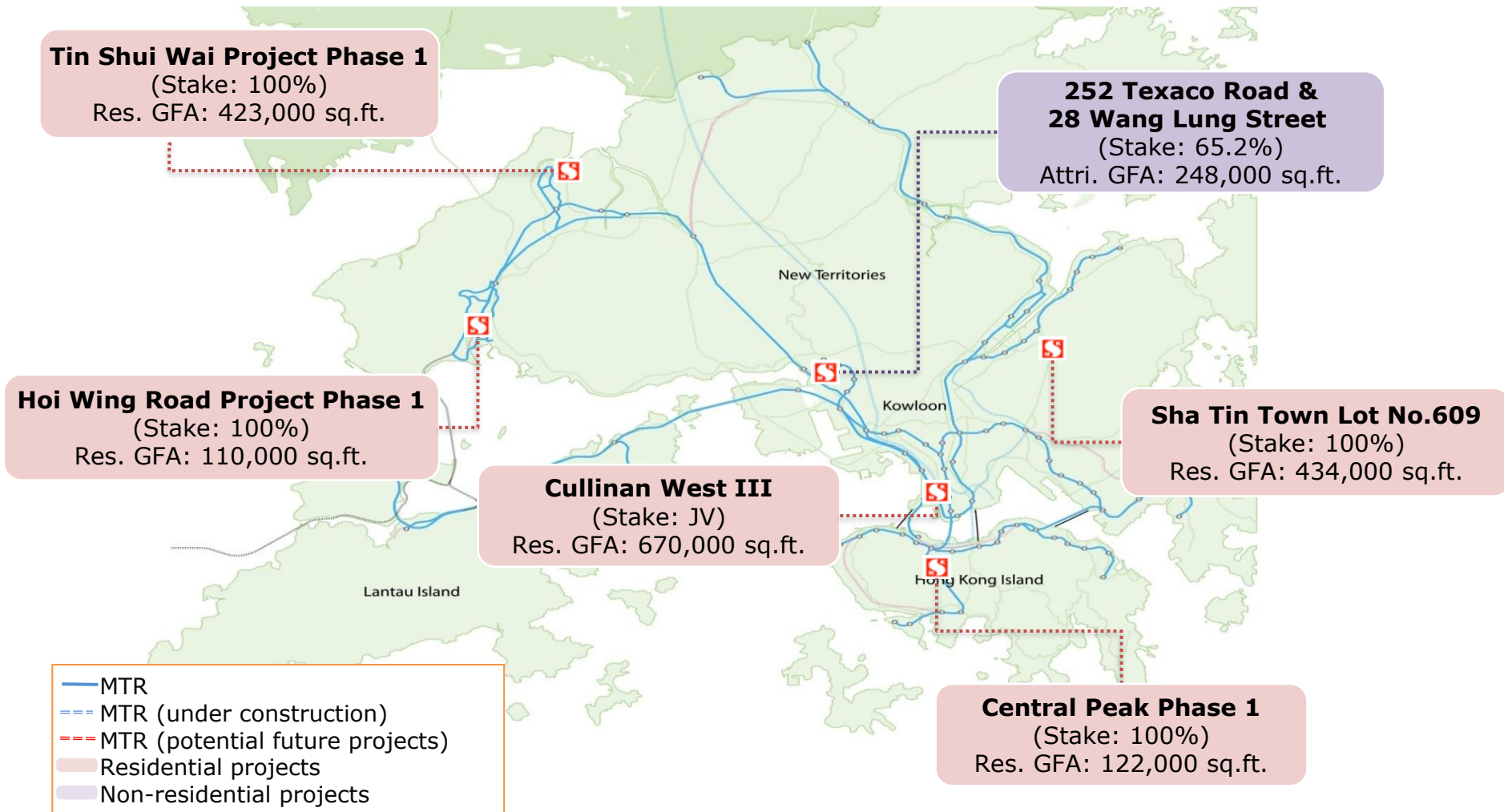
Contracted Sales in Hong Kong

Project	Stake (%)	Attri. Sales Proceeds (HK\$ bn)
Cullinan West, West Kowloon	JV	11.2
St Martin, Pak Shek Kok	100	10.8
Ultima, Ho Man Tin	100	7.8
PARK YOHO Milano, Yuen Long	100	3.6
Grand YOHO, Yuen Long	100	3.5
W LUXE, Shek Mun (Office)	100	2.7
Others ⁽¹⁾		20.1
Total		59.7

- Continue to put new projects on the market once they are ready for sale

(1) Including proceeds of HK\$1.5bn from sales of non core properties (e.g. carparks)

Upcoming Launches in Hong Kong in the Next 9 Months



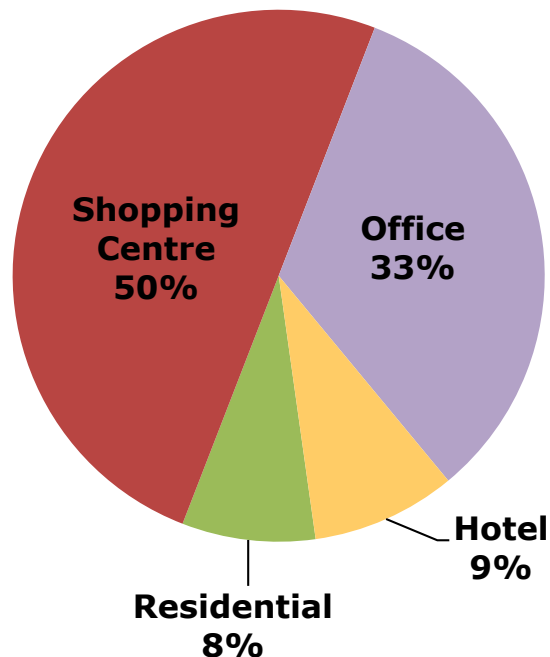


PROPERTY BUSINESS - MAINLAND CHINA

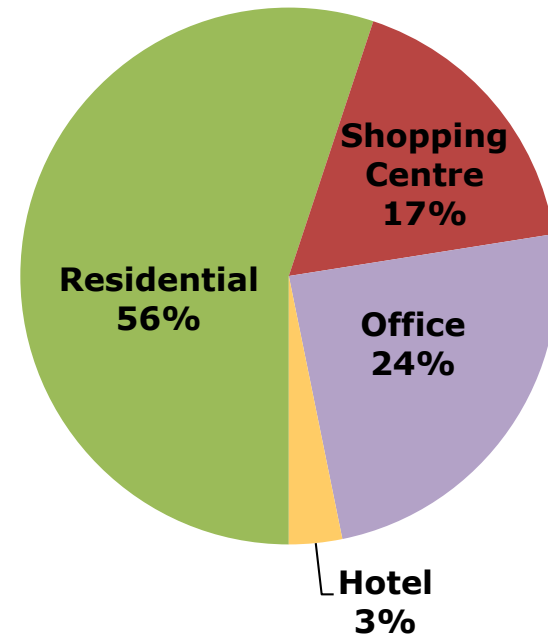
LAND BANK

Land Bank in Mainland China

- Total land bank as at 30 June 2019: 65.4mn sq.ft.⁽¹⁾⁽²⁾



Completed properties⁽³⁾
Total: 14.8mn sq.ft.



Properties under development
Total: 50.6mn sq.ft.

(1) In attributable terms

(2) Total land bank: 69.9mn sq.ft. if included the acquisitions of two riverside sites in Qianjiang New City CBD in August 2019

(3) Almost all are for rent / investment

Land Acquisitions in Mainland China

Jianghehui Project, Hangzhou⁽¹⁾

Eastern site stake: 45%;

Western site stake: 50%

Usage Breakdown

Total GFA (sq.ft.)

Residential	1,609,000
Office	5,464,000
Retail	1,342,000
Hotel	431,000

Total

(Above-ground GFA)

8,846,000



- Acquired two riverside sites at Jianghehui in Qianjiang New City, Hangzhou in August 2019
- Located at intersection of Qiantang River and Beijing-Hangzhou Grand Canal
- Develop into a transit-oriented integrated complex with a total above-ground GFA of ~9mn sq.ft.
- Adjacent to two metro stations under construction

(1) Combined stake: ~46%

Land Acquisitions in Mainland China (Cont'd)

Qingsheng Project, Nansha

Stake: 100%

Usage Breakdown

GFA
(sq.ft.)

Office 2,401,000

Retail 861,000

Total 3,262,000



- Acquired the two sites in Nansha Free Trade Zone in May 2018 and February 2019 respectively
- To be developed in phases into a 3.3-mn-sq.ft. integrated complex
- Direct access to the Qingsheng Station of High Speed Rail and Guangzhou Metro Line
- Currently under planning stage

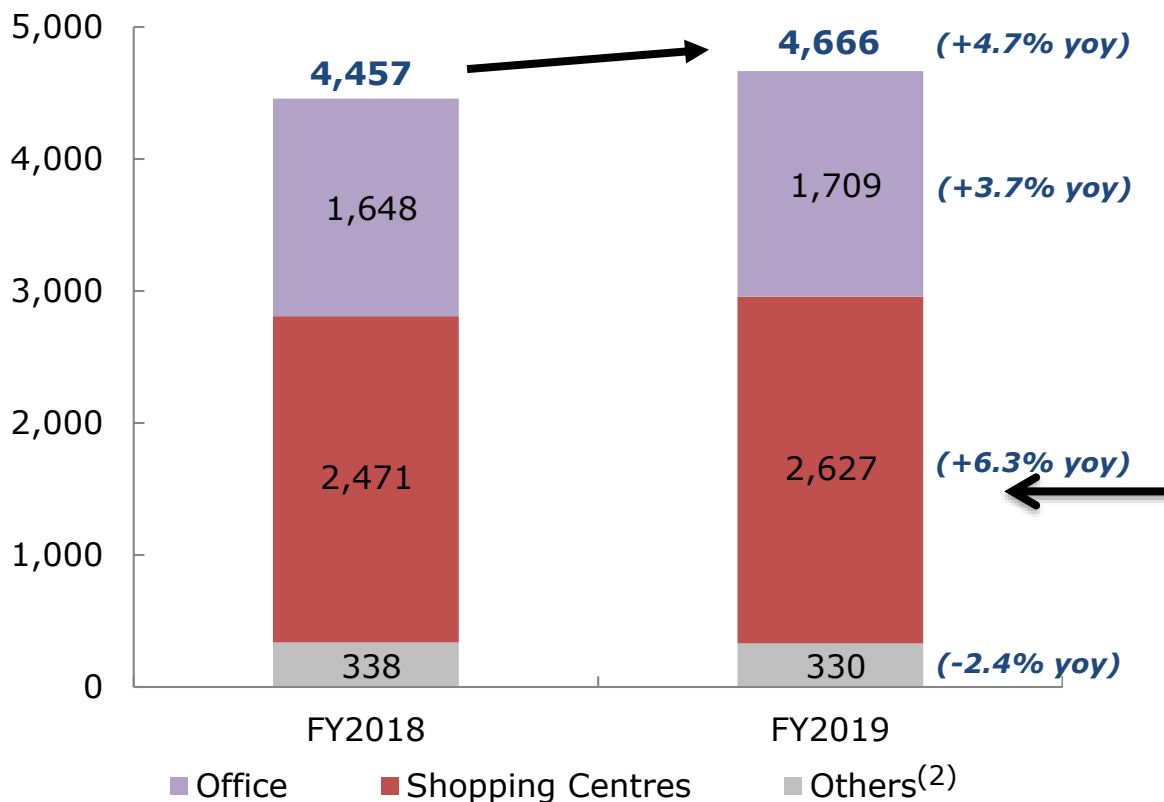


PROPERTY BUSINESS - MAINLAND CHINA
PROPERTY INVESTMENT

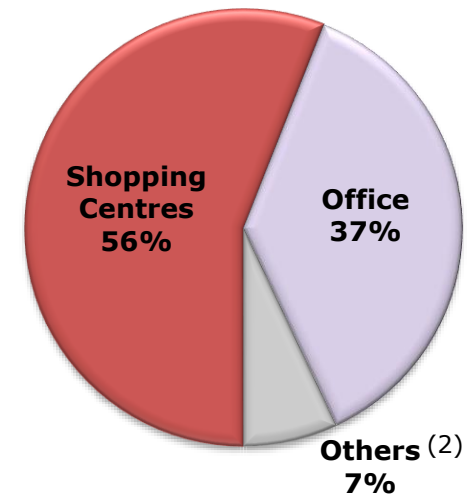
Healthy Rental Growth in Mainland China

- Represented ~19% of the Group's total gross rental income
- Gross rental income of RMB4,069mn, up 9.9% in RMB terms

HK\$ mn **Gross Rental Income by Sector on the Mainland ⁽¹⁾**



FY2019
HK\$4,666mn
↑ 4.7% yoy



(1) Including shares of Associates and JCEs

(2) Residential and car parks

Strong Presence in Shanghai

Shanghai IFC, Pudong Shanghai ICC, Puxi

Stake: 100%

- Continued to achieve positive rental reversions at both complexes
- Tenant sales at Shanghai IFC Mall have been further boosted following the renovation on the ground level



ITC, Xujiahui

Stake: 100%

Total GFA: 7.6mn sq.ft.

- Occupancy of offices at One ITC and Two ITC standing at over 90%
- Adidas, sole tenant at Two ITC, moved in during 1Q 2019
- Grand luxury mall at One ITC virtually fully pre-leased; scheduled to open in 4Q 2019
- Expect full completion by late 2023

New Additions in Major Mainland Cities

Nanjing IFC

Stake: 100%

Total GFA: 3.4mn sq.ft.

- Nanjing One IFC offices recently completed with some tenants already moved in
- Nanjing Two IFC offices to be completed in 2020
- Pre-leasing discussions on luxury shopping mall currently underway



New Town Plaza, Beijing

Stake: 100%

Total GFA: 225,000 sq.ft.

- Virtually fully let with over 100 renowned brands
- Grand opening in July 2019
- Attract young family shoppers



PROPERTY BUSINESS - MAINLAND CHINA

PROPERTY DEVELOPMENT

Recognized Property Sales in Mainland China

Property Sales ⁽¹⁾	FY2019	FY2018	Change
Revenue	4,772	6,195	↓ 23.0%
Operating profit	2,302	2,314	↓ 0.5%

- Major contributors:
 - Grand Waterfront Phase 2 in Dongguan, Shanghai Arch and Oriental Bund in Foshan
- Satisfactory development margin
- Completed ~2.1mn sq.ft. of attri. residential 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 2019

Contracted Sales in Mainland China

Project	Location	Stake (%)	Attri. Sales Proceeds (RMB bn)
Oriental Bund	Foshan	50	1.2
Park Royale	Guangzhou	100	0.9
1 st batch of TODTOWN Phase 1	Shanghai	35	0.9
Forest Hills	Guangzhou	70	0.3
Others			1.3
Total			4.6 ⁽¹⁾

(1) Contracted sales in terms of HKD amounted to HK\$5.3bn

Upcoming Launches in Mainland China in Next 9 Months

Project	Location	Stake (%)	Attri. Res. GFA (sq.ft.)
New batches of Oriental Bund	Foshan	50	880,000
Residence at Suzhou ICC	Suzhou	90	530,000
Park Royale Phase 2B (Remaining Towers)	Guangzhou	100	406,000
Shanghai Arch Phase 2 (Residential Towers)	Shanghai	100	381,000
The Woodland Phase 5A (Remaining Towers)	Zhongshan	JV	353,000



HOTEL BUSINESS

Hotel Business

Hotel Business ⁽¹⁾ (HK\$ mn)	FY2019	FY2018	Change
Revenue	5,682	5,333	↑ 6.5%
Operating Profit	1,433	1,470	↓ 2.5%

- The Group's hotel portfolio performed relatively steady during the year
- Operating environment has been significantly deteriorated since the middle of 2019
- ALVA Hotel by Royal in Sha Tin will open in late 2019
- A high-quality project on West Kowloon waterfront is now under construction
- The Ritz-Carlton Shanghai, Pudong maintained its prestigious position with relatively stable room performance



(1) Including shares of associates and joint ventures



MARKET AND BUSINESS PROSPECTS

Market Prospects

Hong Kong

Economy is likely to remain weak in the short term, confronting a slow global economy and unprecedented internal challenges

Primary residential market

- Softening market sentiment with limited investors' demand
- Relatively low mortgage rates and end-user demand continuing

Grade-A office leasing market

- Leasing inquiries are likely to slow in coming months
- Tight supply in the core areas help cushion the downside risks

Retail leasing market

- Weakening consumer sentiment and declining tourist arrivals have posed challenges to the market, especially the street shops in tourist areas
- Rents in well-managed malls will outperform those in street shops

Market Prospects (Cont'd)

Key Cities in Mainland China

Reasonable economic growth is likely backed by the monetary and fiscal stimuli despite lingering Sino-US trade conflicts

Primary residential market

- Performance will vary city by city due mainly to city-specific housing policies
- End-user demand is likely to underpin the transaction volume
- Speculative activities will continue to be constrained by the regulatory measures

Grade-A office leasing market

- Quality space with premium management services at prime locations will remain an attraction to multinationals and mainland companies

Retail leasing market

- Plans to boost domestic consumption will support healthy growth in the retail market
- Well-managed shopping malls at prime locations with ongoing tenant-mix refinement will outperform

Business Prospects – Property Investment

- Uncertainties of late have weighed on the overall leasing activities in Hong Kong
- Further boost shoppers' experience through The Point by SHKP
 - Devote more resources into marketing campaigns to drive traffic and tenant sales
- Additional contribution from future premises in Hong Kong and on the mainland will underpin recurring income over the long term
 - In next 3 years: Harbour North in Hong Kong; mall at One ITC in Shanghai and remaining phases of Nanjing IFC on the mainland
 - Beyond June 2022: 98 How Ming Street in Hong Kong, remaining phase of ITC in Shanghai
- Continue to seek opportunities for non-core property disposals

Business Prospects – Property Development

- Aim at high asset turnover
 - Continue to launch residential units for sale when ready
 - Presold ~70% of the 3.1mn sq.ft. GFA planned for sale in Hong Kong which is scheduled for completion in FY2020
 - Around HK\$52 bn contracted sales yet to be recognized
- Sufficient land bank to meet development needs over the medium term
 - Schedule to complete ~13mn sq.ft. of attributable GFA of residential property in Hong Kong before mid 2024
- To seek land acquisition opportunities in both Hong Kong and major mainland cities with strict financial discipline when opportunities arise

Sustainable Business Growth

"With an unwavering faith in Hong Kong, the Group is confident of being able to weather the current tough and challenging environment and move forward, as it has come through the storms and grown with this city over the decades."

Kwok Ping-luen, Raymond

Chairman & Managing Director

12 September 2019

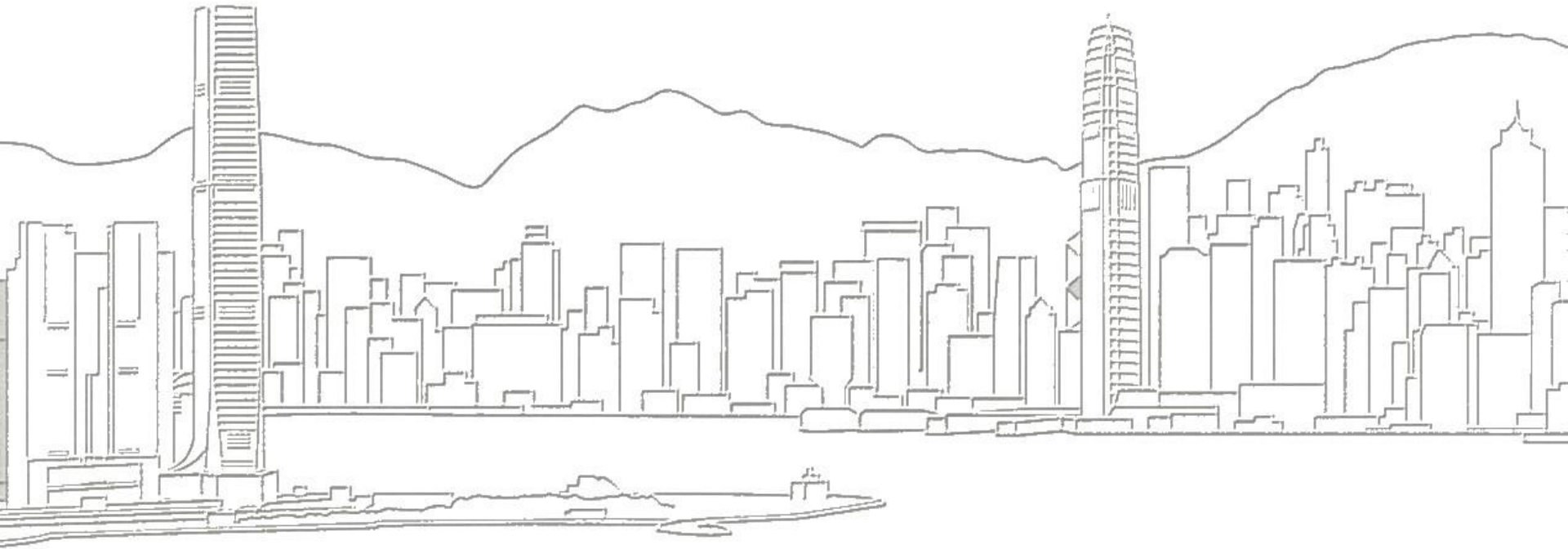
(Extracted from Chairman Statement, 2018/19 Annual Results)



Sun Hung Kai Properties

Building Homes with Heart

Q&A



SHKP in Sustainability



Hang Seng Corporate
Sustainability Index
Series Member 2018-2019



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