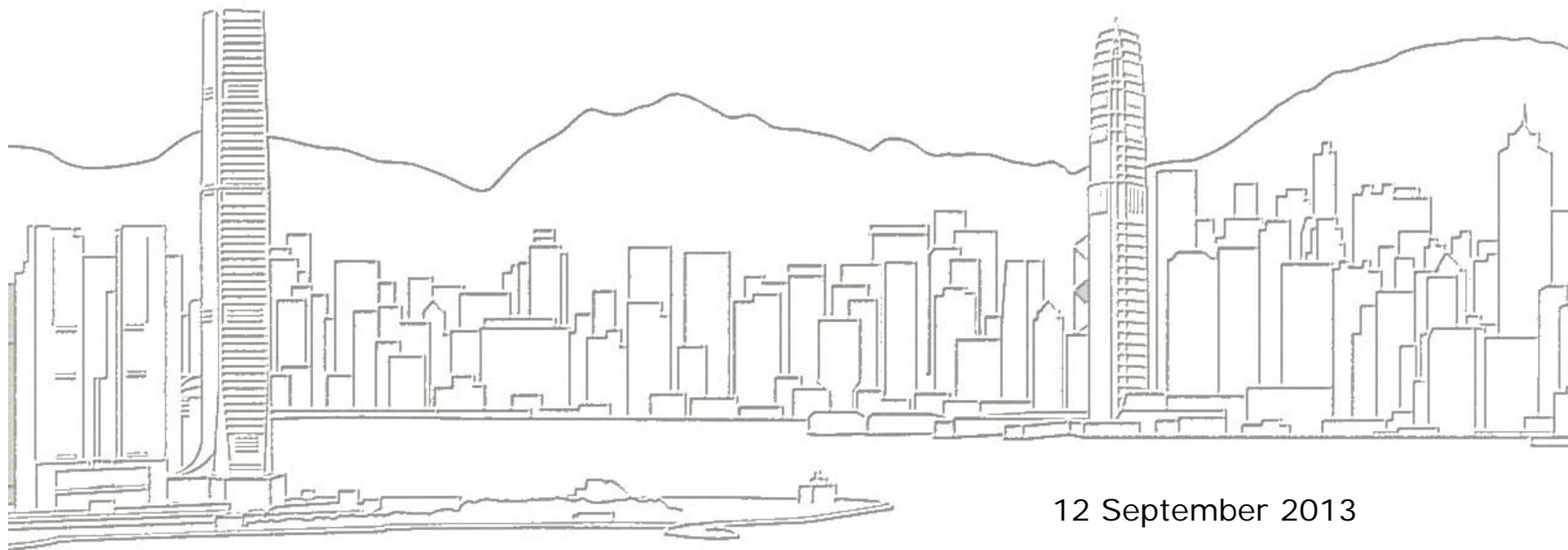




# Sun Hung Kai Properties

Building Homes with Heart

## Final Results - FY2013



12 September 2013

# Disclaimer

---

The information contained in these materials is intended for reference and general information purposes only. Neither the information nor any opinion contained in these materials constitutes an offer or advice, or a solicitation, recommendation or suggestion by Sun Hung Kai Properties Limited ("SHKP") or its subsidiaries, associated or affiliated companies, or any of their respective directors, employees, agents, representatives or associates to buy or sell or otherwise deal in any investment products, securities, futures, options or other financial products and instruments (whether as principal or agent) or the provision of any investment advice or securities related services. Readers of these materials must, and agree that they will, make their own investment decisions based on their specific investment objectives and financial positions, and using such independent advisors as they believe necessary or appropriate.

SHKP, its subsidiaries, associated or affiliated companies or any of their respective directors, employees, agents, representatives or associates cannot and does not represent, warrant or guarantee the accuracy, validity, timeliness, completeness, reliability or otherwise of any information contained in these materials. SHKP, its subsidiaries, associated or affiliated companies or any of their respective directors, employees, agents, representatives or associates expressly excludes and disclaims any conditions or representations or warranties of merchantability or fitness for a particular purpose or duties of care or otherwise regarding the information. All information is provided on an "as is" basis, and is subject to change without prior notice.

In no event will SHKP, its subsidiaries, associated or affiliated companies or any of their respective directors, employees, agents, representatives or associates be responsible or liable for damages of whatever kind or nature (whether based on contract, tort or otherwise, and whether direct, indirect, special, consequential, incidental or otherwise) resulting from access to or use of any information contained in these materials including (without limitation) damages resulting from the act or omission of any third party, even if SHKP, its subsidiaries, associated or affiliated companies or any of their respective directors, employees, agents, representatives or associates has been advised of the possibility thereof.

SHKP, its subsidiaries, associated or affiliated companies or any of their respective directors, employees, agents, representatives or associates is not responsible for the information contained in these materials which are provided by other third party. Access to and use of such information is at the user's own risk and subject to any terms and conditions applicable to such access/use. SHKP, its subsidiaries, associated or affiliated companies or any of their respective directors, employees, agents, representatives or associates is not responsible for any losses or damage caused by any defects or omissions that may exist in the services, information or other content provided by such other third party, whether actual, alleged, consequential, punitive, or otherwise. SHKP, its subsidiaries, associated or affiliated companies or any of their respective directors, employees, agents, representatives or associates makes no guarantees or representations or warranties as to, and shall have no responsibility or liability for, any content provided by any third party or have any responsibility or liability for, including without limitation, the accuracy, subject matter, quality or timeliness of any such content.

If there is any inconsistency between the English and Chinese version of this disclaimer, the English version shall prevail.

---



# Contents

---

	<b>Page</b>
 <b>Final Results Highlights</b>	
▪ Results Summary	5
▪ Profit Breakdown By Segment	6
▪ Financial Position	7
 <b>Business Overview</b>	
<b>A) Property Business – Hong Kong</b>	
▪ Land Bank and Land Acquisition	9
▪ Property Investment	11
▪ Property Development	18
<b>B) Property Business – Mainland</b>	
▪ Land Bank and Land Acquisition	22
▪ Property Investment	24
▪ Property Development	30
<b>C) Hotel Business</b>	33
 <b>Prospects</b>	
▪ Market Prospects	36
▪ Business Strategy and Financial Position Update	37
▪ Business Prospects	39



A thick red vertical bar on the left side of the slide.

# Final Results Highlights

# Results Summary

## Year ended 30 June

	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>Change</u></b> <b>(+/-)</b>
Reported net profit (HK\$ million)	<b>40,329</b>	43,080	-6.4%
Reported earnings per share (HK\$)	<b>15.28</b>	16.63	-8.1%
Underlying net profit* (HK\$ million)	<b>18,619</b>	21,678	-14.1%
Underlying earnings per share* (HK\$)	<b>7.05</b>	8.37	-15.8%
Final dividend per share (HK\$)	<b>2.40</b>	2.40	-
Total dividend per share (HK\$)	<b>3.35</b>	3.35	-

Remarks:

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



Sun Hung Kai Properties Limited

# Profit Breakdown By Segment\*

**Year ended 30 June**  
(in HK\$ million)

	2013	2012	YoY Change
(1) Property rental			
Hong Kong	10,249	9,506	
Mainland	1,467	1,103	
Singapore	520	460	
Sub-total	12,236	11,069	10.5%
(2) Property sales			
Hong Kong	6,444	12,618	
Mainland	673	411	
Singapore	73	45	
Sub-total	7,190	13,074	-45.0%
(3) Hotel operation**	937	1,032	-9.2%
(4) Other businesses	3,539	3,486	1.5%
Total (1) + (2) + (3) + (4)	23,902	28,661	-16.6%

Remarks:

\* Including share of Associates and JCEs

\*\* Excluding Royal Plaza (under renovation) and pre-opening expenses of and contributions from the two new hotels in TKO, the growth would have been 13%



Sun Hung Kai Properties Limited

# Financial Position

	30 Jun 13	31 Dec 12	30 Jun 12
Gearing Ratio*	12.5%	16.5%	16.4%
Shareholders' Funds (HK\$ million)	385,912	368,302	346,559
Net Debt (HK\$ million)	48,159	60,614	56,928
	FY2013		FY2012
Interest Cover**	8.7x		13.7x

*Remarks:*

\* Calculated on the basis of net debt to Company's shareholders' funds

\*\* Measured by the ratio of operating profit to total net interest expenses including those capitalized





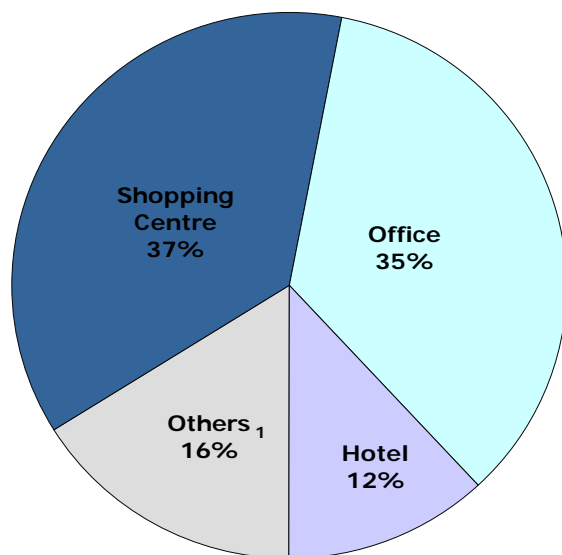
# Property Business

## Hong Kong



# Land Bank in Hong Kong

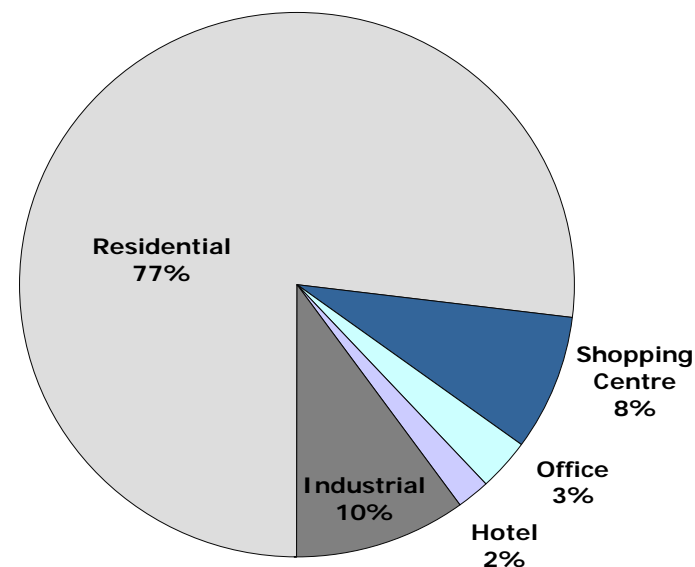
- Total land bank: 46.6m sq ft (as at 30 June 2013)
  - Excluding over 27m sq ft (site area) of farmland



**Completed investment properties**  
**Total: 28.6m sq ft**

Remarks:

1. Others include residential and industrial buildings



**Properties under development**  
**Total: 18m sq ft**



Sun Hung Kai Properties Limited

# Land Acquisition in Hong Kong

- 7 new sites added for the year under review

<u>Location</u>	<u>Group's Interest</u> (%)	<u>Usage</u>	<u>Attributable GFA</u> (sq ft)
Inland Lot 9027, North Point	100	R/S	701,000
Tseung Kwan O Town Lot No. 118	100	R/S	563,000
Inland Lot No. 9020, North Point	100	H	388,000
Sha Tin Town Lot No. 566	100	R	130,000
Tung Chung Town Lot No. 11	20	S	86,000
97 Belcher's Street, Kennedy Town	92	R/S	85,000
38-52 Western Street, Sai Ying Pun	92	R/S	76,000
<b>Total</b>			<b>2,029,000</b>

Key : R=Residential, S=Shops / Shopping Centre, H=Hotel

- Acquired a residential site in Yuen Long (232,000 sq ft of GFA) in September this year



# Hong Kong Property Investment

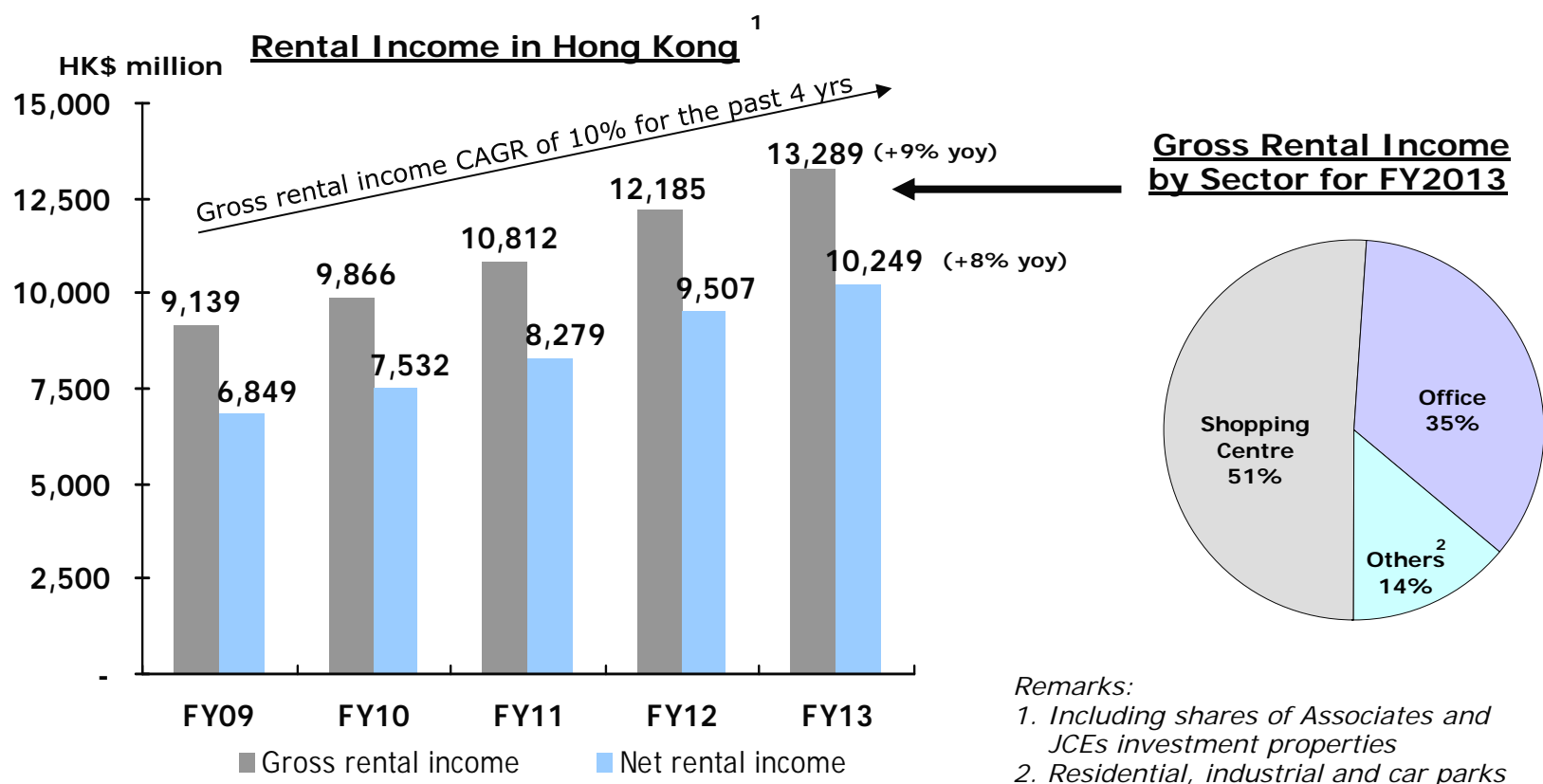
---

- One of the largest landlords in Hong Kong, holding over 28.6m sq ft of investment properties
  - Primarily located along railway lines
- Strong and steadily-growing rental income
- Overall occupancy over 95%
- Constant upgrades and premium management services further strengthen the Group's leading position in the leasing market



# Rental Income – Hong Kong

- Gross rental income, including shares of Associates and JCEs, up 9% yoy



# Hong Kong Retail Portfolio

---

- Leading player in Hong Kong's retail leasing market with over 10m sq ft of GFA
- Gross rental income exceeded HK\$6.7bn for the year under review, up 7.4% yoy
- Achieved high occupancy with positive rental reversions
- Extensive network of shopping centres, including a number of regional malls, covering both highly populated districts and traditional shopping destinations



# Recently Opened V City

- About 270,000 sq ft of GFA
- Opened in August 2013
- Fully let
- Fresh lifestyle concept targeting young locals, professionals and tourists
- Heavy traffic and better than expected tenant sales



# Retail Network Expansion

---

- Along the West Rail Line
  - Nam Cheong Station project
    - Nearly 300,000-square-foot premium mall
    - At the interchange of the West Rail and Tung Chung lines
    - Scheduled for completion in phases from 2017
  - YOHO Mall
    - A million-square-foot regional shopping centre in the northwest New Territories
    - Comprising 2 existing malls and 1 new mall under construction



# Retail Network Expansion (Cont'd)

---

- On Hong Kong Island
  - North Point waterfront site
    - Over 120,000 sq ft of GFA for a premium shopping mall
    - Near MTR North Point Station
    - Synergy with the adjacent Group's waterfront hotel project
- In Tseung Kwan O
  - Over 240,000 sq ft of GFA retail space in projects under development
  - Scheduled for completion in phases from 2016





# Hong Kong Office Portfolio

---

- Gross rental income up 13% yoy to around HK\$4.7bn for the year under review
- Overall occupancy remained high
- About 10m sq ft of diverse office portfolio
- Offices outside of Central did particularly well
  - Around 90% of Group's office portfolio located in non-Central areas
- ICC occupancy stayed high with increased spot rents
- IFC continued to do well in the core Central office market



# Hong Kong Property Development

---

- For the year under review
  - Completed 5 projects with over 1.9m sq ft of attributable GFA, providing
    - ~800,000 sq ft of residential properties
    - ~800,000 sq ft of offices
  - Booked over HK\$16bn property sales\* with satisfactory margin
    - Major projects booked
      - ☐ Phase 1 of Century Gateway
      - ☐ Kowloon Commerce Centre Tower B
      - ☐ Elite Centre
      - ☐ 49 King Yip Street

*Remarks:*

*\*Including shares of Associates and JCEs*



# Contracted Sales in Hong Kong

---

- Contracted sales of over HK\$22bn recorded for the year under review
  - Major residential projects sold
    - Phase 1 of Century Gateway
    - The Wings II
    - Residence 88
  - Major selected non-residential property disposals
    - Kowloon Commerce Centre



# Looking Ahead in Hong Kong

---

- Upcoming new residential projects for sale (majority small-to medium-sized units)
  - Century Gateway II in Tuen Mun
  - Imperial Kennedy in Kennedy Town
  - Riva in Yuen Long East
  - Fanling Project
- Re-launch of The Cullinan in West Kowloon
- Upcoming office projects for sale
  - Hoi Bun Road in Kwun Tong
  - Wong Chuk Hang Road in Island South



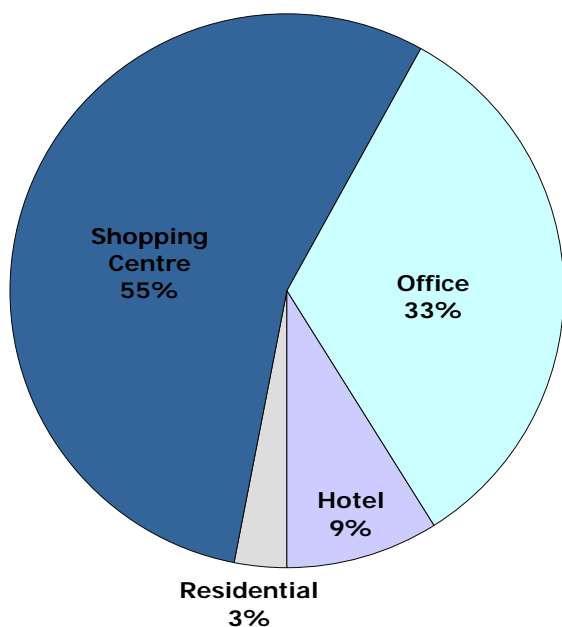


# Property Business

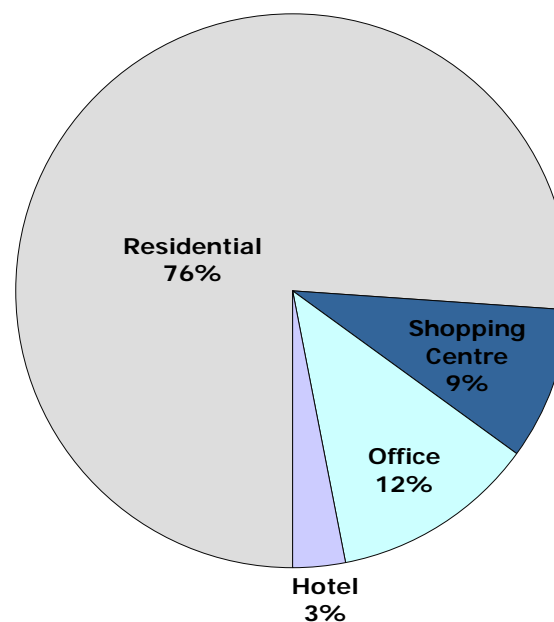
## Mainland

# Mainland Land Bank

- Total land bank: 81.1m sq ft (as at 30 Jun 2013)



**Completed investment properties**  
**Total: 9.5m sq ft**



**Properties under development**  
**Total: 71.6m sq ft\***

Remarks:

\* Not including the acquisition of Shanghai Xujiahui Centre project on September 5, 2013



Sun Hung Kai Properties Limited

# Latest Acquisition on the Mainland

---

- Shanghai Xujiahui Centre project (100% owned)
  - Land cost ~ HK\$27.6bn
  - Located in Xujiahui, one of the busiest commercial hub in Shanghai, and direct connection to metro station that serves as the interchange of three lines
  - Integrated project with around 7.6m sq ft of GFA, including 1.3m sq ft of underground floor area
    - Comprising office, shopping and hotel premises
  - In line with Group's focused investment strategy in key mainland cities
  - Leverage the Group's extensive experience in developing landmark integrated projects



# Mainland Property Investment

---

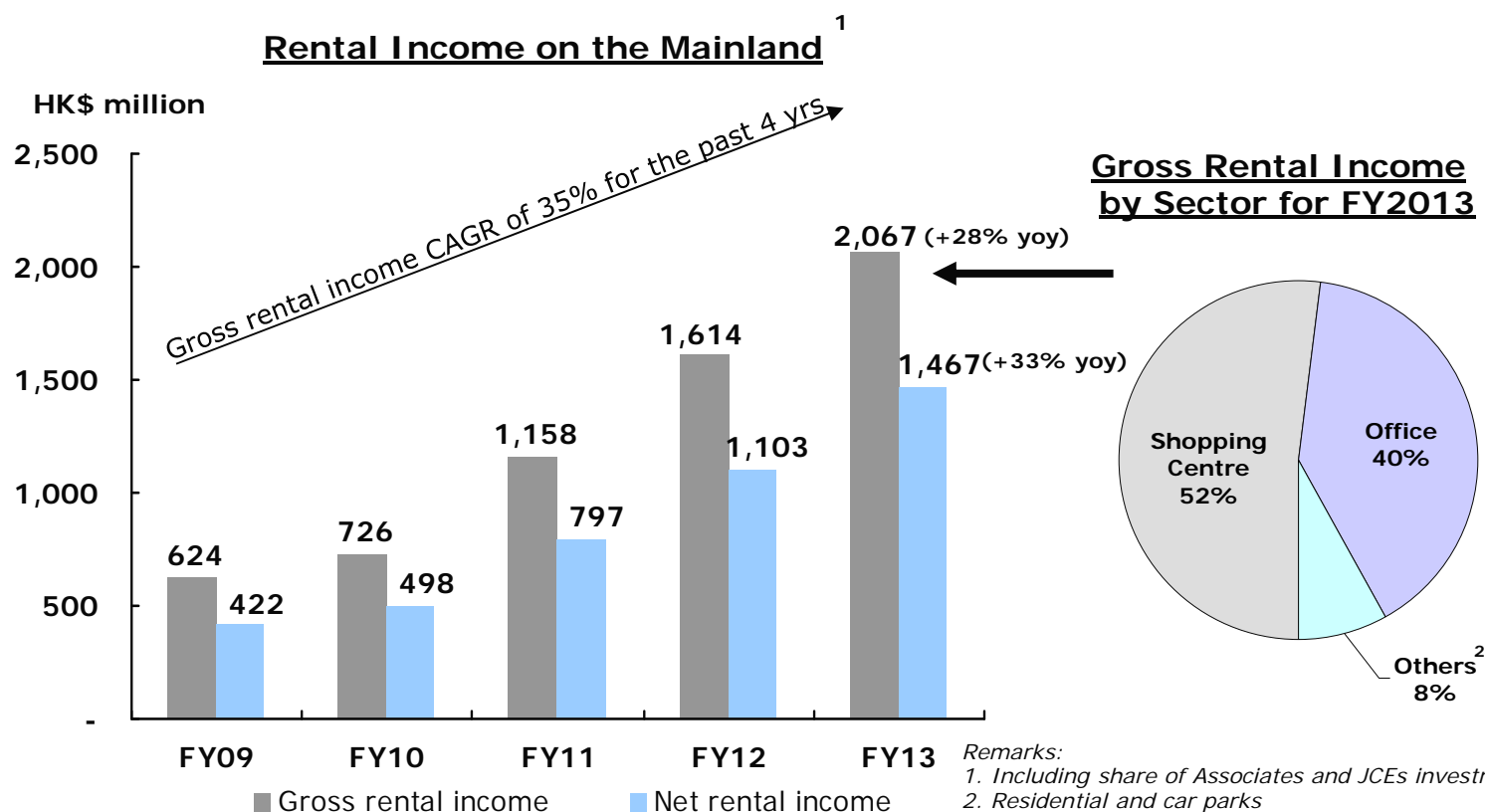
- Gross rental income, including shares of Associates and JCEs, rose by 28% yoy to over HK\$2bn
  - Accounted for 13% of the Group's total gross rental income
- The Group holds about 9.5m sq ft of completed investment properties, mainly in prime cities
- The Group's prestigious brand has steadily gained trust and recognition on the mainland
  - Shanghai Xujiahui Centre project will further strengthen the Group's brand and rental income





# Mainland Property Investment

- Impressive gross rental income growth of 35% CAGR in the past 4 years



# Recently Opened IAPM at Shanghai ICC

- 1.3m sq ft of GFA (100% owned)
- At the interchange of 3 metro lines
- Upscale mall with late-night shopping concept
- High traffic since soft opening in August 2013
- Expected to contribute significant rental income to the Group's mainland business



# Flagship Investment Properties

---

- Shanghai ICC Offices (100% owned)
  - First office tower occupancy remained high
  - Second office tower scheduled for completion in FY2015
    - Begin pre-leasing in 2014
    - Focus on multinational companies, professional firms and mainland corporations
- Over 200,000 sq ft of luxury ICC Residence under interior decoration



# Flagship Investment Properties (Cont'd)

---

- Shanghai IFC (100% owned)
  - First office tower is fully occupied and higher occupancy recorded in the second tower
  - High traffic flow in IFC mall
    - Introduced more fashion retailers, jewellery shops and restaurants after Phase 2 opening
    - Continuous interest from many prospective tenants for retail space



# Retail Network Expansion

---

The Group continues to develop its retail network in prime cities on the mainland

- Hong Cheng retail project (50% owned)
  - Around 900,000 sq ft GFA
  - Located in the Tianhe retail zone in Guangzhou
  - Construction progressing well
- Minhang project (35% owned)
  - Include a regional mall covering 1.5m sq ft GFA
  - Situated above Xinzhuang Station in Shanghai



# Mainland Property Development

---

- For the year under review
  - Completed 4 projects with over 2m sq ft of attributable GFA
  - Booked around HK\$3.6bn property sales\*
    - Major projects booked
      - ❑ Taihu International Community Phase 5 in Wuxi
      - ❑ The Riviera Phase 1A in Guangzhou
      - ❑ Lake Dragon Phase 2A in Guangzhou
      - ❑ The Woodland Phase 4B in Zhongshan

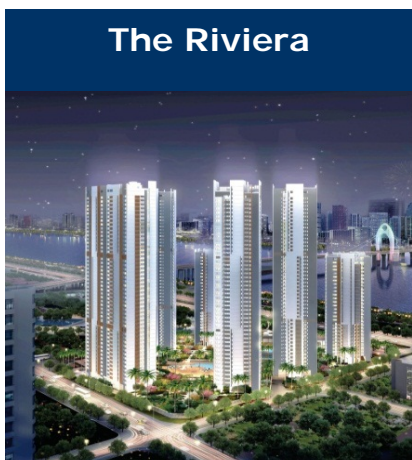
*Remarks:*

*\*Including shares of Associates and JCEs*



# Contracted Sales on the Mainland

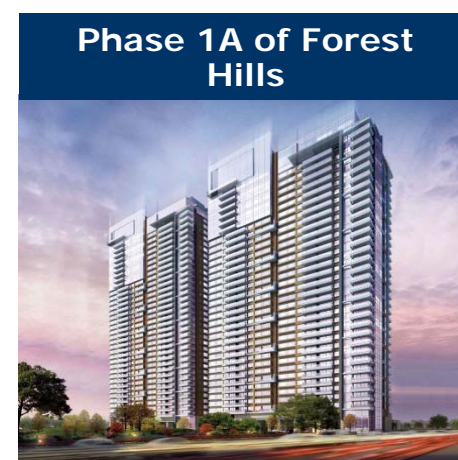
- Impressive contracted sales of about HK\$10bn, up about 65% yoy
- Major projects sold



- Stake: 33%
- Location: Guangzhou



- Stake: 100%
- Location: Shanghai



- Stake: 70%
- Location: Guangzhou

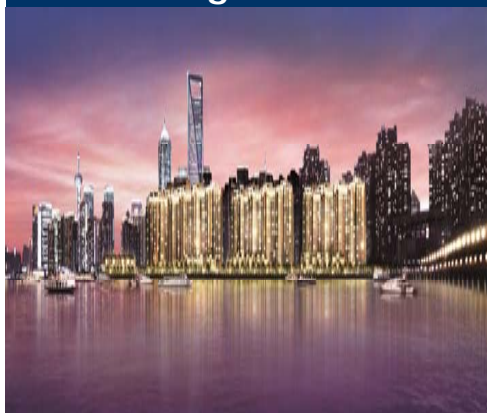




# Looking Ahead on the Mainland

## – Major upcoming launches

**Second batch of Phase 1  
Shanghai Arch**



- SHKP Stake: 100%
- Location: Shanghai
- GFA: 288,000 sq ft
- Usage: Residential

**Phase 1 of Oriental Bund**



- SHKP Stake: 80%
- Location: Foshan
- Attr. GFA: 520,000 sq ft
- Usage: Residential, shops

**Top Plaza (Office Tower  
of Tianhui Plaza)**



- SHKP Stake: 33%
- Location: Guangzhou
- Attr. GFA: 209,000 sq ft
- Usage: Office







# Hotel Business

# Hotel Business

---

- Satisfactory performance with high occupancy\*
- Newly operated hotels in Kowloon East
  - Both Crowne Plaza and Holiday Inn Express have been operating smoothly since opening
- North Point waterfront hotel site
  - SHKP stake: 100%
  - Hotel GFA: 388,000 sq ft
  - Synergy with the Group's neighboring residential/commercial site

*Remarks:*

*\*Not including newly operated hotels in Hong Kong and The Ritz-Carlton Shanghai, Pudong*





Prospects

# Market Prospects

---

- Global economy will likely continue to see modest growth with improving economic conditions of Mainland China
- The anticipated moderate Hong Kong economic growth will support the property leasing market
- Government measures will continue to restrain property demand in Hong Kong, though first-time home buyers will be less affected
  - Low mortgage rates and continuous income growth will underpin potential residential demand



# Business Strategy

---

- Group's business strategies remain unchanged
  - Balance between income from property sales and rental income from investment portfolio
  - Enhance the Group's brand with high-quality products and excellent service
  - Selective and focused approach to investment on the mainland
  - Observe strictly the discipline of prudent financial management



# Financial Position Update

---

- Gearing ratio
  - 12.5% (as at 30 June 2013)
  - Below 20% (after the full payment of land cost of Shanghai Xujiahui Centre project)
- Strong recurrent income together with continuous property sales will underpin strong financial position of the Group
- The Group will stick to its disciplined approach in financial management



# Business Prospects

---

- Promising prospects for rental business
  - Positive rental reversions with sustained high occupancies
  - New contributions from IAPM in Shanghai and V City in Hong Kong
  - Strong pipeline of investment property projects in both Hong Kong and Mainland China
  - Rental income growth in Mainland China will be particularly strong going forward



# Business Prospects (Cont'd)

---

- Continued efforts to excel in property development business
  - Accelerate asset turnover through
    - Both residential and non-residential property sales
    - Proactive and selective disposals of investment property
  - Increase production volume over the medium term
    - Focus more on developing small-to medium-sized quality flats
  - Enhance the Group's leading position by differentiating in product quality and customer care







# Sun Hung Kai Properties

Building Homes with Heart

**Q & A**

