



# Sun Hung Kai Properties

Building Homes with Heart

## FY2021 Annual Results



9 September 2021

# Contents

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	Page
<b>Financial Review – FY2021</b>	<b>4</b>
<b>Property Business – Hong Kong</b>	
➤ Land Bank	<b>10</b>
➤ Property Development	<b>14</b>
➤ Property Investment	<b>19</b>
<b>Property Business – Mainland</b>	
➤ Land Bank	<b>26</b>
➤ Property Development	<b>29</b>
➤ Property Investment	<b>33</b>
<b>Hotel Business</b>	<b>39</b>
<b>Sustainability</b>	<b>41</b>
<b>Market and Business Prospects</b>	<b>45</b>

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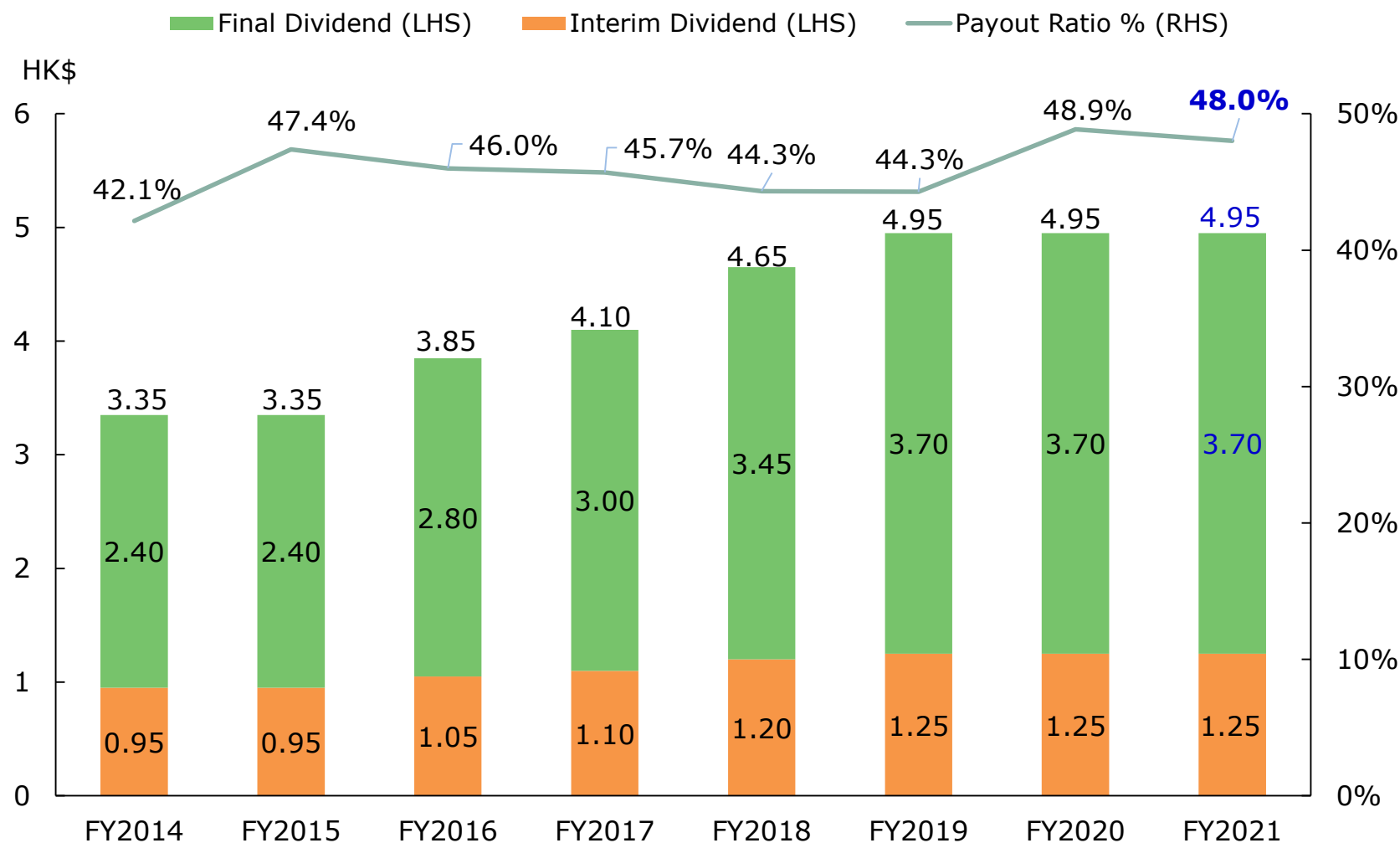
## FINANCIAL REVIEW – FY2021

# Financial Highlights

	FY2021	FY2020	Change
Profit attributable to the Company's shareholders			
- Underlying <sup>(1)</sup> (HK\$ mn)	<b>29,873</b>	29,368	1.7%
- Reported (HK\$ mn)	<b>26,686</b>	23,521	13.4%
Basic earnings per share			
- Underlying <sup>(1)</sup> (HK\$)	<b>10.31</b>	10.13	1.8%
- Reported (HK\$)	<b>9.21</b>	8.12	13.4%
Final dividend per share (HK\$)	<b>3.70</b>	3.70	Flat
Total dividend per share (HK\$)	<b>4.95</b>	4.95	Flat

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

# Sustainable Dividends





# Earnings Drivers

Profit Breakdown by Segment <sup>(1)</sup> (in HK\$ mn)	FY2021	FY2020	Change
(1) Property sales			
- Hong Kong	<b>14,571</b>	16,333	
- Mainland	<b>6,423</b>	2,034	
- Singapore	-	10	
Sub-total	<b>20,994</b>	18,377	14.2%
(2) Property rental			
- Hong Kong	<b>13,544</b>	14,456	
- Mainland	<b>5,099</b>	3,662	
- Singapore	<b>506</b>	447	
Sub-total	<b>19,149</b>	18,565	3.1%
(3) Hotel operation	<b>(511)</b>	(330)	n.m.
(4) Other businesses	<b>4,544</b>	4,169	9.0%
Total (1)+(2)+(3)+(4)	<b>44,176</b>	40,781	8.3%

(1) & (2) Including shares of associates and joint ventures

# Financial Position

As at	30 Jun 2021	31 Dec 2020	30 Jun 2020
Shareholders' equity (HK\$ mn)	<b>593,820</b>	583,286	571,813
- Shareholders' equity per share (HK\$)	<b>204.9</b>	201.3	197.3
Net debt (HK\$ mn)	<b>95,042</b>	83,955	80,901
Net gearing ratio <sup>(1)</sup>	<b>16.0%</b>	14.4%	14.1%
	FY2021		FY2020
Interest cover <sup>(2)</sup>	13.8x		11.8x

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

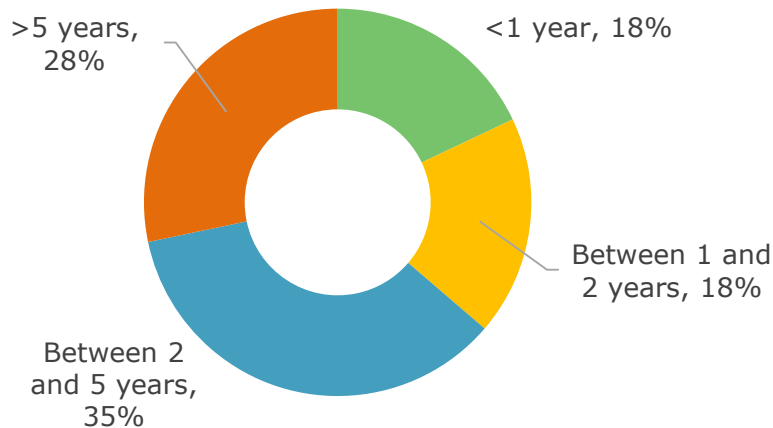
(2) Measured by the ratio of operating profit to total net interest expenses including those capitalized



# Financial Position (Cont'd)

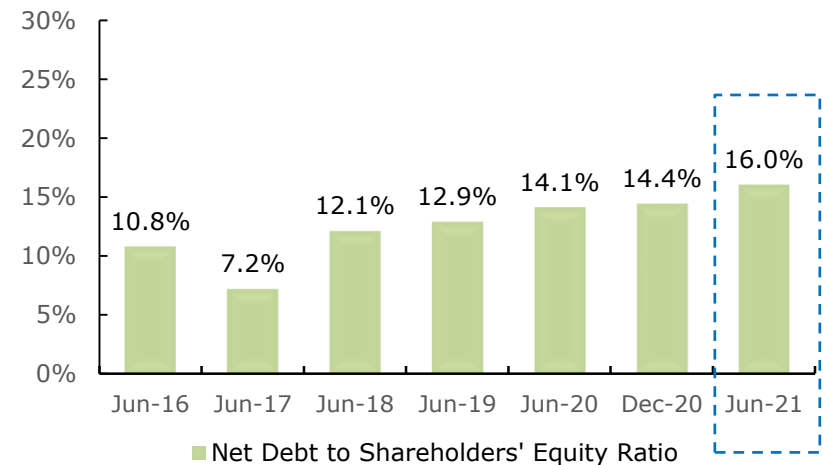
- Prudent financial policy
- Diversified funding sources
- Balanced debt maturity profile
- Ample liquidity

## Debt Maturity Profile



**MOODY'S** A1/ Stable

## Net Gearing Ratio



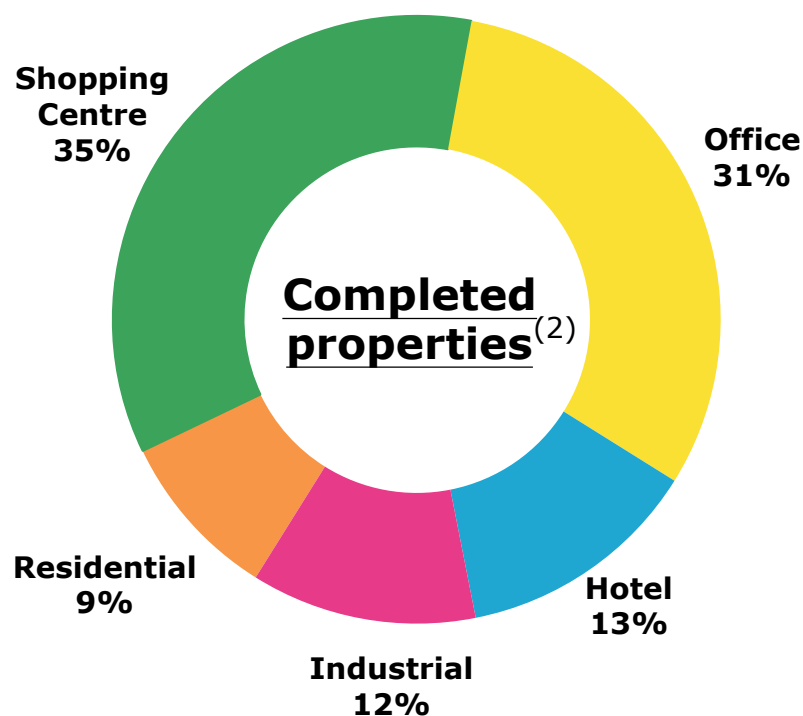
**S&P Global**  
Ratings A+/ Stable



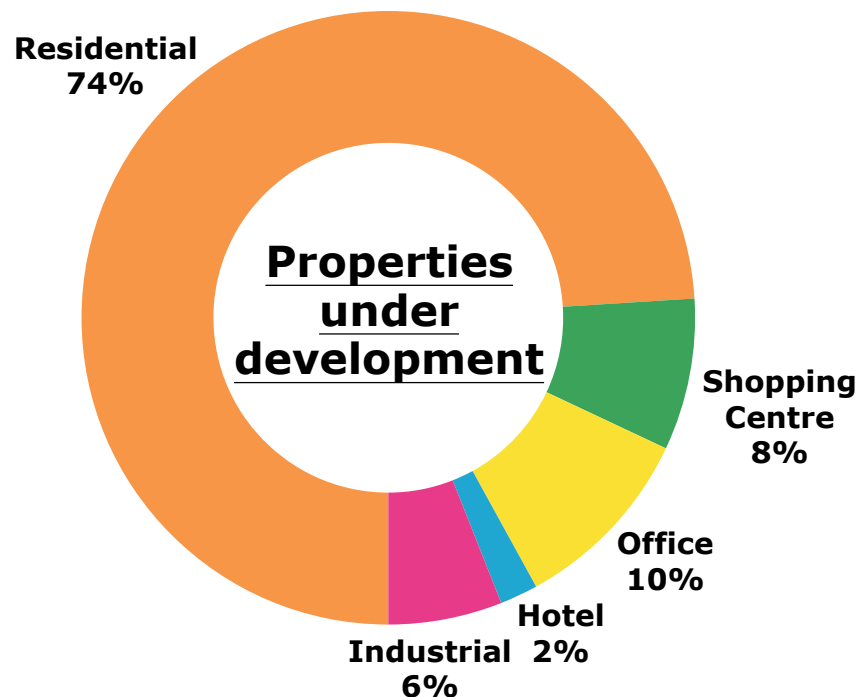
# PROPERTY BUSINESS - HONG KONG LAND BANK

# Land Bank in Hong Kong

➤ Total land bank as at 30 June 2021: **57.9mn sq.ft.**<sup>(1)</sup>



**Total: 34.0mn sq.ft.**



**Total: 23.9mn sq.ft.**

(1) In attributable terms

(2) An overwhelming majority are for rental and long-term investment purposes

# Land Acquisitions in Hong Kong

- Added 5 sites through different means in FY2021

Location	Stake (%)	Usage	Method of Acquisition	Attributable GFA (sq.ft.)
Fanling Sheung Shui Town Lot No. 279 (Kwu Tung Project)	100	Residential/ Shopping Centre	Public Tender	1,131,000
Lot No. 4354 in DD 124, Kiu Tau Wai, Yuen Long	100	Office/ Shopping Centre	Farmland Conversion	856,000
Tuen Mun Town Lot No. 496	75	Residential	Farmland Conversion	461,000
Tuen Mun Town Lot No. 80	70*	Industrial*	Private Acquisition	74,000*
38 Belcher's Street, Kennedy Town	53	Residential/ Shops	Private Acquisition	66,000
<b>Total</b>				<b>2,588,000</b>

\*The Group owned an effective interest of ~70% as at 30 June 2021; the Group plans to convert the site into office and retail uses with a total GFA of about 772,000 sq.ft.

- Continue to make use of diversified approach to replenish land bank when appropriate opportunities arise, including farmland conversion



# Land Acquisitions in Hong Kong (Cont'd)

## Fanling Sheung Shui Town Lot No.279, Kwu Tung (Kwu Tong Project)

Stake: 100%

Total GFA: ~1.13mn sq.ft.



- Residential-cum-commercial site:
  - Residential: ~1.0mn sq.ft.; mainly small- to medium-sized units
  - Shopping mall: 132,000 sq.ft.
  - Complemented by a public transport interchange
- Adjacent to the committed MTR Kwu Tung Station, Sheung Shui
- Proximity to cross-border control points and the planned Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop
- Expected to become a focal point at the future Kwu Tung town centre



# PROPERTY BUSINESS - HONG KONG PROPERTY DEVELOPMENT



# Recognized Property Sales in Hong Kong

Property Sales <sup>(1)</sup>	FY2021	FY2020	Change
Revenue (HK\$ mn)	34,880	36,873	↓ 5.4%
Operating profit (HK\$ mn)	14,571	16,333	↓ 10.8%

- Major contributors:
  - Cullinan West III, St Martin Phase 2, Mount Regency Phase 2, Wetland Seasons Park Phase 1 and W LUXE (office)
- Satisfactory development margins
- Completed ~1.7mn sq.ft. of attri. residential GFA in FY2021
- About **HK\$25.7bn**<sup>(2)</sup> contracted sales yet to be recognized



(1) Including shares of associates and joint ventures

(2) As at 30 June 2021



# Completion Schedule for Next 3 Years

- Expected average annual completions of around 3.4mn sq.ft. in the next three financial years

Completion Schedule <sup>(1)</sup>	FY2021 (Actual)	FY2022 (Forecast)	FY2023 (Forecast)	FY2024 (Forecast)	Average (FY2022-24)
	(Attributable GFA in mn sq.ft.)				
<b>Total</b>	<b>2.1</b>	3.0	4.5	2.8	<b>3.4</b>
<b>Of which: Residential</b>	<b>1.7</b>	2.5	2.7	2.7	<b>2.6</b>

- In addition, close to 0.7mn sq.ft. of completed properties have been sold but yet to be booked

(1) Completion refers to the stage in which the project is ready for handover

# Contracted Sales in Hong Kong

Project	Stake (%)	Attri. Sales Proceeds (HK\$ bn)
Cullinan West, West Kowloon	JV	4.3
Regency Bay, Tuen Mun	100	3.3
Grand YOHO, Yuen Long	100	2.2
Wetland Seasons Park	100	2.0
St Michel, Sha Tin	100	1.5
Others		9.9
<b>Total</b>		<b>23.2</b>

- Wetland Seasons Bay Phase 1 was launched in August 2021
  - The units launched were nearly sold out
- Contracted sales since July 2021 reached around **HK\$9.2bn**<sup>(1)</sup>

(1) As at 8 September 2021

# Strong Sales Pipeline in Hong Kong for FY2022

## 1. Wetland Seasons Bay Phase 1 & 2



Stake: 100%  
Res. GFA: 915,000 sq.ft.

## 2. Yuen Long Station Development Phase 1



Stake: JV  
Res. GFA: 734,000 sq.ft.

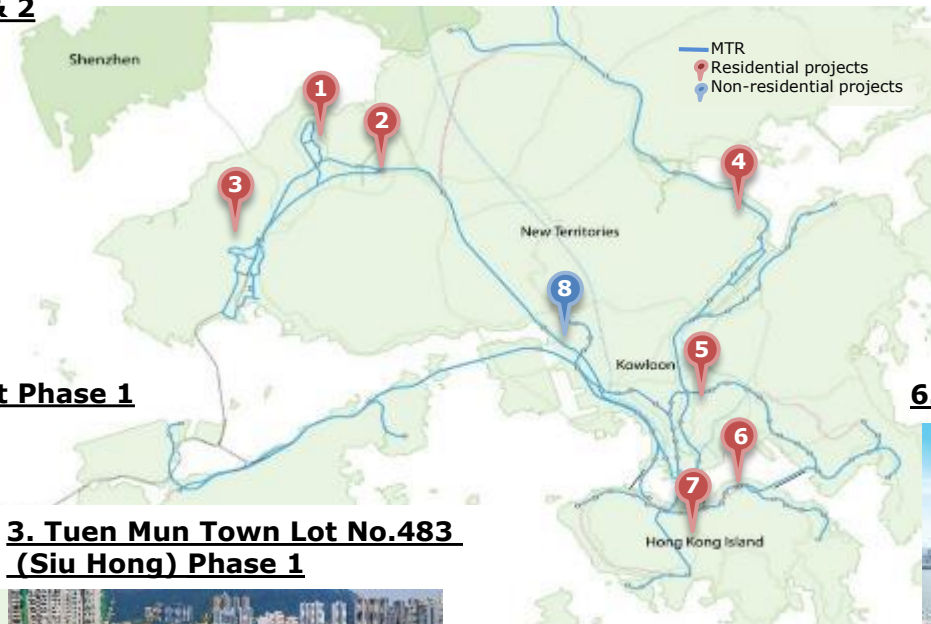
## 3. Tuen Mun Town Lot No.483 (Siu Hong) Phase 1



Stake: 100%  
Res. GFA: 807,000 sq.ft.

## 8. 252 Texaco Road & 28 Wang Lung Street

Stake: 65.2%  
Attri. GFA: 248,000 sq.ft.



## 4. Tai Po Town Lot No.244 Phase 1



Stake: 100%  
Res. GFA: 287,000 sq.ft.

## 5. Prince Central



Stake: 100%  
Res. GFA: 45,000 sq.ft.

## 6. Victoria Harbour Phase 2B-3



Stake: 100%  
Res. GFA: 151,000 sq.ft.

## 7. Central Peak Phase 2



Stake: 100%  
Res. GFA: 59,000 sq.ft.

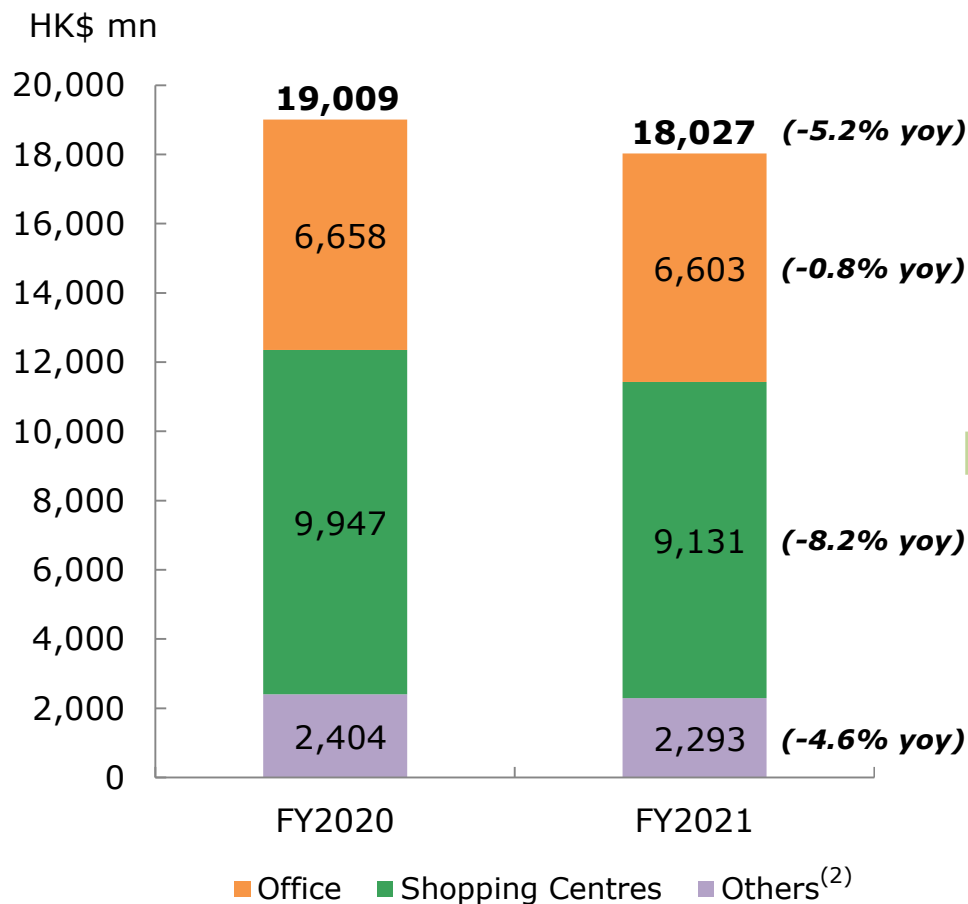




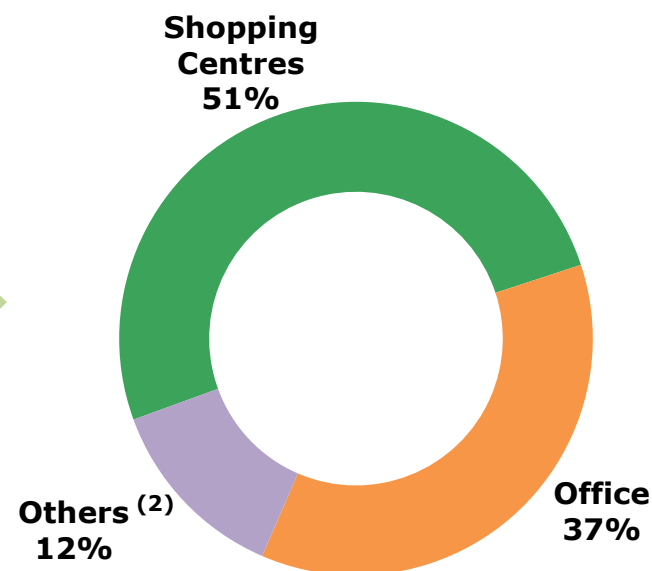
**PROPERTY BUSINESS - HONG KONG**  
**PROPERTY INVESTMENT**

# Rental Income from Diversified Portfolio

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



	(HK\$ mn)	FY2021	Change
Gross Rental Income		18,027	↓ 5.2% yoy
Net Rental Income		13,544	↓ 6.3% yoy



**Overall Average  
Occupancy in  
FY2021: ~91%**

(1) Including shares of associates and joint ventures

(2) Residential, industrial and car parks



# Hong Kong Retail Portfolio of 12mn sq.ft.

- Tenant sales of the Group's retail portfolio have bottomed out in late 2020 and continued to see positive growth in recent months as pandemic has been subdued
  - Regional malls performed better than tourist-focused shopping centres
  - Full recovery of the retail business will hinge on the removal of cross-border travel restrictions
- Optimized tenant mix by bringing in new retailers
- Introduced a wide range of measures to spur business opportunities and drive footfall
- Overall occupancy of the Group's retail portfolio has improved in recent months



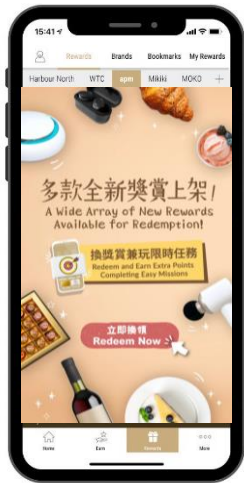
# Proactive Approach in Supporting Retail Tenants

- Incorporated green and wellness concepts in selected malls by adding various recreational facilities
- Installed contactless facilities and upgraded air ventilation systems
- Leveraged on SmarTone's 5G network along with other advanced technology, e.g. Internet of Things (IoT), to raise hygiene standards and operational efficiency





# Proactive Approach in Supporting Retail Tenants (Cont'd)



- The Point by SHKP, under the SHKP Malls App
  - Membership exceeded 1.2mn in 2 years
  - Continued to upgrade App's functions and strengthen reward platform
- Joined hands with key payment gateways, business partners and tenants to roll out promotional activities
  - To capture business opportunities from HKSAR Government's electronic consumption vouchers



# Hong Kong Office Portfolio of 10mn sq.ft.

- Stable performance with satisfactory occupancies amid pandemic

IFC



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

Millennium City



Attri. GFA: 1.7mn sq.ft.  
Occupancy: ~91%<sup>(2)</sup>

ICC



Attri. GFA: 2.5mn sq.ft.  
Occupancy: ~93%

Wan Chai & Causeway Bay



Attri. GFA: 1.8mn sq.ft.  
Occupancy: ~91%



(1) Occupancies as at 30 June 2021; (2) Included pre-leased area

# Major New Additions in the Pipeline

## 98 How Ming Street, Kowloon East

Effective Stake: ~70%

Total GFA: 1.15mn sq.ft.

- Construction of the entire project is expected to be completed in 2023
- Two Grade-A office towers: 650,000 sq.ft.
  - Preliminary marketing has commenced
- Premium shopping mall: 500,000 sq.ft.
  - Feature modern lifestyle; expected to open in 2024
- Designed to obtain Platinum ratings from both LEED and WELL



## High Speed Rail Terminus, West Kowloon

Stake: JV

Total GFA: ~3.2mn sq.ft.

- According to the latest approved planning
  - Grade-A office space: ~2.6mn sq.ft.
  - Premium retail space: ~600,000 sq.ft.
- Synergize with ICC in the vicinity and the Group's other transit-oriented developments along Guangzhou Shenzhen-HK Express Rail Link
- Designed to obtain Platinum ratings from LEED, BEAM Plus and WELL





ITC remaining phase, Shanghai

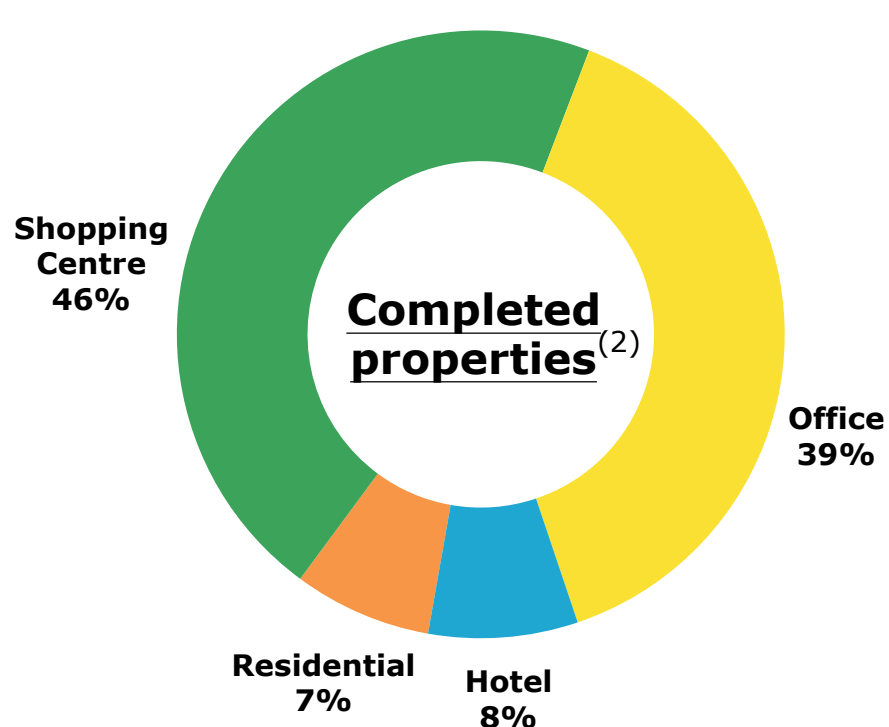


Rendering

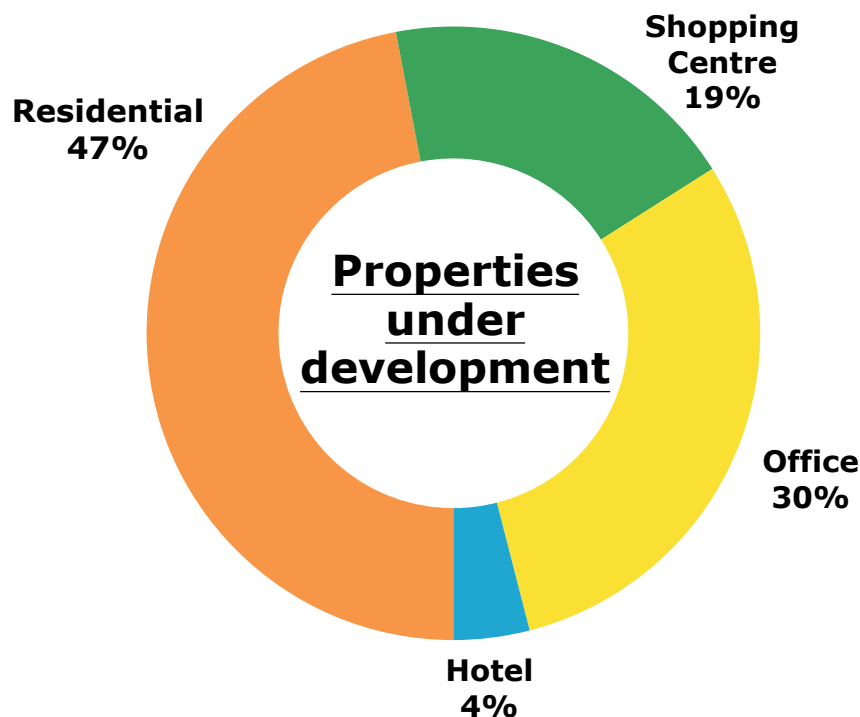
**PROPERTY BUSINESS - MAINLAND  
LAND BANK**

# Land Bank on the Mainland

- Total land bank as at 30 June 2021: **75.3mn sq.ft.**<sup>(1)</sup>



**Total: 16.3mn sq.ft.**



**Total: 59.0mn sq.ft.**

(1) In attributable terms

(2) An overwhelming majority are for rental and long-term investment purposes

# Land Acquisition on the Mainland

## Guangzhou South Railway Station Project

Stake: 100%

Total GFA: ~9.3mn sq.ft.

- Consist of residential units, office towers, a shopping mall, hotel and serviced apartments
  - A maximum of 57% of the GFA for sale
  - Over 40% of the GFA will be held for rental and long-term investment purposes
- To be developed into a transit-oriented development
  - The busiest station in the country, connecting to 12 rail and metro lines including four High Speed Rail lines as well as other transport means
  - Set to become an integrated station-city transport hub upon completion
- Scheduled to be completed in phases starting from 2025
- Further strengthen the Group's strategic presence in the Greater Bay Area







**PROPERTY BUSINESS - MAINLAND  
PROPERTY DEVELOPMENT**



# Recognized Property Sales on the Mainland

Property Sales <sup>(1)</sup>	FY2021	FY2020	Change
Revenue (HK\$ mn)	11,137	4,359	↑ 155.5%
Operating profit (HK\$ mn)	6,423	2,034	↑ 215.8%

- Major contributors:
  - Shanghai Arch Phase 2B, TODTOWN Phase 1, residential units in Forest Hills, The Woodland Phase 5A, and Oriental Bund Phases 3A and 3C
- Satisfactory development margins
- Completed ~2.4mn sq.ft. of attri. residential GFA
- Around **HK\$4.6bn**<sup>(2)</sup> contracted sales yet to be recognized



(1) Including shares of associates and joint ventures

(2) As at 30 June 2021

# Contracted Sales on the Mainland

Project	Location	Stake (%)	Attri. Sales Proceeds (RMB bn)
Oriental Bund	Foshan	50	2.2
Forest Hills	Guangzhou	70	0.9
Grand Waterfront	Dongguan	100	0.6
Phase 2B of Shanghai Arch	Shanghai	100	0.3
TODTOWN	Shanghai	35	0.2
Others			0.7
<b>Total</b>			<b>4.9<sup>(1)</sup></b>

(1) Contracted sales in terms of HKD amounted to HK\$5.7bn

# Upcoming Launches on the Mainland in the Next 9 Months

Project	Location	Stake (%)	Attri. Res. GFA (sq.ft.)
Oriental Bund (New phase)	Foshan	50	607,000
Suzhou ICC (Residential portion)	Suzhou	90	533,000
Chengdu ICC (Residential portion)	Chengdu	40	397,000
Jianghehui Project (Residential portion)	Hangzhou	JV	196,000
<b>Total</b>			<b>1,733,000</b>



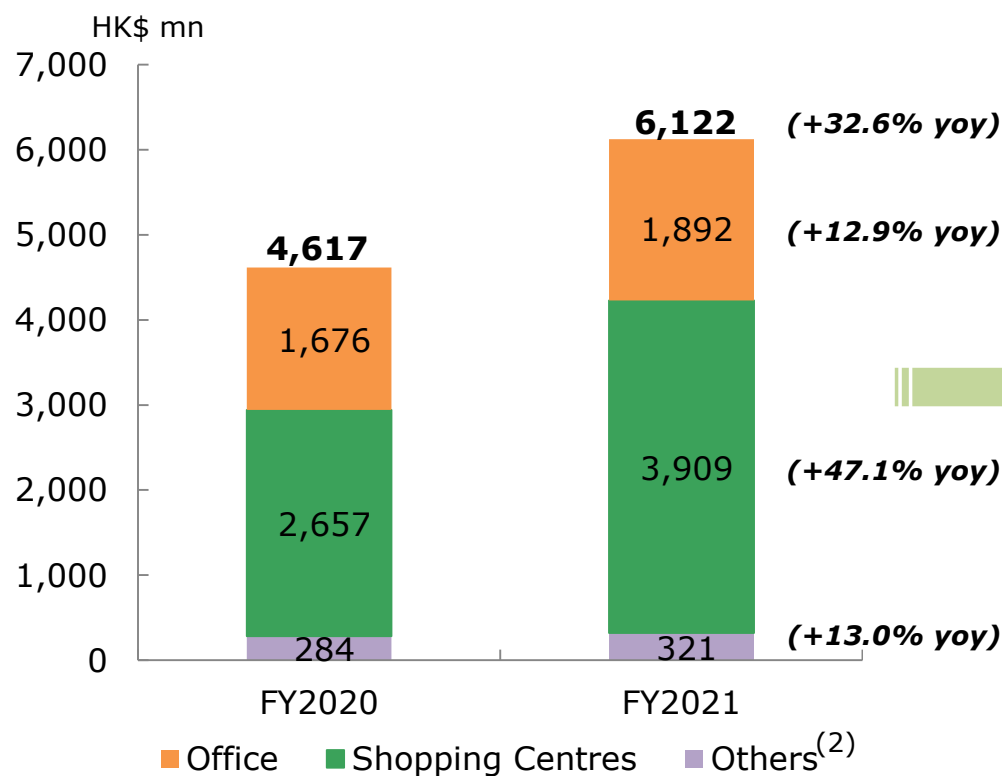


# PROPERTY BUSINESS - MAINLAND PROPERTY INVESTMENT

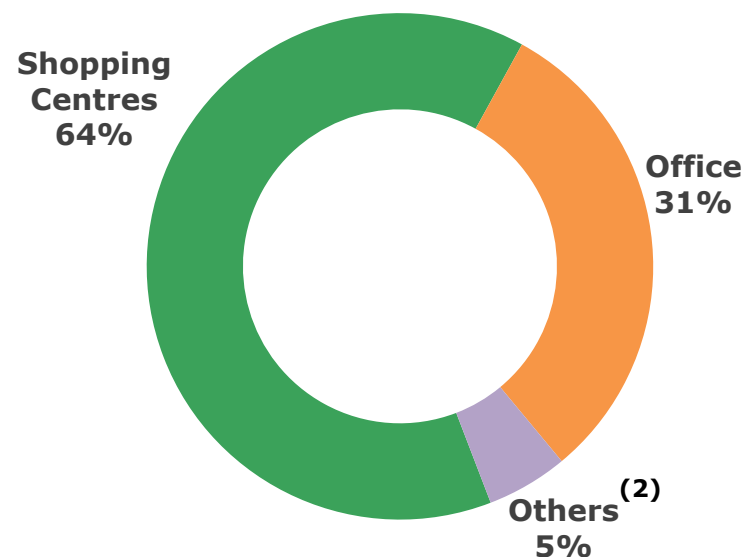
# Rental Income from the Mainland

- Gross rental income of RMB5,199 million, up 25% yoy in RMB terms
- Represented ~25% of the Group's total gross rental income

**Gross Rental Income by Sector on the Mainland<sup>(1)</sup>**



(HK\$ mn)	FY2021	Change
Gross Rental Income	6,122	↑ 32.6% yoy
Net Rental Income	5,099	↑ 39.2% yoy



(1) Including shares of associates and joint ventures

(2) Residential, car parks and others



# Existing Mainland Property Investment

## – Retail Portfolio

- Recorded impressive growth in tenant sales, particularly in 2H FY2021, driven by robust domestic consumptions
  - Exceeding the pre-COVID level
- An integrated loyalty programme '**SHKP i club**' was rolled out in Shanghai
  - Strengthen the synergy of the Group's malls in the city
  - Enable the delivery of a more convenient cross-mall consumption experience to shoppers
- Occupancies of the Group's major malls were satisfactory



# Existing Mainland Property Investment – Office Portfolio



- Shanghai IFC registered high occupancy
  - Remained preferred choice for leading corporations
- Shanghai ICC saw high committed occupancy
- The first two phases of ITC in Shanghai were virtually fully let



# Property Investments under Development in Major Mainland Cities

## ITC in Shanghai

Stake: 100%

Total GFA: 7.6mn sq.ft.

- **220-metre office tower:** scheduled for completion in mid 2022; pre-leasing has received encouraging responses
- **370-metre skyscraper:** scheduled for completion by 2024
- **A mega mall (2.5 million sq.ft.) & Andaz Shanghai ITC:** construction progressing smoothly
- Both office towers are designed to obtain LEED Platinum ratings



## Nanjing IFC

Stake: 100%

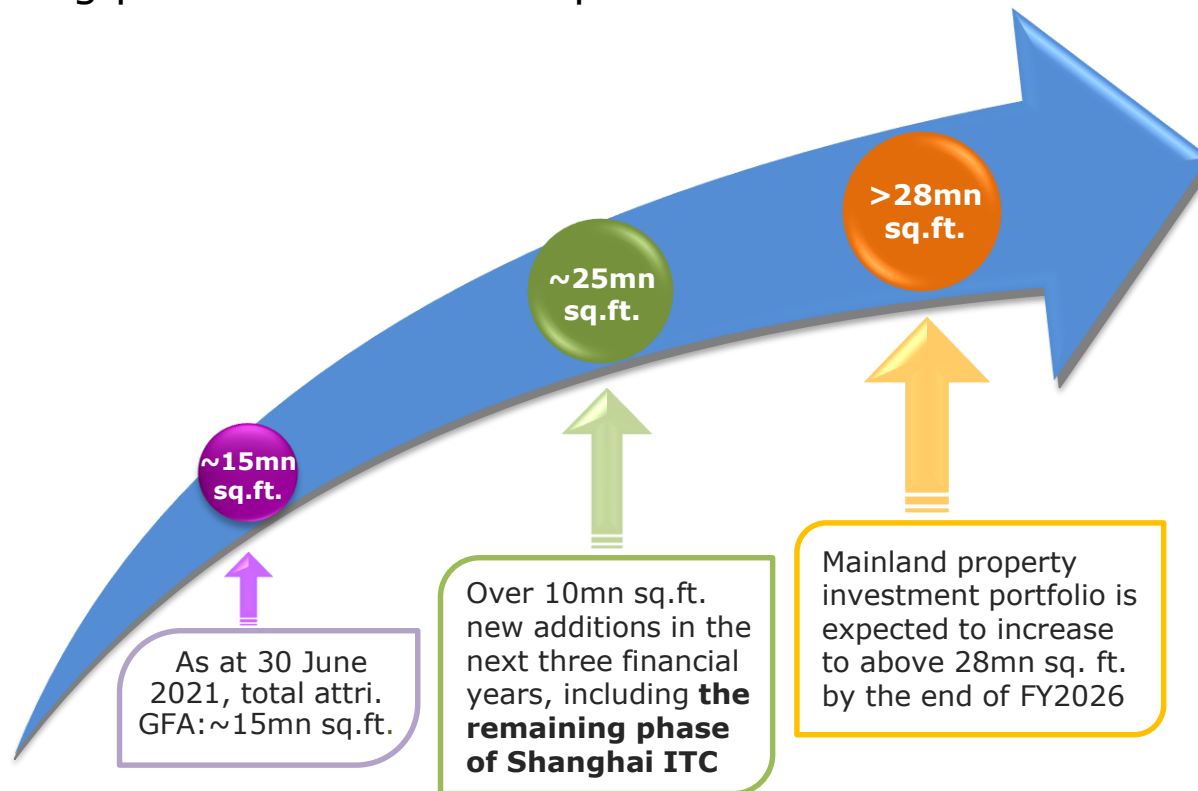
Total GFA: 3.4mn sq.ft.

- **Nanjing One IFC offices:** achieved committed occupancy of ~80%
- **Nanjing Two IFC offices:** completed in 1H FY2021; leasing is proceeding satisfactorily
- **Nanjing IFC mall:** expect to open in phases from 2022; enthusiastic pre-leasing responses



# Expansion of Mainland Property Investment Portfolio

- Mainland property investment portfolio will be further expanded to **~25mn sq.ft. attributable GFA** by the end of FY2024, from the existing portfolio of ~15mn sq.ft.







**HOTEL BUSINESS**



# Hotel Business

Hotel Business <sup>(1)</sup> (HK\$ mn)	FY2021	FY2020	Change
Revenue	2,542	3,075	↓ 17.3%
Operating Profit	(511)	(330)	n.m.

- The Group's hotel portfolio in Hong Kong continued to record operating loss due to the lack of tourists, despite some signs of improvement since the beginning of 2021
- Introduced different initiatives to alleviate the negative impact, including the introduction of creative staycation programmes and promotions for long-stay customers
- The Ritz-Carlton Shanghai, Pudong saw a recovery from the pandemic during the year
- Andaz Nanjing is expected to open from 2022



(1) Including shares of associates and joint ventures





**SUSTAINABILITY**



# Sustainability Initiatives



**Wetland Seasons Park**, a balance between development and environmental conservation



**SmartWorks**, a 5G-enabled site management system to boost construction safety



Rendering

**United Court**, a major transitional housing project sponsored by SHKP to help solve housing problem



**HK ICC**, commercial parts of **Shanghai IFC** and **Shanghai ICC** achieved green building certificates from renowned organizations



**Solar panels** were installed in the Group's projects to generate **renewable energy**



# Environmental Targets

## Green Buildings

- The Group aims to attain LEED certification for all its new investment properties. In particular, LEED Gold or Platinum ratings for core commercial projects under development

## Greenhouse Gas Emissions Management

- To reduce the Scope 1 and 2 greenhouse gas (GHG) emissions intensity of its EOC-monitored buildings<sup>(1)</sup> by 25% by FY2030, against FY2020 as baseline

## Energy Management

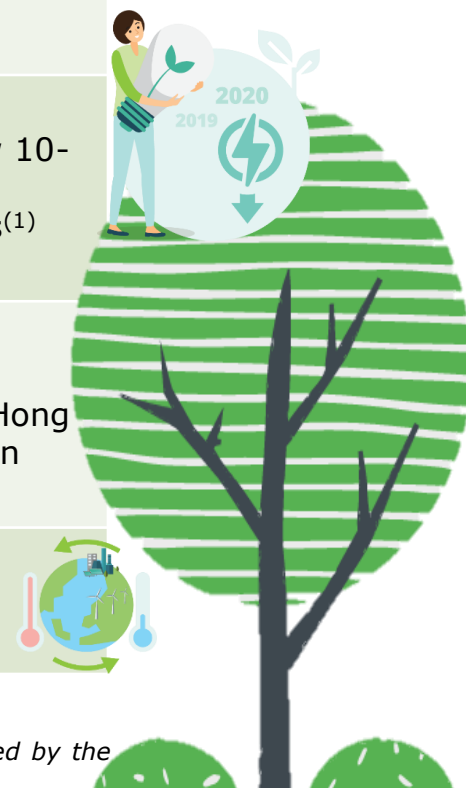
- Has accomplished five-year energy reduction target by FY2020 and set a new 10-year target for selected properties
- To reduce the electricity consumption intensity of its EOC-monitored buildings<sup>(1)</sup> by 13% by FY2030, against FY2020 as baseline

## Waste Management

- Avoids sending construction waste directly to landfills
- To achieve an annual diversion rate of at least 70% of construction waste in Hong Kong construction projects within our reporting scope to minimize construction waste that needs to be sent to landfills

## Water Management

- To reduce the water use intensity of its EOC-monitored buildings<sup>(1)</sup> by 5% by FY2030, against FY2020 as baseline



(1) EOC-monitored buildings are mainly SHKP's major investment properties in Hong Kong and monitored by the Energy Optimization Committee (EOC)

# Sustainability Performance



Hang Seng Corporate  
Sustainability Index  
Series Member 2020-2021



SEHK:0016

## Top five rankings in:



Hong Kong  
Business  
Sustainability Index 2020  
香港企業可持續發展指數 2020



Greater Bay Area  
Business  
Sustainability Index 2020  
粵港澳大灣區企業可持續發展指數2020

## Top ten rankings in:



Greater China Business  
Sustainability Index 2020  
大中華企業可持續發展指數2020



FTSE4Good

A constituent since 2018



For the 18<sup>th</sup> consecutive year

**MSCI**  
ESG RATINGS



CCC B BB BBB **A** AA AAA

As of 2021, SHKP received  
an MSCI ESG Rating of A<sup>(1)</sup>



(1) Please refer to MSCI disclaimer: <https://www.shkp.com/html/sustainable-development/mscidisclaimer.html>



# MARKET AND BUSINESS PROSPECTS



# Market Prospects

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## Hong Kong

- Economic recovery is likely to continue amid mainland's healthy economic development and improved global prospects
  - Relaxation of the cross-border travel restrictions remains the prerequisite for a full recovery of different industries
- 

### Primary residential market

- Solid end-user demand and low-interest rate environment will underpin the market, particularly for mass-market segment
  - High-end segment is expected to see better performance upon the lifting of cross-border travel restrictions with the mainland
- 

### Retail leasing market

- Retail sales have largely bottomed out and are improving
  - A full recovery is subject to the timing of the resumption of cross-border travel with the mainland
- 

### Grade-A office leasing market

- Improving sentiment amid ongoing global economic recovery
  - Leasing demand is picking up recently
-

# Market Prospects

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## Key Cities on the Mainland

- The mainland economy will continue to perform well, underpinned by the dual-circulation policy and well-contained COVID-19 pandemic
- 

Primary residential market	<ul style="list-style-type: none"><li>➤ Solid end-user demand continues<ul style="list-style-type: none"><li>▪ Though regulatory measures may weigh on the momentum in the short term, these will be conducive to the healthy development of the property market</li></ul></li><li>➤ Land and home prices are likely to remain stable</li></ul>
Retail leasing market	<ul style="list-style-type: none"><li>➤ Domestic consumption growth will continue to support tenants' sales</li><li>➤ Certain trades such as luxury brands and sport category are expected to outperform</li></ul>
Grade-A office leasing market	<ul style="list-style-type: none"><li>➤ Market momentum remains positive with increasing enquiries amid ongoing economic growth</li><li>➤ Quality office buildings at prime locations with professional management service are likely to outperform</li></ul>

# Business Prospects

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## Short-term

### ➤ Hong Kong

- Performance of the Group's rental portfolio and hotel business remains constrained by the cross-border travel restrictions with the mainland
  - Continue to leverage a wider application of SHKP Malls App and promotional campaigns to bring more shoppers to our malls
  - Full recovery depends on the timing and scale of the relaxation of cross-border travel restrictions
- The Group will continue to launch development projects for sale once ready
  - Ample saleable resources to support the property sales
  - Satisfactory development margin is expected

### ➤ On the Mainland

- Bolstered by healthy domestic consumption, the Group's mainland retail rental portfolio is expected to perform well



# Business Prospects (Cont'd)

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## Medium- to Long-term

- The Group will continue to strengthen its core businesses by acquiring land selectively both in Hong Kong and major cities on the mainland when opportunities arise
  - Speed up the conversions of farmland into buildable sites in Hong Kong
  - Continue to make every effort to build more housing units to strengthen the Group's development business and help alleviate the housing problem in Hong Kong
- The Group will continue to build large-scale integrated projects in Hong Kong and major cities on the mainland and incorporate green elements and 5G technology in all facets of property development and management
  - The combined GFA of new additions to the Group's property investment portfolio both in Hong Kong and on the mainland is expected to exceed 16mn sq.ft. in the next five years, of which ~85% from the mainland

# Creating Long-term Value for All Stakeholders

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*The Group is confident in its future business development and prospects. With its extensive knowledge and experience accumulated during the ups and downs of about half a century, the Group will weather the upcoming uncertainties well. Its forward-looking and experienced management team, together with a solid financial position with sizable recurring income, will be able to turn future adversities into opportunities. As a caring and socially responsible company, the Group will continue to contribute to building a better world through its commitment to ESG, in particular issues on climate change and green building. The Group's pursuit of excellence, which has been strongly embedded in its vision and mission, will enable it to advance the best interests of its customers, employees, shareholders and business partners, and the community as a whole.*

**Kwok Ping-luen, Raymond**

Chairman & Managing Director

9 September 2021

(Extracted from Chairman's Statement, FY2021 Annual Results)





# Sun Hung Kai Properties

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Building Homes with Heart

**Thank you!**

