

Weak Demand, Stable Results

Wharf Real Estate Investment Company Limited
1H19 Interim Results
6 Aug 2019

Weak Demand, Stable Results

- Demand & Market Conditions Weakened Since Beginning of Year & Intensified Thereafter
- Underlying Net Profit +3%; IP Revaluation Surplus -65%. Group Profit -31% to \$7B
- Dividend (65% of Core UNP) +5% to \$1.1 Per Share
- Net Cash Inflow* \$3.0B; Reduced Net Debt to \$36.4B (Gearing 16.0%)

*Net of Dividend Payment

Highlights

HKIP & Hotels - 6 Core Assets

Revenue

\$8.3B (+4.9%)

Operating Profit

\$6.7B (+5.2%)

Underlying Net Profit

\$5.1B (+2.7%)

Dividend

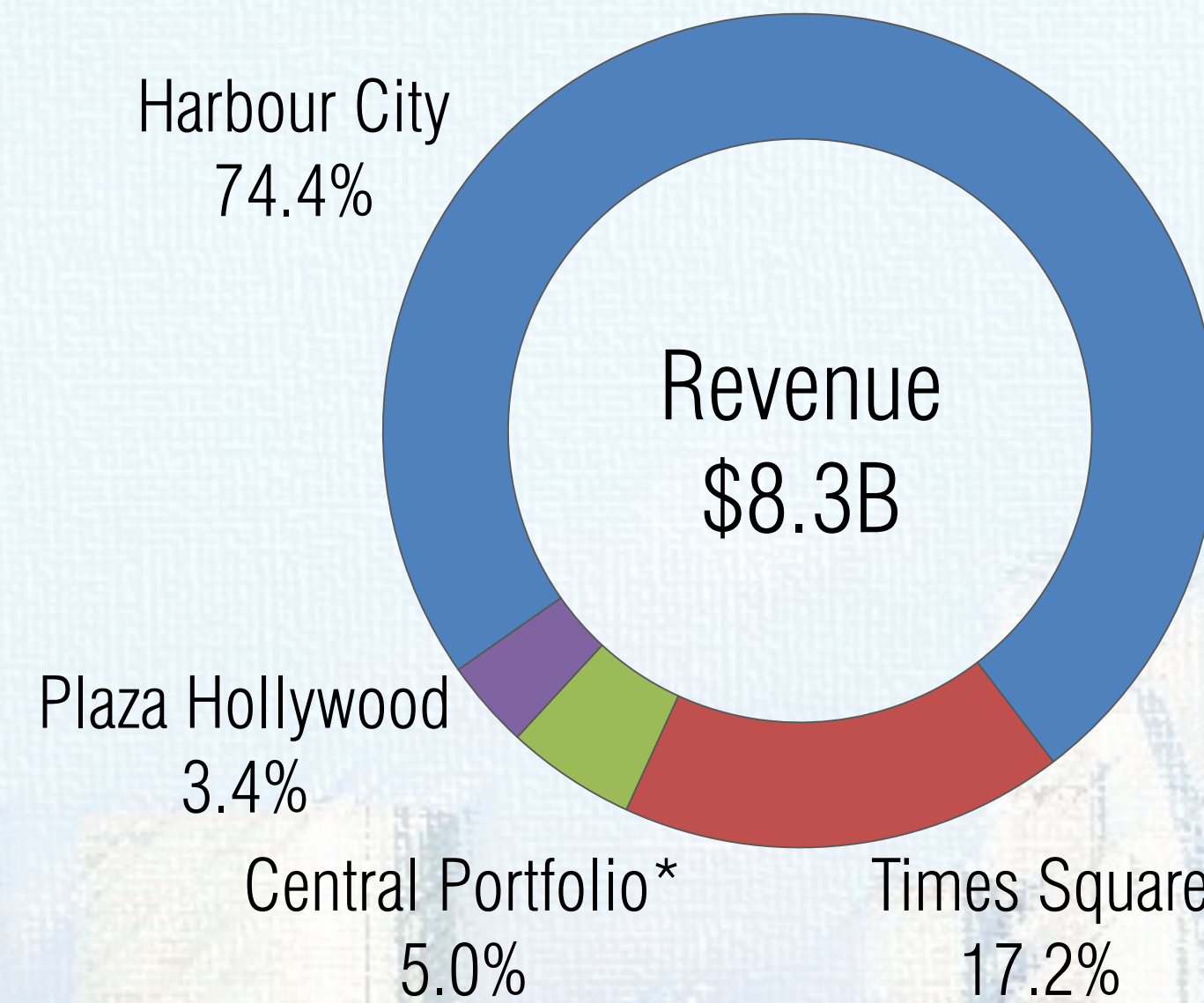
DPS \$1.1 (+5%)

Total Amt.: \$3.3B

Current Yield: 4.8%*

*Closing Price as at 5 Aug 2019

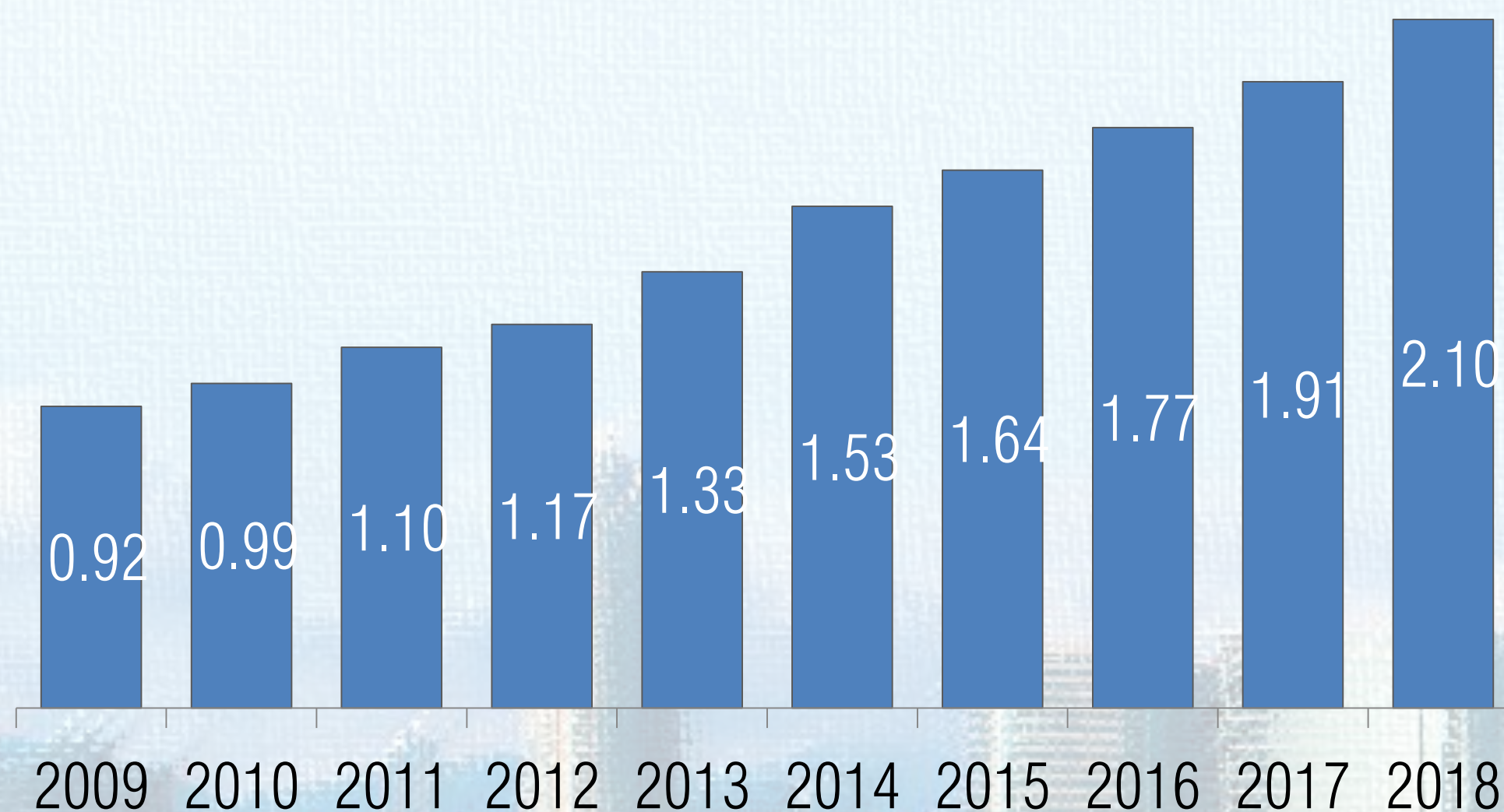
HKIP & Hotel Revenue Breakdown



*Central Portfolio: Incl. Crawford House, Wheelock House & The Murray, Hong Kong

Stable Performance Supports Dividend

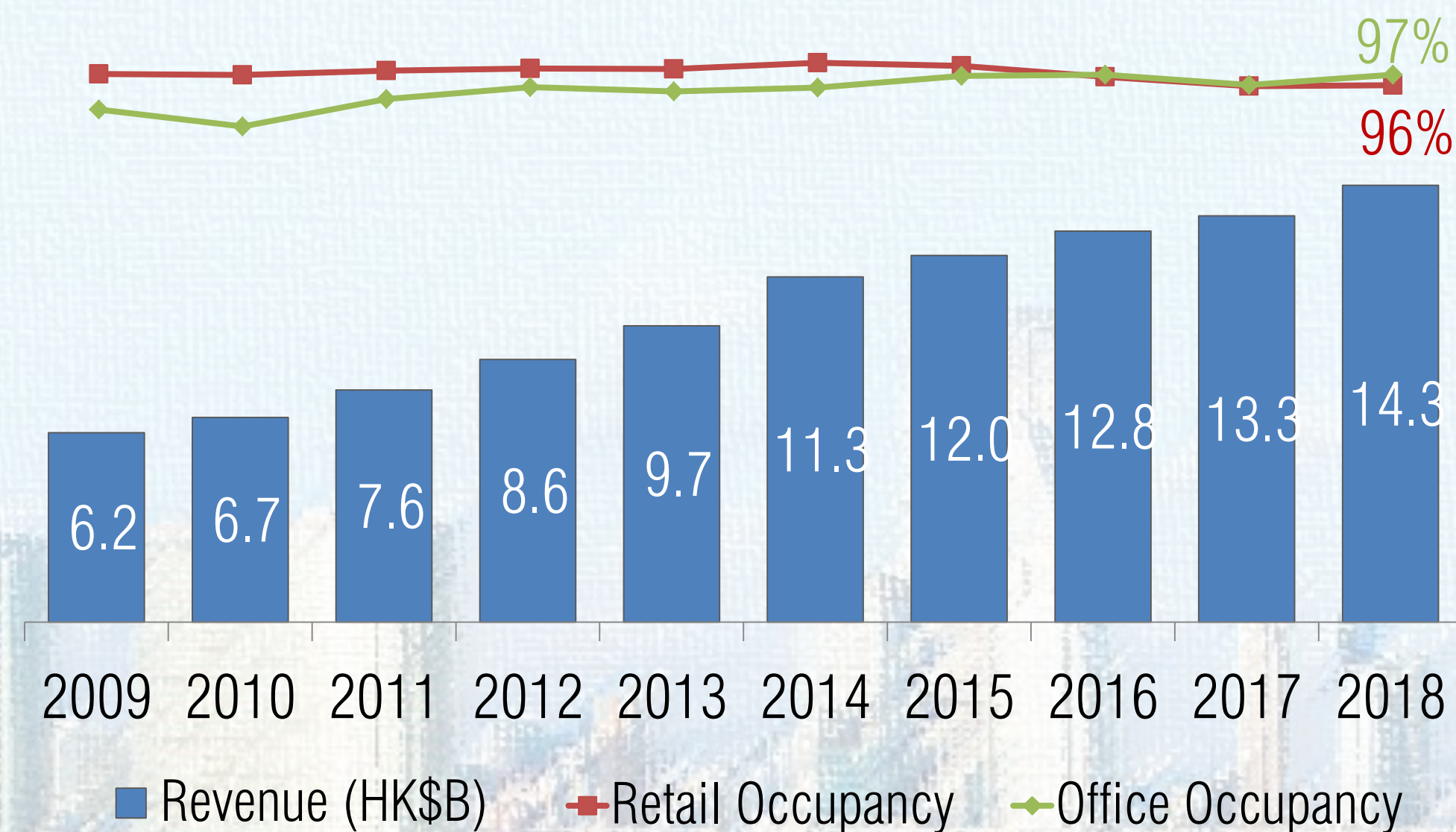
Stable Recurrent Dividend Per Share* (HK\$)



*Pro Forma Figures (Except 2018)

HKIP Occupancy & Total Revenue

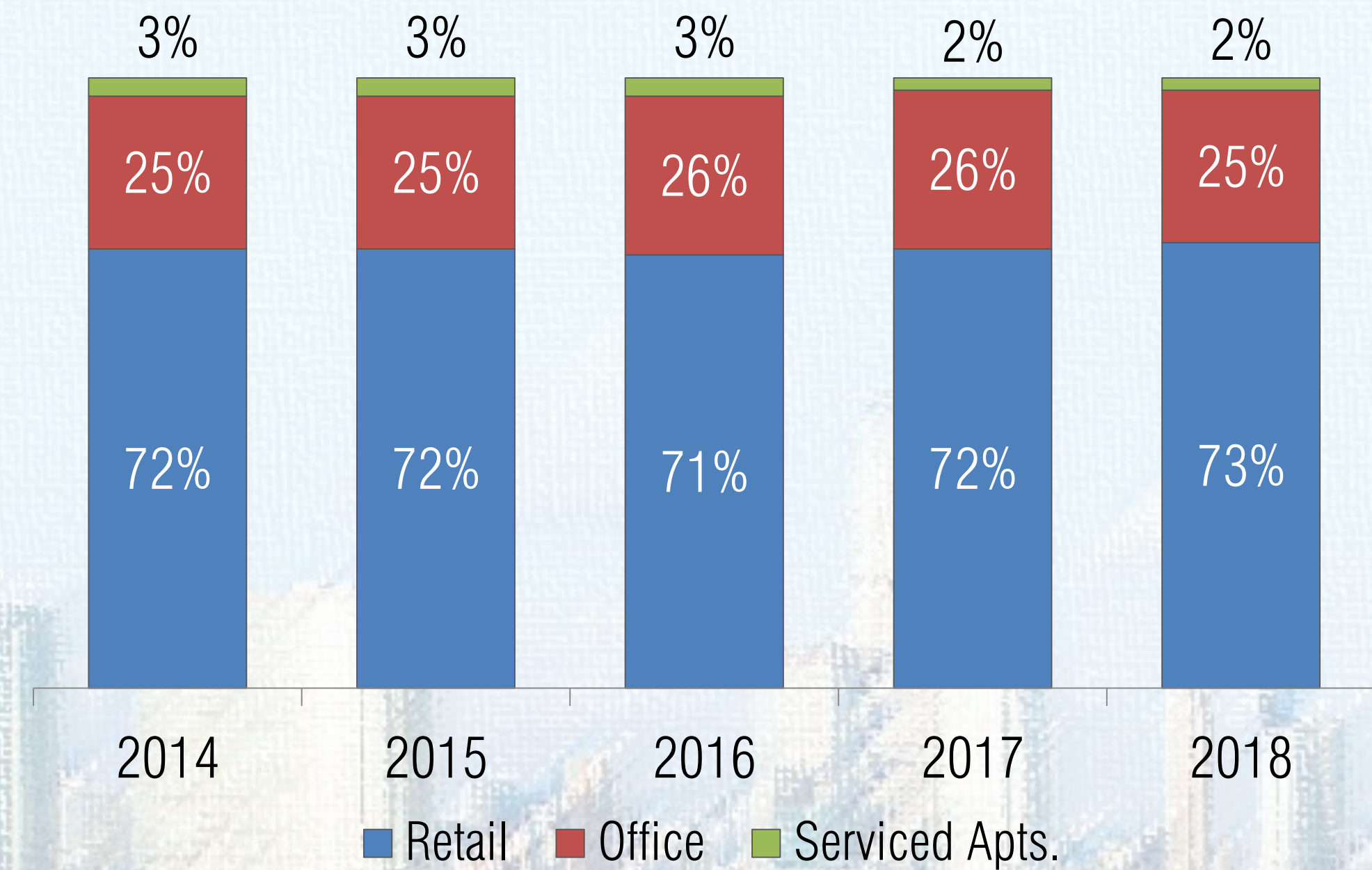
High Occupancy & Steady Revenue throughout Economic Cycles



Sound Income Base

- Malls as Main Contributor
- Stable Office Income
- Positive Rental Reversion

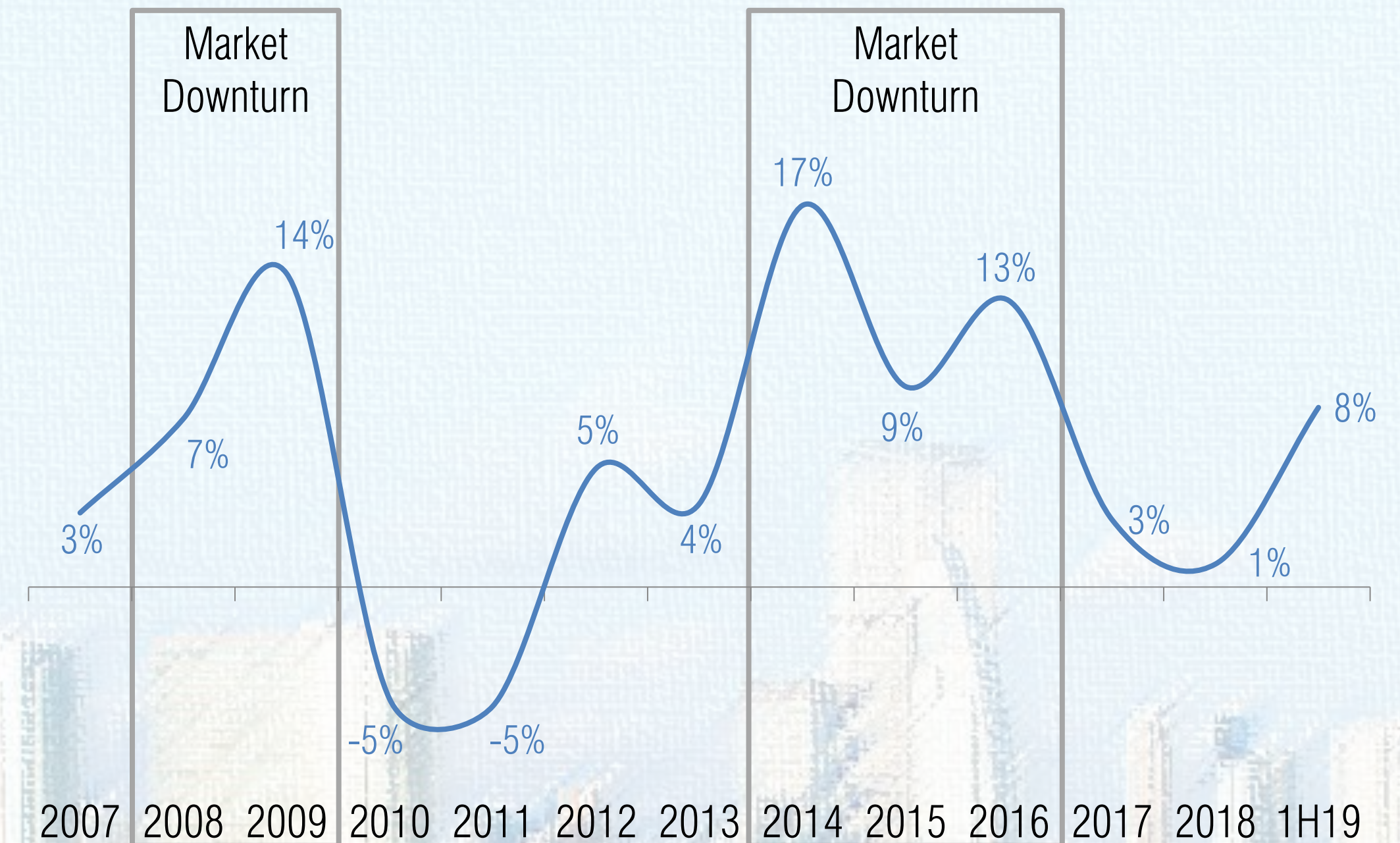
HKIP Revenue Split



Soft Markets

- Consumption Sentiment
- Strong USD/HKD
- Cautious Outlook

3 Malls Retail Revenue Growth Outperformance vs HK Retail Sales



Retail Portfolio Matrix

Total Retail Revenue

\$5.4B

(+4.5%)

HC Retail

73%

of Total Retail Revenue

HC Occupancy Cost*

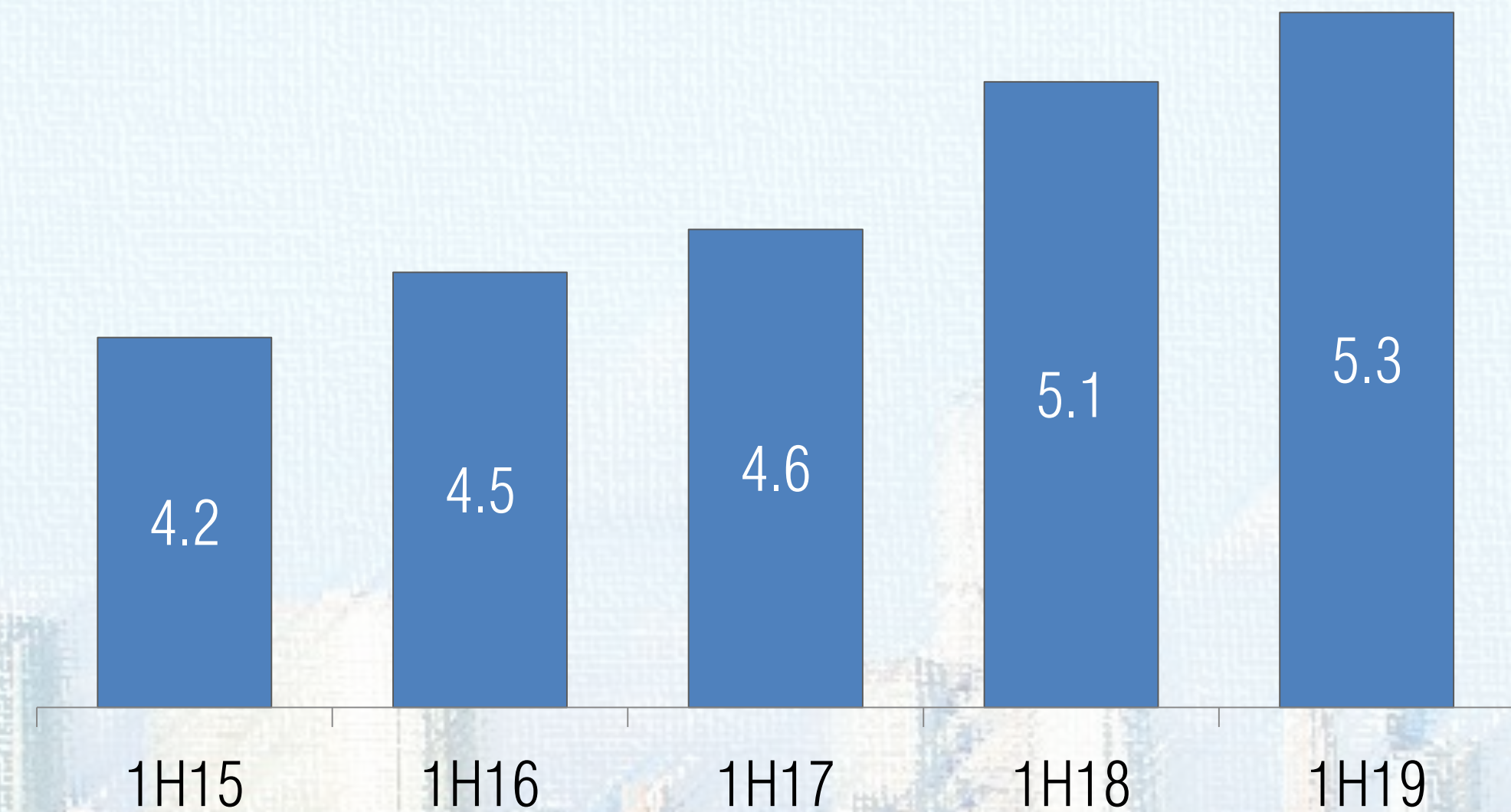
19.6%

TS Occupancy Cost*

21.3%

*Occupancy Cost = Retail Rent/Retail Sales

3 Malls Retail Revenue (HKD billion)
1H19 \$5.3B (+4.5%)



Financial Highlights

- Group UNP + 3.2% to \$5.2B (\$1.71/Share) ; HKIP & Hotels Total UNP + 2.7%
- DPS 65% of Realised UNP from HKIP & Hotels

<u>HKD Million</u>	<u>1H19</u>	<u>1H18</u>
Group Revenue	8,498	8,154
Operating Profit	6,722	6,352
Underlying Net Profit (UNP)*	5,184	5,022
Net IP Revaluation Surplus	1,805	5,157
Profit After IP Revaluation Surplus	6,989	10,179
Earnings Per Share (HK\$)		
- Attributable to Shareholders	2.30	3.35
- Underlying**	1.71	1.65
Dividend Per Share (HK\$)	1.10	1.05

*Excl. IP Revaluation Surplus and Exceptional Items

Agenda



Harbour City

Times Square

Plaza Hollywood

Central Portfolio

Financial Management

Productivity

Retail Sales

\$18.5B (-0.6%)

Market Share*

7.7%

Retail Sales psf/mth

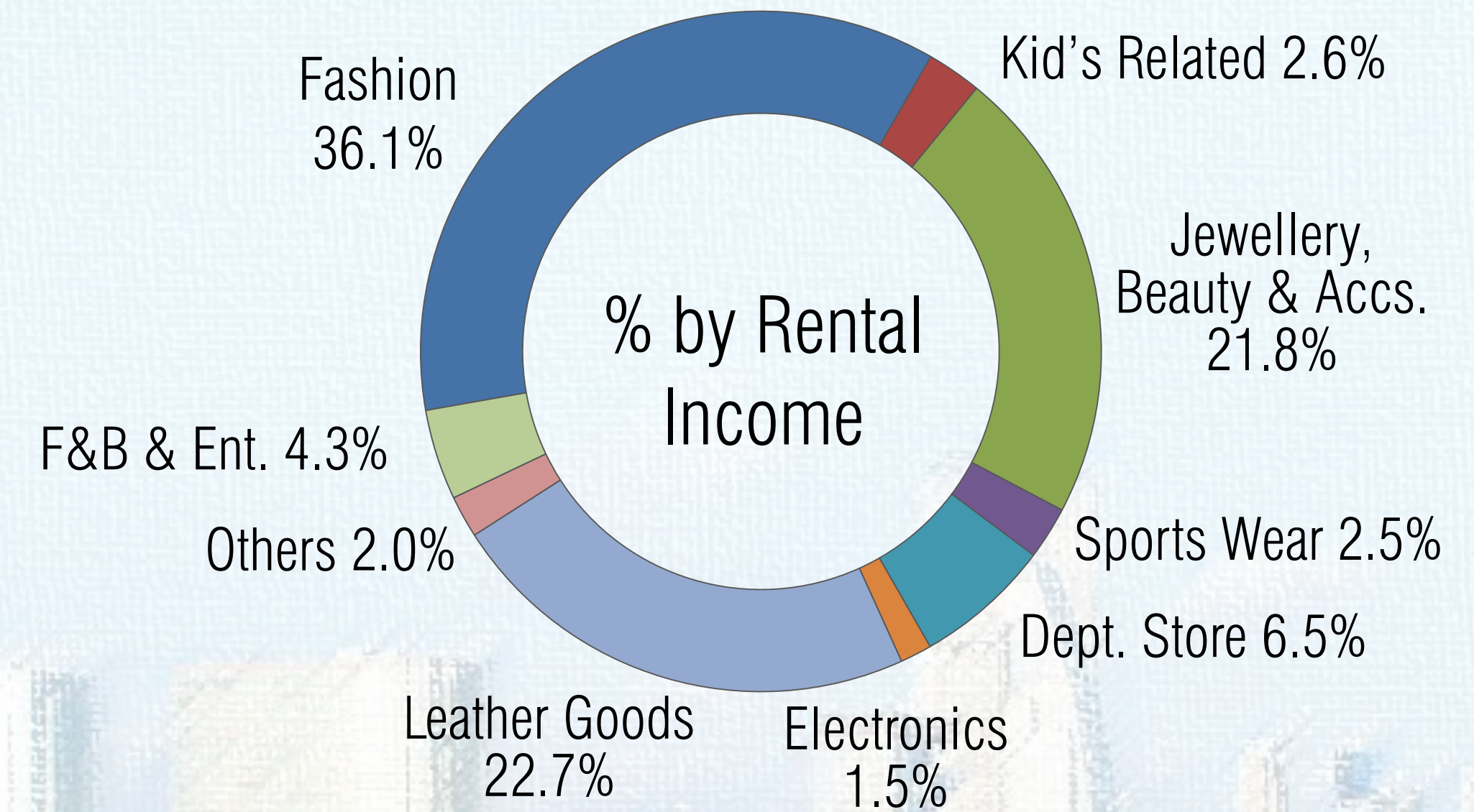
~\$2,700

Retail Revenue

\$4.0B (+6.4%)

*HK Retail Sales Incl. Wet Market, Motor Vehicles & Parts, but Excl. F&B

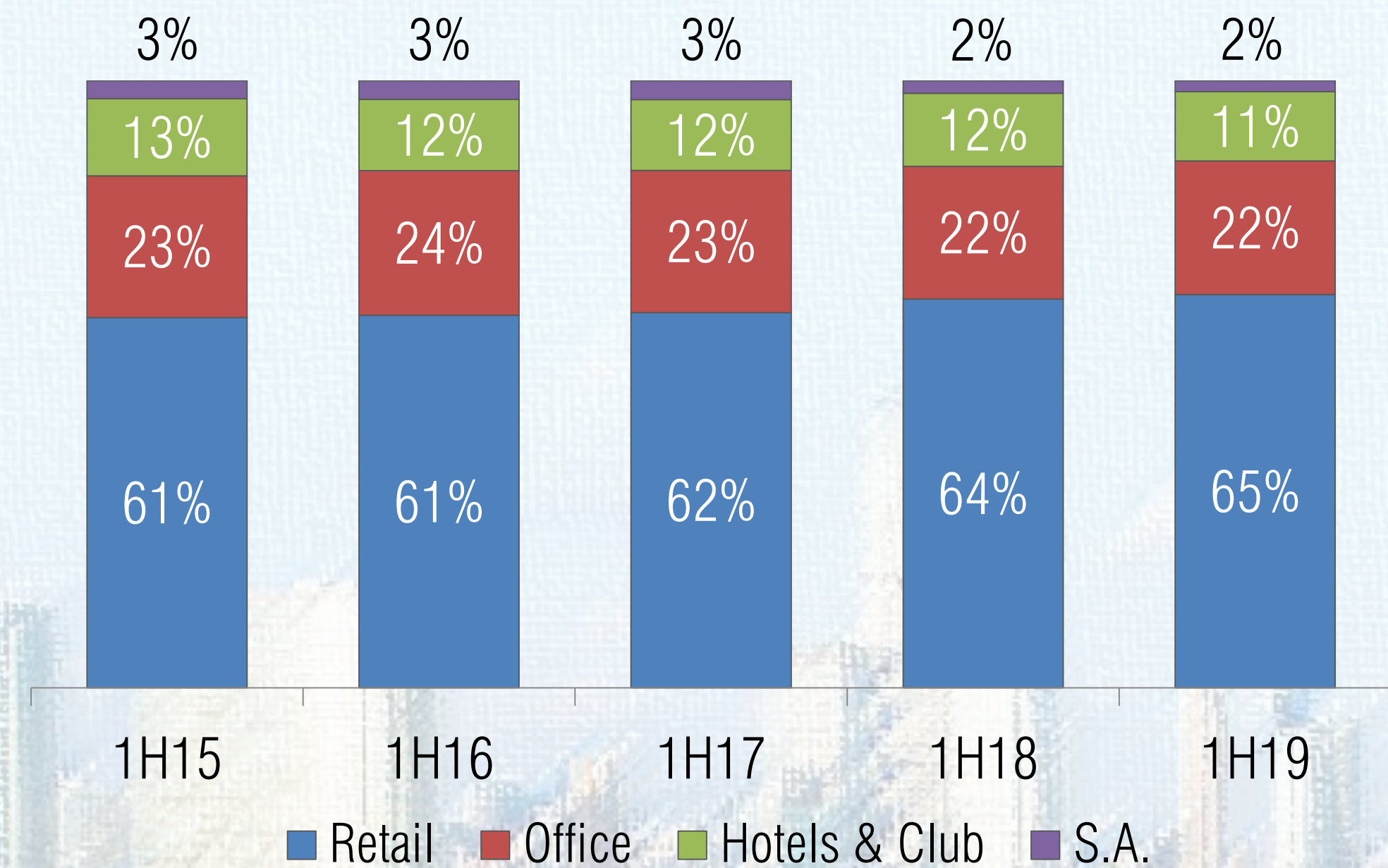
Diversified Retail Trade Mix



Productivity Drives Revenue

- Retailers' Confidence in Critical Mass & Proven Productivity
- Tenant Demand Continues
- Positive Rental Reversion

HC Revenue Breakdown
1H19 \$6.2B (+5.2%)



Proactive Asset Enhancement

- Serviced Apartment Conversion to Office
- GFA: 360,000 s.f
- Over 50% Leased



Harbour City Office

Harbour City Hotels

- Soft Markets
- 3 Marco Polo Hotels at HC
 - Occupancy Reached 95%
 - Stable RevPar



Marco Polo Hongkong Hotel

- *Top 10 'Best Hotels & Resorts in Hong Kong', 2019 DestinAsian Readers' Choice Awards*
- *TripAdvisor Certificate of Excellence*

Agenda



Harbour City

Times Square

Plaza Hollywood

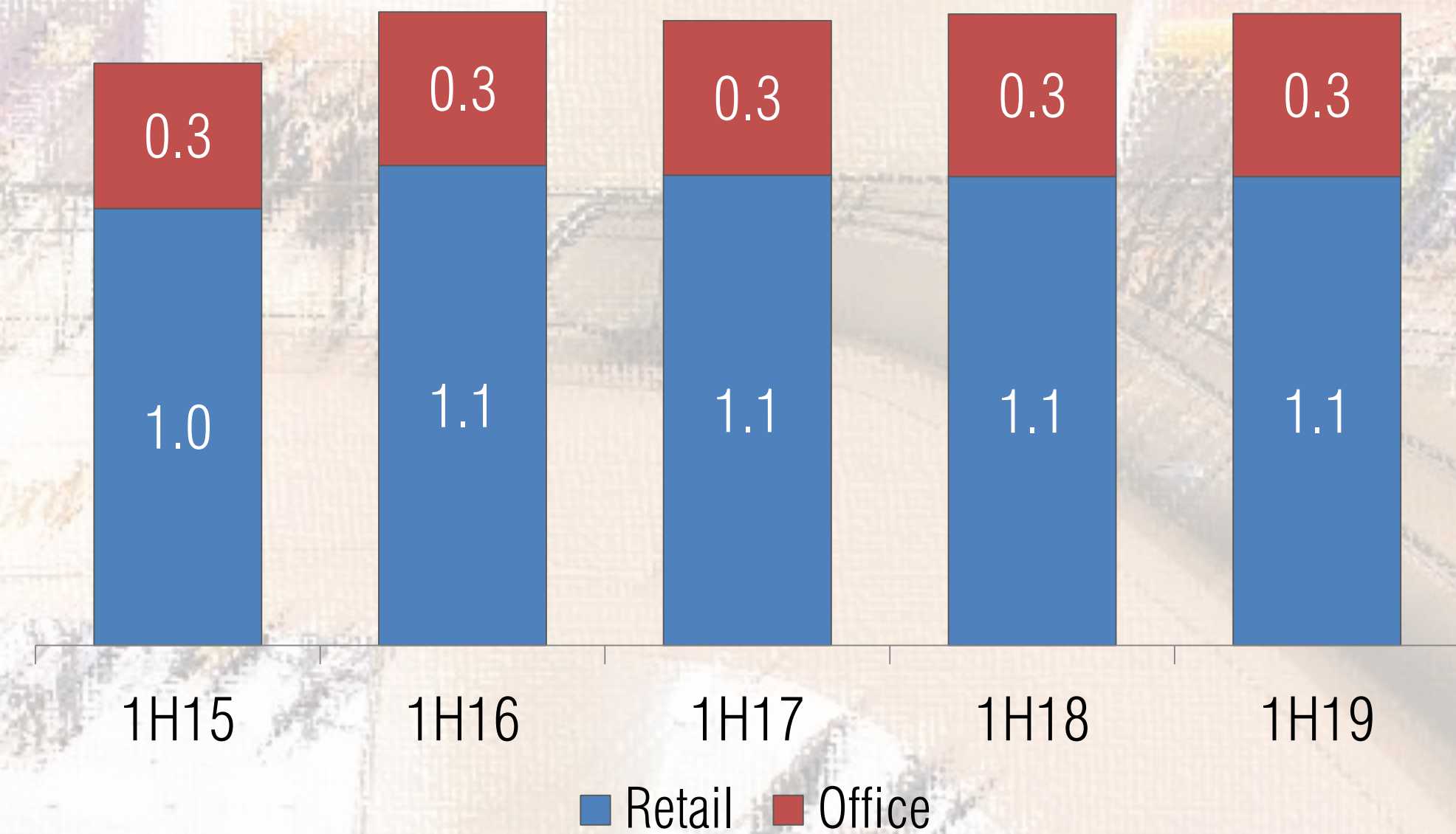
Central Portfolio

Financial Management

Competitive Landscape

- Competitive Landscape in Causeway Bay
- Retail Sales -3.6% (in-line w/ Market); Revenue Stable at \$1,062M
- Re-tenanting Creates Fresh Experience

TS Revenue Breakdown (HKD billion)
1H19 \$1.4B (Flat)



Agenda



Harbour City

Times Square

Plaza Hollywood

Central Portfolio

Financial Management

CBD2

- Soft Markets
- Retail Sales -4.8%; Revenue -2.1% to \$284M
- Constant Tenant Mix Optimization to Tap Kowloon East Potential



Agenda



Harbour City

Times Square

Plaza Hollywood

Central Portfolio

Financial Management

Core CBD

Wheelock House (WH)

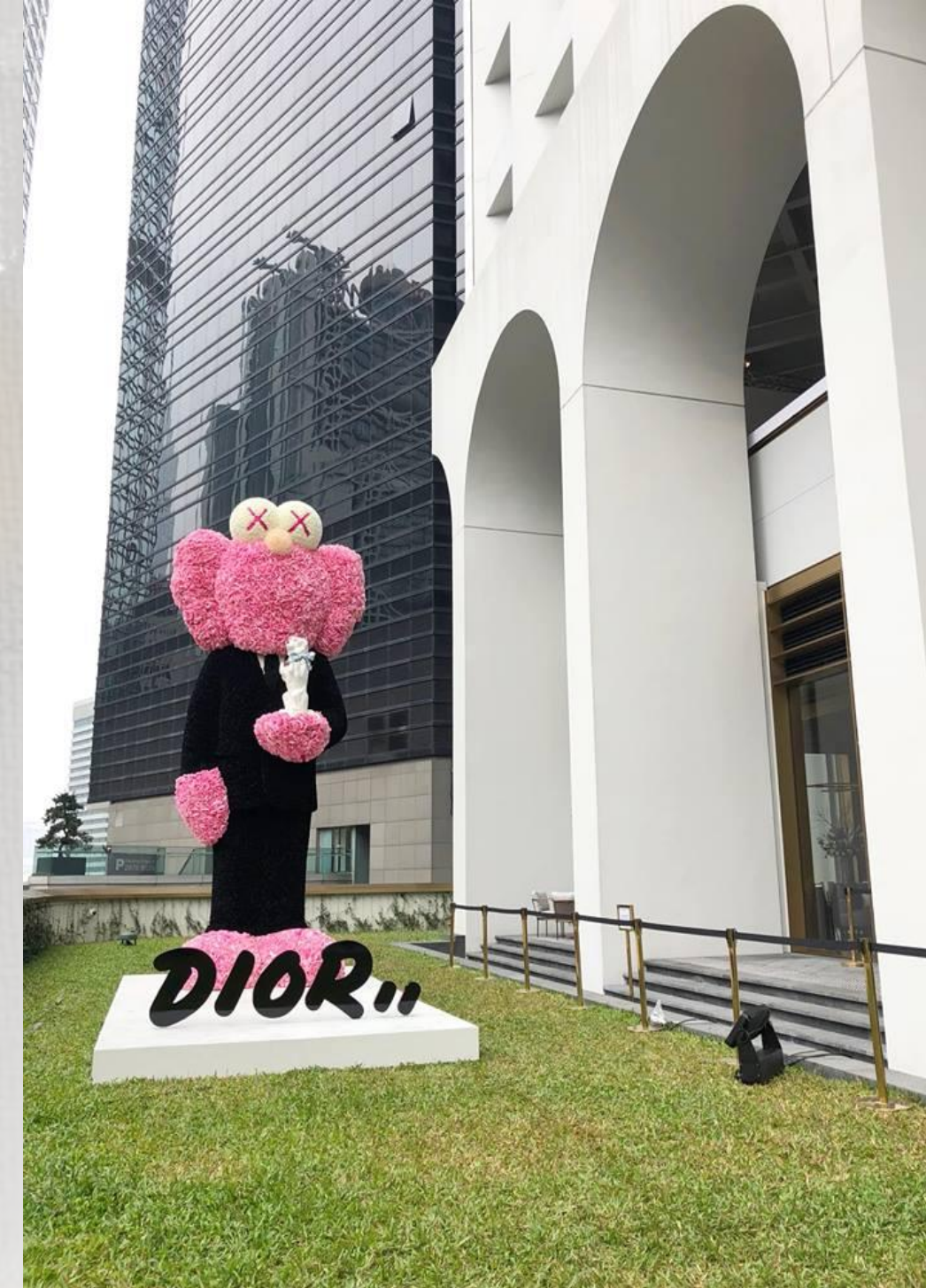
- Prime & Valuable
- 1H19 Office Rental Reversion: 31.8%
- Office Occupancy 97%

Crawford House (CH)

- Strong Support from Diversified Tenants
- 1H19 Office Rental Reversion: 28.5%
- Office Occupancy 100%

The Murray, Hong Kong

- Growing Reputation & Recognition
- Ramping Up w/ Start-up Loss
- Uncertainties & Increased Competition



Internationally-acclaimed



- *Best Luxury Hotel in Hong Kong, TTG China Travel Awards*
- *Best Hotel Openings in the past 12 months, Travel + Leisure "Hotels It List 2019"*



Popinjays

- *15 Best Rooftop Bars in the World , Condé Nast Traveler*

Agenda



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Central Portfolio

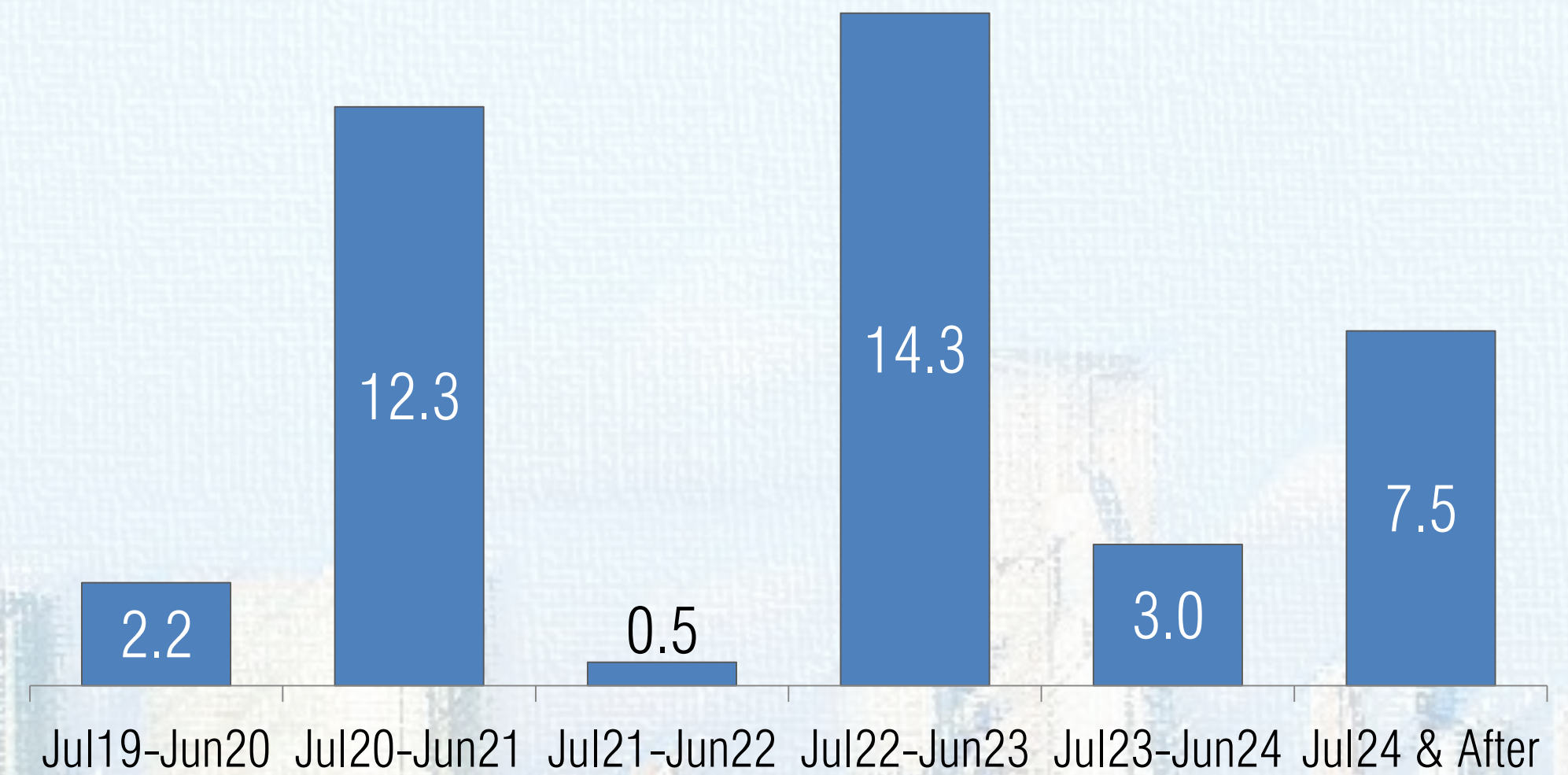
Financial Management

Prudent Financial Management

- Net Cash Inflow* \$3.0B
- Reduced Net Debt to \$36.4B
- Gearing 16.0%; Interest Cost 2.4%
- Moody's A2 Issuer Rating; Outlook Stable

* Net of Dividend Payment

Debt Maturity (HKD billion)
(As at 30 Jun 2019)



Outlook

- Sino-US Trade Disputes
- European Political Instability/ Brexit
- Global Currency & Interest Rate Movements

Cautious Outlook

Sustainability



Key Sustainability Performance



GHG emissions#
↓ **4.5%**



Water consumption#
↓ **1.8%**



Recycled
6,669+ tonnes waste*



2,978 talent*



62,906
training hours*



Supported **218+**
events & activities*



Donations totalling
HK\$**26** million



Project WeCan
「學校起動」計劃

Business Units of WREIC
are partnering with 7
WeCan schools to
provide support

- Published WREIC's standalone Sustainability Report 2018 in accordance with the Core Option of GRI Standards and HKEX ESG Guide.
- Aligned our operations with 11 of the 17 UNSDGs. Our key initiatives contributing to UNSDGs are reported in the Sustainability Report.



#Compared to 2017 and the reporting entities exclude The Murray, Hong Kong
*Reporting scope covers operations as identified in WREIC's Sustainability Report 2018. <https://www.wharfrec.com/en/sustainability/reports>

Key sustainability performance



Hang Seng Corporate
Sustainability Index
Series Member 2018-2019



商界展關懷
caring**company** 2018/19[®]
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

- Constituent member of Hang Seng Corporate Sustainability Index
- Awarded CSR Index Plus by HKQAA
- Caring Company Logo 2018/19
- The Wharf Young Art Programme was awarded the Award for Arts Education (non-school division) by Hong Kong Art Development Awards 2018
- Architectural Design Internship Programme has sponsored 24 awardees to intern overseas.



Weak Demand, Stable Results

Thank You

End of Presentation

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