

Disposal of Properties

12 December 2018

# Disposal of Properties / Target Group Overview

**Target Group**

## 12 Properties

Book value of HK\$9B <sup>(1)</sup>

- Ap Lei Chau
- Chun Shek
- Fortune
- King Lam
- Lei Tung
- Ming Tak
- Shan King
- Siu Hei
- Tai Ping
- Wah Ming
- Wah Sum
- Wang Tau Hom

**Consideration**

## HK\$12.01 Billion

Achieved an average of 32.1% premium to book value in aggregate

Premium to book value

**+32.1%**

Disposal gain <sup>(2,3)</sup>

**HK\$2,788M**

Completion of transaction

**13 March 2019**

Notes:

(1) Appraised value as at 30 September 2018

(2) Subject to completion adjustment

(3) After deducting expenses

# Proceeds to be Deployed to Create Value

## New Investments

### Upgrade portfolio to create sustainable value

Potential acquisitions in Hong Kong and PRC first-tier cities

## Debt Repayment

### Strengthen capital structure

Maintain flexibility and reduce interest expenses

## Return of Capital

### Neutralise DPU loss

Primarily through unit buyback

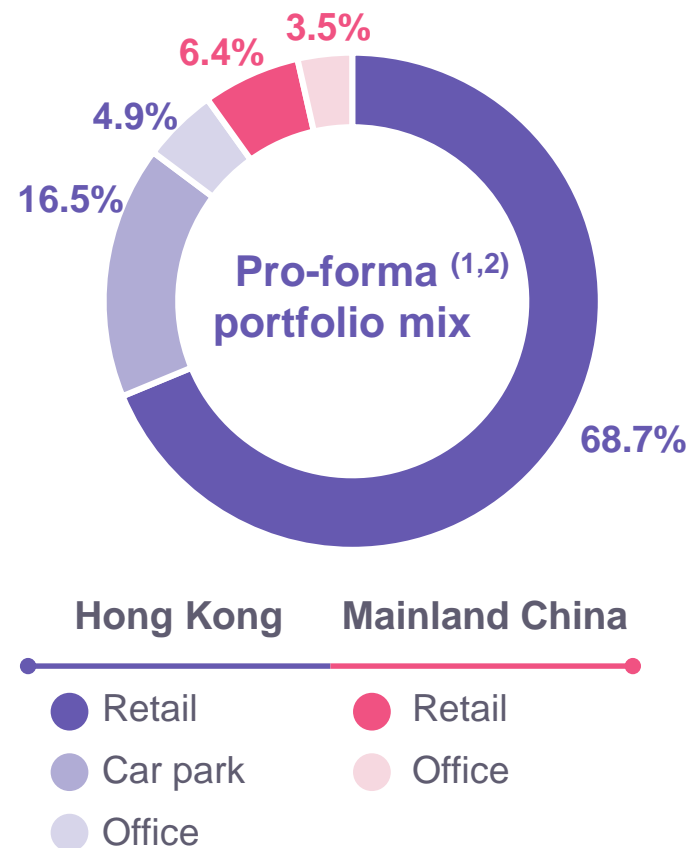
## Working Capital

### Finance CAPEX and others

Meet ongoing corporate needs in development and asset enhancements

# Pro-forma Financials after Disposals (1) Portfolio and Financial Overview

	As at 30 Sep 2018 Pro-forma <sup>(1)</sup>	As at 30 Sep 2018 Actual
Total portfolio value	<b>HK\$204B</b>	HK\$210B
NAV per unit	<b>HK\$86.73</b>	HK\$85.41
Gearing ratio <sup>(3)</sup>	<b>11.4%</b>	10.3%
Available liquidity <sup>(3)</sup>	<b>HK\$23.9B</b>	HK\$14.0B



**Notes:**

- (1) Assume all asset disposals to date (including the previously completed disposals of 45 assets and the current disposal of 12 assets) are excluded and acquisition of Beijing Jingtong Roosevelt Plaza is completed
- (2) By valuation as at 30 September 2018
- (3) Assume the disposal of 12 assets completed on 30 September 2018 with all disposal proceeds retained as cash

# Pro-forma Financials after Disposals (2)

## HK Portfolio – Revenue Analysis

	Six months ended 30 Sep 2018 Pro-forma <sup>(1)</sup> (HK\$'M)	Six months ended 30 Sep 2018 Actual (HK\$'M)	Year ended 31 Mar 2018 Pro-forma <sup>(1)</sup> (HK\$'M)	Year ended 31 Mar 2018 Actual (HK\$'M)
<b>Retail rentals:</b>				
Shops <sup>(2)</sup>	2,530	2,659	4,762	5,460
Markets / Cooked Food Stalls	432	452	802	905
Education / Welfare and Ancillary	64	67	127	149
Mall Merchandising	86	90	160	177
<b>Car park rentals:</b>				
Monthly	685	745	1,249	1,537
Hourly	227	243	429	509
<b>Expenses recovery and other miscellaneous revenue:</b>				
Property related revenue <sup>(3)</sup>	181	184	360	402
<b>Total</b>	<b>4,205</b>	<b>4,440</b>	<b>7,889</b>	<b>9,139</b>

Notes:

- (1) Assume all asset disposals to date (including the previously completed disposals of 45 assets and the current disposal of 12 assets) are excluded from the revenue analysis
- (2) Rental from shops includes turnover rent
- (3) Including other revenue from retail properties and car park portfolio

# Pro-forma Financials after Disposals (3)

## HK Portfolio – Expense Analysis

	Six months ended 30 Sep 2018 Pro-forma <sup>(1)</sup> (HK\$'M)	Six months ended 30 Sep 2018 Actual (HK\$'M)	Year ended 31 Mar 2018 Pro-forma <sup>(1)</sup> (HK\$'M)	Year ended 31 Mar 2018 Actual (HK\$'M)
Property managers' fees, security and cleaning	251	269	467	570
Staff costs	220	235	360	431
Repair and maintenance	94	99	176	211
Utilities	151	156	246	284
Government rent and rates	135	143	246	288
Promotion and marketing expenses	53	53	126	136
Estate common area costs	40	44	77	100
Other property operating expenses	67	72	116	140
<b>Total property expenses</b>	<b>1,011</b>	<b>1,071</b>	<b>1,814</b>	<b>2,160</b>

Note:

(1) Assume all asset disposals to date (including the previously completed disposals of 45 assets and the current disposal of 12 assets) are excluded from the expenses analysis

# Pro-forma Financials after Disposals (4) HK Retail Portfolio – Operational Data



## By Shopping Centre Categories

Properties <sup>(3)</sup>	No. of properties <sup>(1)</sup>		Total area <sup>(1)</sup> (‘000 sq. ft.)		Valuation <sup>(1)</sup> (HK\$’M)		Retail rentals <sup>(2)</sup> (HK\$’M)		Average monthly unit rent <sup>(1)</sup> (HK\$ psf)		Occupancy rate <sup>(1)</sup> (%)	
	Pro- <sup>(4)</sup>		Pro- <sup>(4)</sup>		Pro- <sup>(4)</sup>		Pro- <sup>(4)</sup>		Pro- <sup>(4)</sup>		Pro- <sup>(4)</sup>	
	forma	Actual	forma	Actual	forma	Actual	forma	Actual	forma	Actual	forma	Actual
<b>Destination</b>	<b>6</b>	6	<b>1,280</b>	1,280	<b>31,119</b>	31,119	<b>635</b>	635	<b>87.8</b>	87.8	<b>92.3</b>	92.3
<b>Community</b>	<b>33</b>	33	<b>3,829</b>	3,829	<b>76,851</b>	76,851	<b>1,721</b>	1,721	<b>73.7</b>	73.7	<b>97.0</b>	97.0
<b>Neighbourhood</b>	<b>58</b>	70	<b>2,713</b>	3,296	<b>32,038</b>	38,421	<b>756</b>	912	<b>48.1</b>	47.8	<b>95.5</b>	94.9
<b>Overall</b>	<b>97</b>	109	<b>7,822</b>	8,405	<b>140,008</b>	146,391	<b>3,112</b>	3,268	<b>67.1</b>	65.7	<b>95.7</b>	95.5

**Disposal to enhance our portfolio quality in Hong Kong**

Notes:

(1) As at 30 September 2018

(2) For six months ended 30 September 2018

(3) Property categorisation as at 30 September 2018

(4) Assume all asset disposals to date (including the previously completed disposals of 45 assets and the current disposal of 12 assets) are excluded from the above analysis

# Appendix 1

## Disposal of Properties / Target Group

### Property Particulars



	Six months ended 30 September 2018		Year ended 31 March 2018		Valuation <sup>(1)</sup> (HK\$'M)	Consideration (HK\$'M)
	Turnover (HK\$'000)	NPI (HK\$'000)	Turnover (HK\$'000)	NPI (HK\$'000)		
Ap Lei Chau	19,005	15,265	38,000	31,046	802	1,041
Chun Shek	21,502	15,264	40,592	29,339	810	1,059
Fortune	10,053	6,135	20,952	13,771	375	498
King Lam	20,677	16,164	38,894	30,194	771	1,029
Lei Tung	32,415	24,163	61,617	42,939	1,192	1,692
Ming Tak	21,395	16,390	38,904	29,632	737	997
Shan King	33,959	24,703	64,730	47,748	1,454	1,836
Siu Hei	9,556	6,572	18,737	13,158	390	512
Tai Ping	2,313	1,569	4,613	3,247	95	122
Wah Ming	33,131	26,099	57,706	43,689	1,349	1,663
Wah Sum	16,134	11,516	31,176	22,783	585	809
Wang Tau Hom	15,029	11,334	26,492	20,732	528	752
<b>Total</b>	<b>235,169</b>	<b>175,174</b>	<b>442,413</b>	<b>328,278</b>	<b>9,088</b>	<b>12,010</b>

Note:

(1) Appraised value as at 30 September 2018



## Appendix 2

# Summary of Disposals

	No. of disposed properties	Total transacted price (HK\$M)	Premium to valuation	Holding period IRR <sup>(6)</sup>
<b>2014/2015</b>	9	2,956	33% <sup>(1)</sup>	20%
<b>2015/2016</b>	5	1,716	30% <sup>(2)</sup>	21%
<b>2016/2017</b>	14	7,288	24% <sup>(3)</sup>	19%
<b>2017/2018</b>	17	23,000	52% <sup>(4)</sup>	23%
<b>2018/2019</b>	12	12,010	32% <sup>(5)</sup>	22%
<b>Total</b>	<b>57</b>	<b>46,970</b>		

Notes:

- (1) Compared to valuation as at 31 March 2014
- (2) Compared to valuation as at 30 September 2015
- (3) Involved 14 properties. Compared to aggregate valuation as at 31 March 2016 and 30 September 2016, as appropriate
- (4) Compared to valuation as at 30 September 2017
- (5) Compared to valuation as at 30 September 2018
- (6) Median of property level unleveraged IRRs from IPO/acquisition to divestment for the properties divested during the year

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