

Wharf Real Estate Investment Company Limited
(Stock Code: 1997.HK)
Listed on 23 Nov 2017

Fixed Income Investor Update (Jan 2018)



Wharf has Demerged into Two Listed Sister Companies



0020.HK
↓ 62%

The Wharf (Holdings) Limited
0004.HK

Demerger



62% ↓

Wharf REIC
1997.HK

- Separately listed since 23/11/17
- 6 Strategic Commercial HKIPs
- Incl. 72% HCDL (0051.HK)

62% ↓

Wharf Holdings
0004.HK

- HK
 - Properties
 - Logistics
- China
 - IP
 - DP
- Hotel Management



Wharf REIC – Clear Strategic Focus on Commercial IPs

- Operational & Financial Transparency, Allowing Creditors to Appraise Credit Worthiness
- Direct Alignment of Responsibilities & Accountability of Management
- Direct & Independent Access to Both Equity & Debt Capital Markets



Optimal Capital Structure

Pro-forma Financial Position as of 30 Jun 2017 (HKD Million)

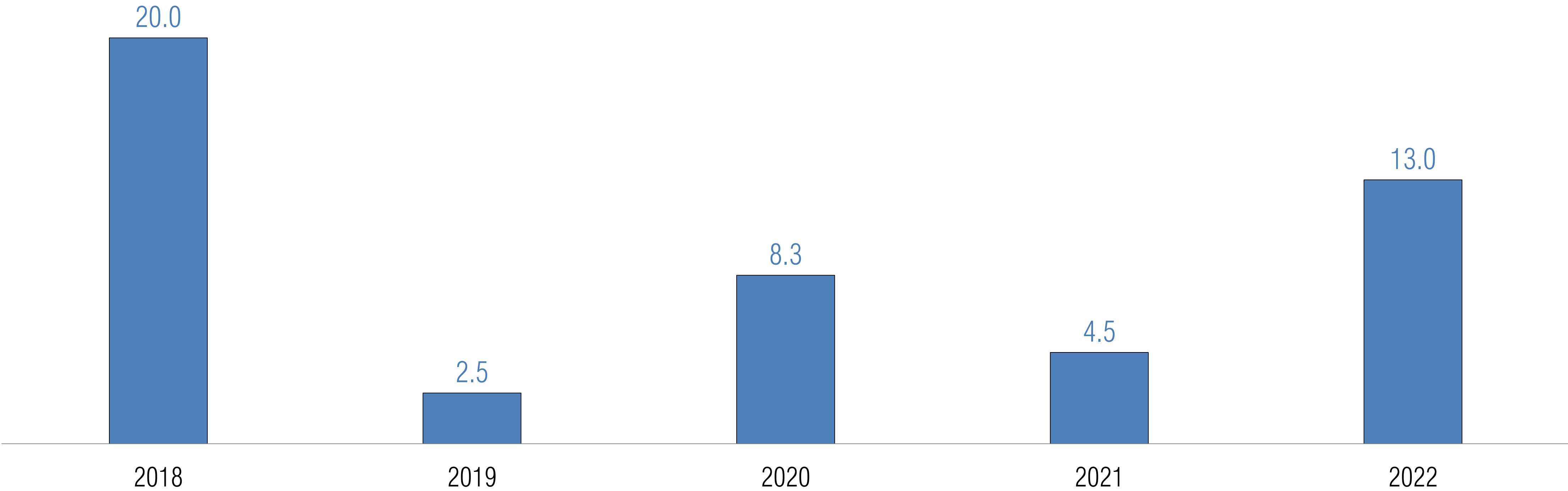
Investment Properties	245,424
Other Assets/ Liabilities	1,379
	246,803
Long-term Bank Loans	(49,073)
Short-term Bank Loans	(685)
Less: Bank Deposits and Cash	3,057
Net Debt	(46,701)
Total Equity	200,102
Net Debt-to-Total Equity Ratio	23.3%



Bank Facilities Maturity

Total: HKD 48.3B

Bank Facilities Maturity (HKD Billion)



Note: Excl. HCDL Facilities



Investment Theme: Six Defensive Assets at Prominent Locations

96%

Group Business Assets^

	Valuation as of 31 Aug 2017 (HKD Billion)		GFA (’000 s.f.)	
Harbour City*	172.7	67.5%	8,409	72.0%
Times Square	54.5	21.3%	1,976	16.9%
Central Portfolio#	19.1	7.4%	740	6.3%
Plaza Hollywood	9.6	3.8%	562	4.8%
Total	255.9	100.0%	11,687	100.0%

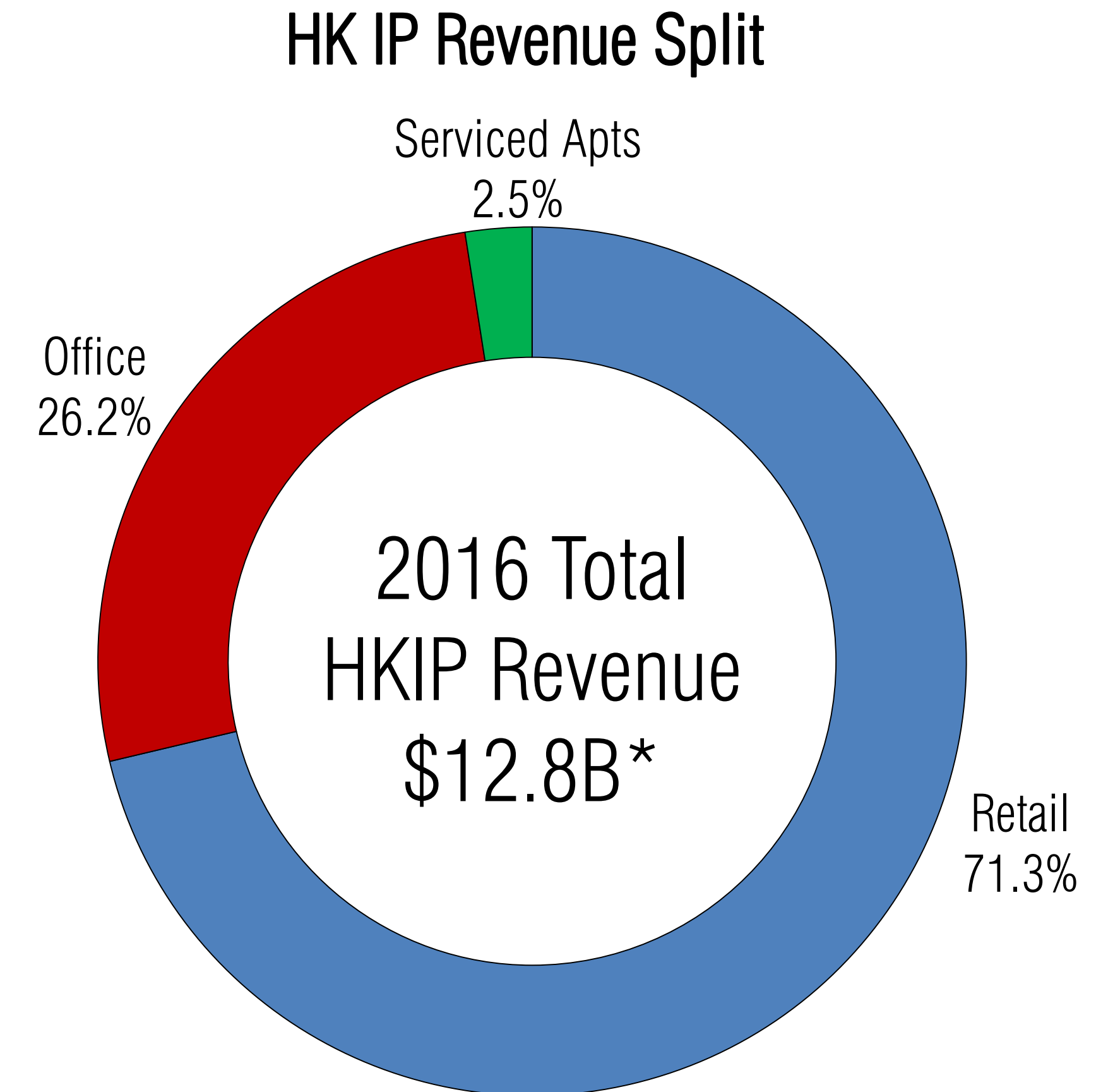
*Incl. 3 Marco Polo Hotels’ Valuation; but All Hotels are Booked at Cost in Wharf REIC’s Balance Sheet

Incl. Crawford House, Wheelock House & The Murray ^As of 30 Jun 2017



Solid Recurrent Income from Mixed-use Integrated Complexes

- Hold & Invest in Premium Quality Commercial Properties in HK
- Strong Cashflow, Stable Recurrent Income & Synergies from Quality HKIP Portfolio
- Key Contribution from Base Rent (2016 Base Rent $\geq 90\%$ Total Retail Revenue)
- Mainly Driven by Iconic Malls (HC, TS & PH)



*Revenue from Hotels Not Included



Wharf REIC Credit Highlights – Simple & Focused

- Proactive HKIP-Play with Unmatched Track Record in Retail Sales & Rental Productivity
- Strong Cashflow/ Recurrent Annual Gross Rental Revenue of over \$10B
- Low Recurrent Annual Capital Expenditures (Expected < \$200M)
- Retail Rental Resilience Through Market Downturns (Unbroken String Started Before SARS)
- Base Rents Protect Against Downside Risks (HC: 2006-2016 Base Rent CAGR 15.6%)
- Sustained Waiting List of Tenants – A Huge Comfort to Our Proactive Management Approach Anchored on Solid Retailing Principles
- Maintaining a High Level of Financial Discipline & Flexibility (LTV: 20%)
- Premium Credit Rating (Moody's A2)



Wharf REIC Credit Highlights – Retail Proxy

- Listed Assets for Decades with a Track Record of High Stability & Transparency
- Tops the List of HKIP Revenue & Valuation Among HK Listed Landlords & REITs
- Among the Most Valuable ‘Pure-play’ IP Portfolios in the World that is Publicly Traded
- Over \$200B Worth of Prime IP Assets with 999-year Leaseholds, Among the Largest in HK
- Management Team Track Record & Continuity



Wharf REIC Credit Highlights – Good Revenue & Profit Visibility

- Solid Management & Execution Capabilities to Enhance Tenant Qualities & Stickiness
- High Retail & Office Occupancy ($\geq 95\%$ & 91% Respectively Since 2007)
- Typical 3-yr Base Rent Clause in Leasing Agreements
 - Optimizing Revenue at Risk at Any Point in Time
- Revenue Diversity: Top 5 Customers Contributed $\leq 10\%$ of Total Revenue for FY14-1H17



Wharf REIC Credit Highlights – Prudent Financial Management

- Established Practice of Early Refinance Loan Maturing Within 1 Yr
- Risk Management via Currency and/ or Interest Rates Hedging with Efficient Use of Derivatives (IRS, CCS, FX)
- Diversified Funding Channels: Loan/ Debt/ Equity Market



Wharf REIC: Preferred Partner of Best-in-class Retailers/ Operators

- Retail: 71% of 2016 Group Total HKIP Revenue
- Exceptional Retail Portfolio with Critical Mass & Unique Showcase Effects in Strategic Locations in HK
- High Occupancy Levels Throughout the Economic Cycles: Ability to Attract & Retain Quality Tenants (Mid- to Top End Reputable Retailers, Leading Corporations & MNCs in Different Sectors, etc.)
- Proxy for the HK Retail Market (2016 HC/TS/PH: ~9% of HK retail sales)



Moody's A2 Issuer Rating; Outlook Stable

- Same Rating as HK Land, Swire Properties & Link REIT
- Per Moody's, the Rating
 - Reflects WREIC's Sizeable & Good Quality Assets, & the Diversity of its Asset Types Located in Prime Commercial Locations in HK
 - Considers WREIC's Strong Management Ability in Tenancy Management, which Provides Good Revenue & Profit Visibility (as Evidenced by its Track Record Throughout the Economic Cycles)
 - Reflects that WREIC will Maintain a Sustainable Business Strategy & Prudent Financial Management

Source: Moody's Investors Service



Moody's A2 Issuer Rating; Outlook Stable

- The Stable Ratings Outlook Reflects Moody's Expectation that WREIC will Maintain:
 - Its Quality Asset Portfolio
 - Predictable & Strong Rental Revenues & High Occupancy Levels for its Key Assets
 - Stable Debt Leverage at Levels Supporting its A2 Rating

Source: Moody's Investors Service



DCM Metrics Meet Moody's Expectation

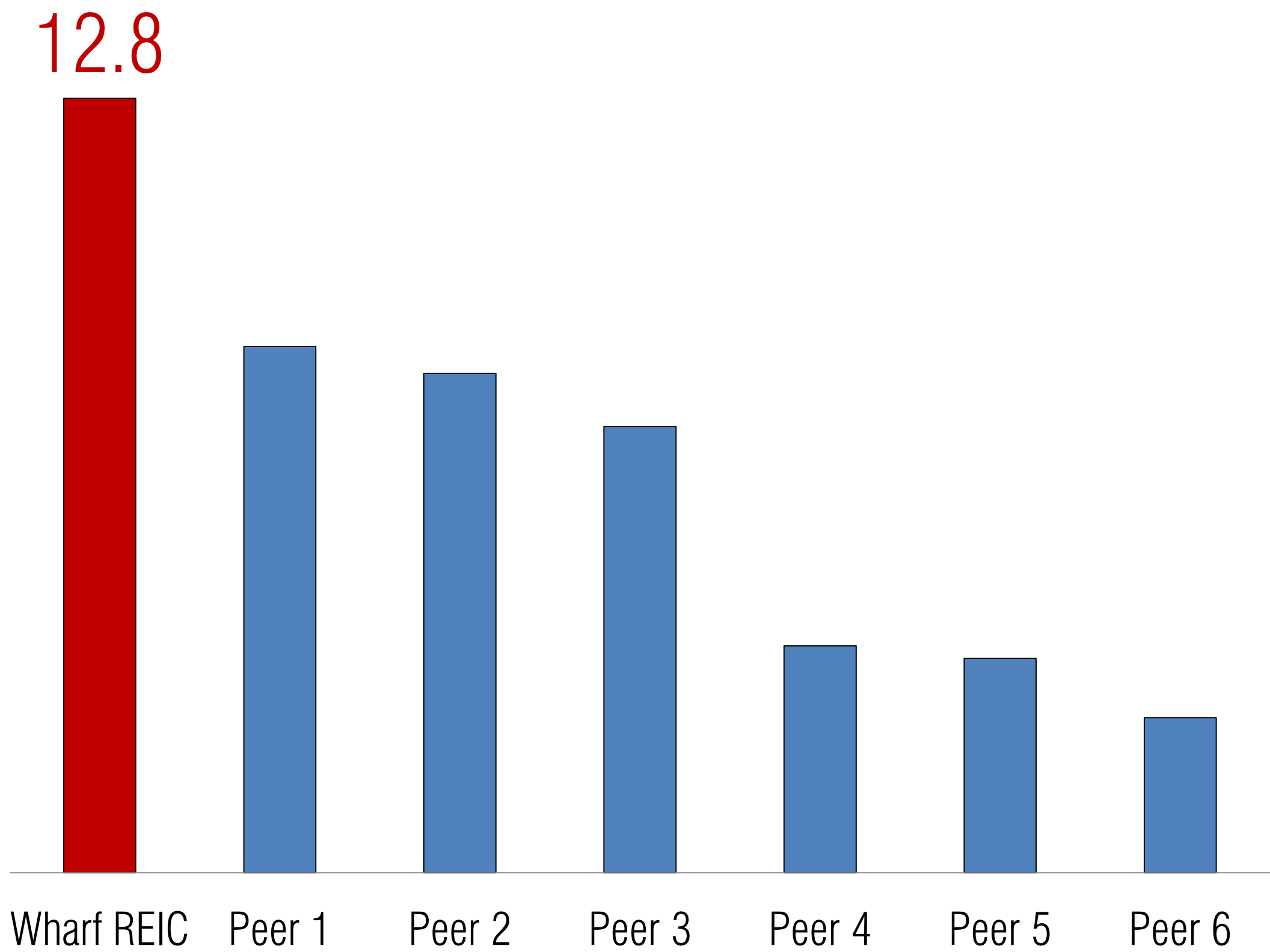
- FY14-1H17 Annualized Debt/ EBITDA: 2.0x-3.8x; Interest Coverage: 7.6x-13.5x
- Per Moody's:
 - Next 12-18 months Wharf REIC's Debt Leverage (Debt/ EBITDA): 3.5x-4.0x; Interest Coverage: 6.5x-7.0x (These Levels are Consistent with Other Large-scale REITs at the Single-A Rating Level in HK & Singapore)
 - A GOOD BUFFER Exists vs Debt Leverage Range (Above 4.5x-5.0x) Triggering Moody's Rating Downgrade

Source: Moody's Investors Service

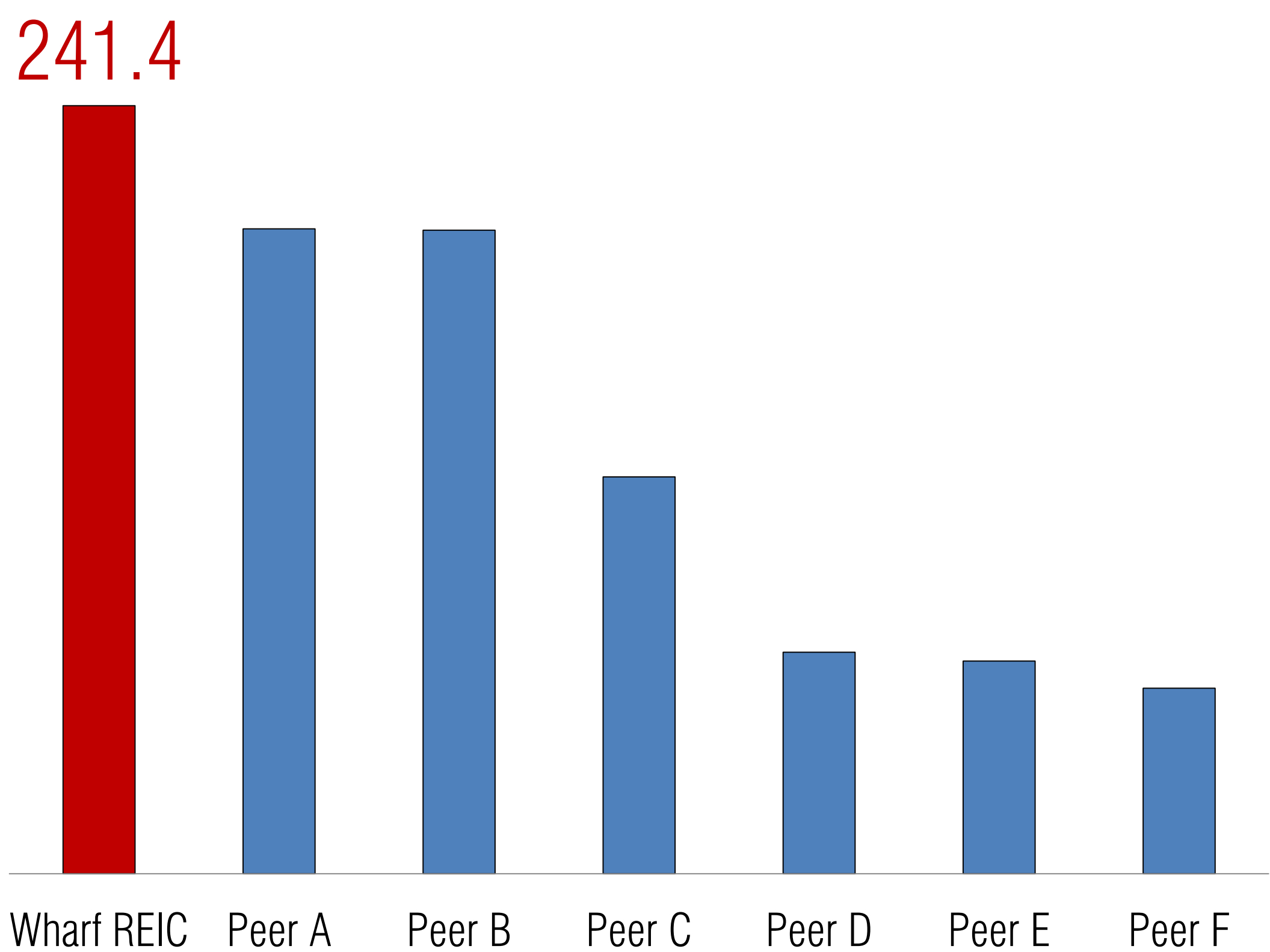


Highest HKIP Revenue & Valuation (Among HK Listed Landlords & REITs)

2016 HKIP Revenue (HKD Billion)



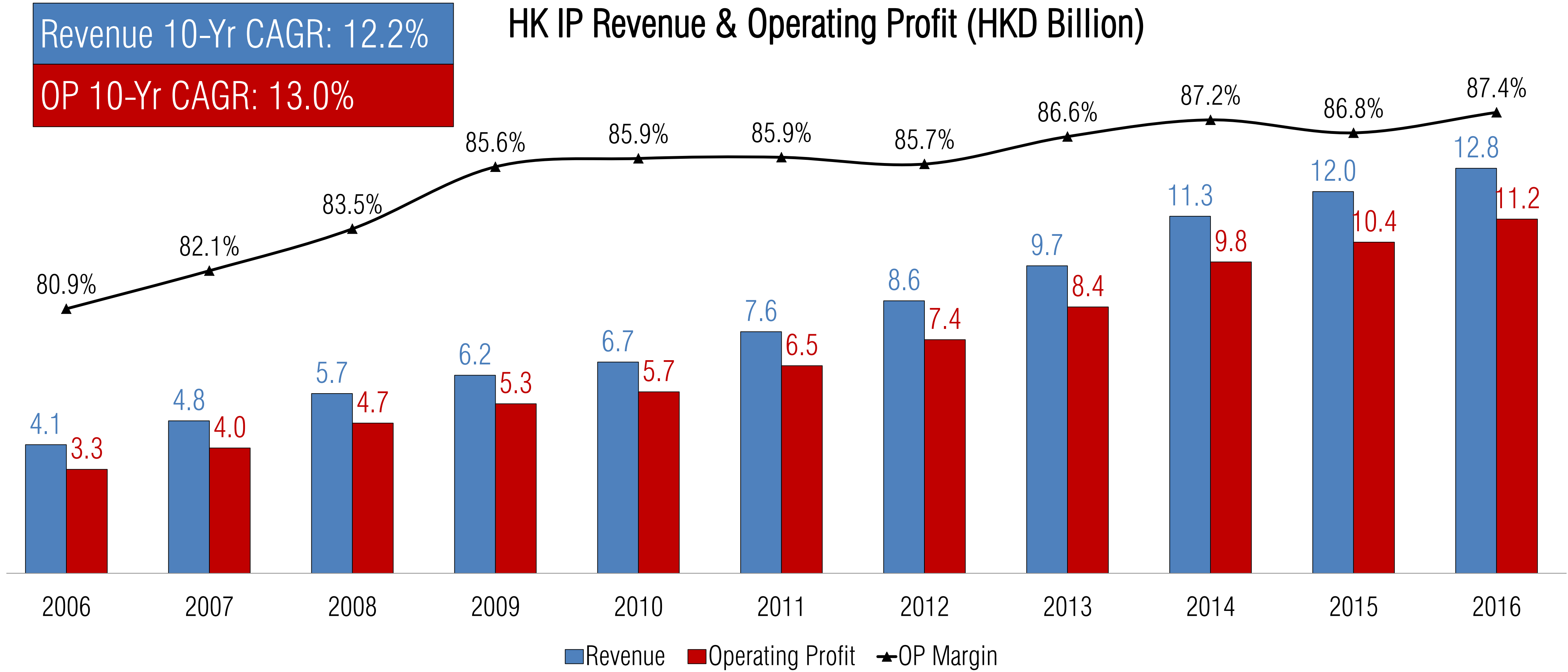
2016 HKIP Valuation (HKD Billion)



Note: Excl. Hotel (Not Classified as IP Per Accounting Std.); Data for Peers Either as of End-2016 or Mar-2017



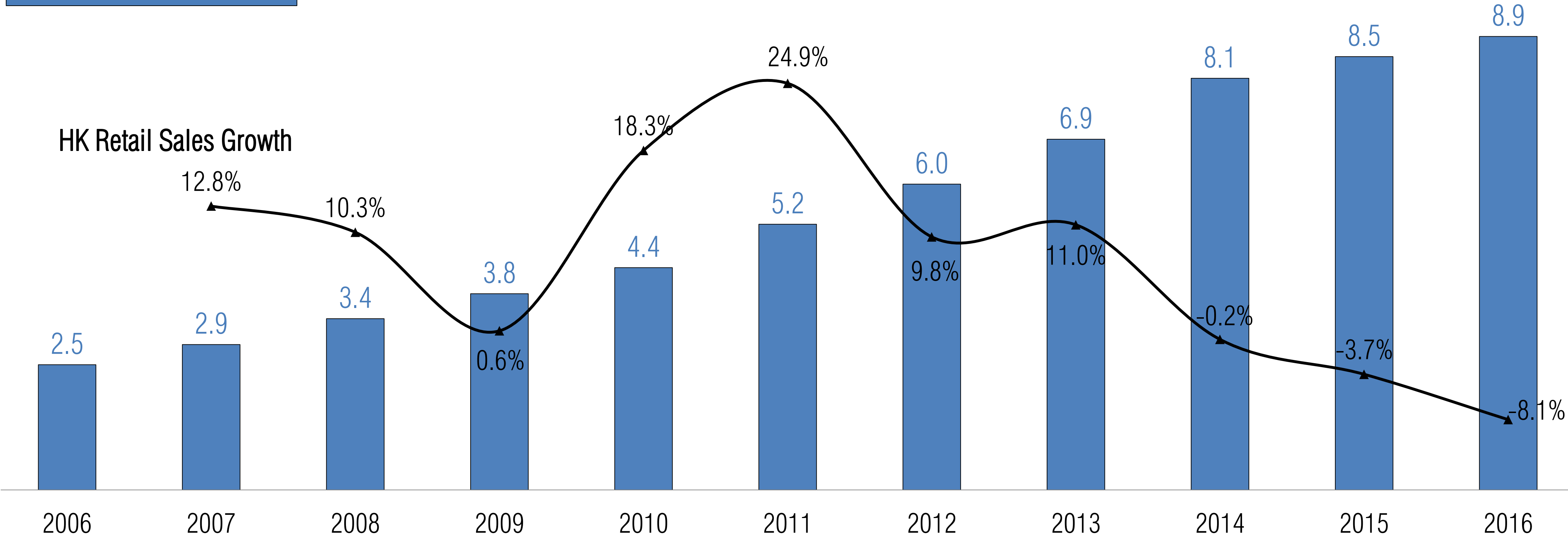
Balanced Blend of Stability & Growth



3 Iconic Malls Demonstrate Resilience to Market Downturns

10-Yr CAGR: 13.7%

HC/TS/PH Total Retail Revenue (HKD Billion)



Strong Recurrent Income Stream

- Solid Recurrent Income Generating Capability Throughout the Last Decade
- Base Rent Protect Against Further Downside Risk

2016 Rental Income

	Total Revenue	Retail Rental Income	Retail vs Office
Harbour City	3.2x (2006-16 CAGR: 12.4%)	4.7x (2006-16 CAGR: 16.7%)	2.7x (2006: 1.4x)
Times Square	2.8x (2006-16 CAGR: 11.0%)	3.4x (2006-16 CAGR: 12.9%)	3.2x (2006: 2.6x)



Harbour City – Among the Most Productive Malls in the World

- Core of the “Greater Harbour City” Cluster; Critical Mass, Comprehensive Offering
- Destination Retail Landmark: 2M s.f Mall (~570 Tenants) Incl. 530m Retail Frontage (Canton Rd)
- Most Preferred Location & Showcase to the Mainland Market for the World’s Best Brands
- Annual Retail Sales* 2x the Average Sales psf of 2015 N.America’s Top 10 Malls
- 1H17 Market Share 6.3% (HK Incl. Wet Market)



(Selected Brands only)

Chanel

GUCCI



Van Cleef & Arpels
Haute Joaillerie, place Vendôme since 1906

ZARA

Their Stores at HC are among their Best Performing Stores in the World

*2015 Retail Sales: HC US\$3,657 psf vs U.S. Top 10 Malls Avg US\$1,828



Harbour City Unrivalled Sales & Rental Productivity

Outperformed Market
Over the Past Decade

2006-2016
Retail Sales CAGR

12.0%

(HK Overall: 7.1%)

2006-2014 (Bull Market)
Retail Sales CAGR

18.6%

(HK Overall: 10.7%)

Weathered Down-cycles
Over the Past Decade

2006-2016
Retail Rental* CAGR

16.7%

*Excl. Management Fee, Carpark & Others



Harbour City – High Occupancy with Diverse Retail Tenant Mix

	% by Rental	% by Area	% by Sales
Fashion	38.8	27.1	25.3
Leather Goods – Shoes, Bags & Related Trade	21.4	12.5	24.3
Jewellery, Beauty & Accessories	20.5	7.7	21.9
Dept. Store, Confectionery Products	6.7	23.8	13.2
F&B, Entertainment	3.7	15.5	4.7
Children's Wear, Toy & Related Trades	3.1	4.9	2.8
Sports Wear	2.2	3.0	2.1
Electrical & Audio-visual Equipment	1.9	1.6	5.0
Others	1.7	3.9	0.7
Total	100.0	100.0	100.0

Note: Data from 2016



Harbour City – Office & Hotels: Strategic Traffic Feeders

2016 Footfall (Mall)

~80M

Total GFA

8.4M s.f

2016 Retail Sales

\$27.7B

2016 Sales psf/mth

~\$2,200

Leaseholds#

999-yr

2016 Portfolio Information

	LFA^ (‘000 s.f.)	Revenue (HKD Million)	Average Occupancy (%)
Retail	1,286	6,207	97
Office	4,239	2,437	97
Serviced Apartments (499 units)+	661	316	73
Hotel* & Club	NA	1,286	NA

Excl. Ocean Terminal, Pacific Club; *3 Marco Polo Hotels: Total 1,459 rooms

+Hampton Court Conversion into Office Premises to Complete by Jun 2019; ^ As of 31 Aug 2017



Times Square – Among the Most Successful Vertical Malls Globally

- Iconic 17-level Shopping Landmark (~230 Tenants)
- Core of a “Greater Times Square” Cluster
- Connected to *Causeway Bay MTR Station*
- Lifestyle Experience Reinforces Differentiation
- “The Living Room Museum”: Centre Stage of Exhibitions



Times Square – Comprehensive Retail Tenant Mix

	% by Rental	% by Area	% by Sales
Fashion	34.0	22.9	24.5
Jewellery, Beauty, Healthcare & Accessories	33.7	16.2	26.3
Dept. Stores, Confectionery Products	13.6	21.7	25.0
F&B, Entertainment	7.4	26.5	8.8
Electrical & Audio-visual Equipment	5.1	5.1	10.9
Sports Wear	4.2	3.4	3.8
Others	2.0	4.2	0.7
Total	100.0	100.0	100.0

Note: Data from 2016



Times Square – Landmark Lifestyle Hub in Causeway Bay

2016 Footfall (Mall)
~65M

Total GFA
2.0M s.f

2016 Retail Sales
\$8.1B

2016 Sales psf/mth
~\$1,300

Leaseholds
999-yr

2016 Portfolio Information

	LFA^ (’000 s.f.)	Revenue (HKD Million)	Average Occupancy (%)
Retail	531	2,137	98
Office	1,026	701	96

^ As of 31 Aug 2017



Recent Acquisitions Further Expands Recurrent Income Base in Hong Kong

	Project Nature	Acquisition Date	Consideration (HKD Billion)
Crawford House	Office/ Retail	Aug 2014	5.8
Wheelock House	Office/ Retail	Mar 2016	6.2
The Murray (Former Landmark Murray Building)	Hotel	Nov 2013	4.4



Crawford House – Quality Office & Retail Space at Prime Location

- Heart of Central's Core CBD
- 18 Office Floors & Seven-storey Retail Area
- 120-foot High Street Frontage & along Queen's Road Central
- Home to Zara's HK Flagship
- Rare 999-year Leasehold



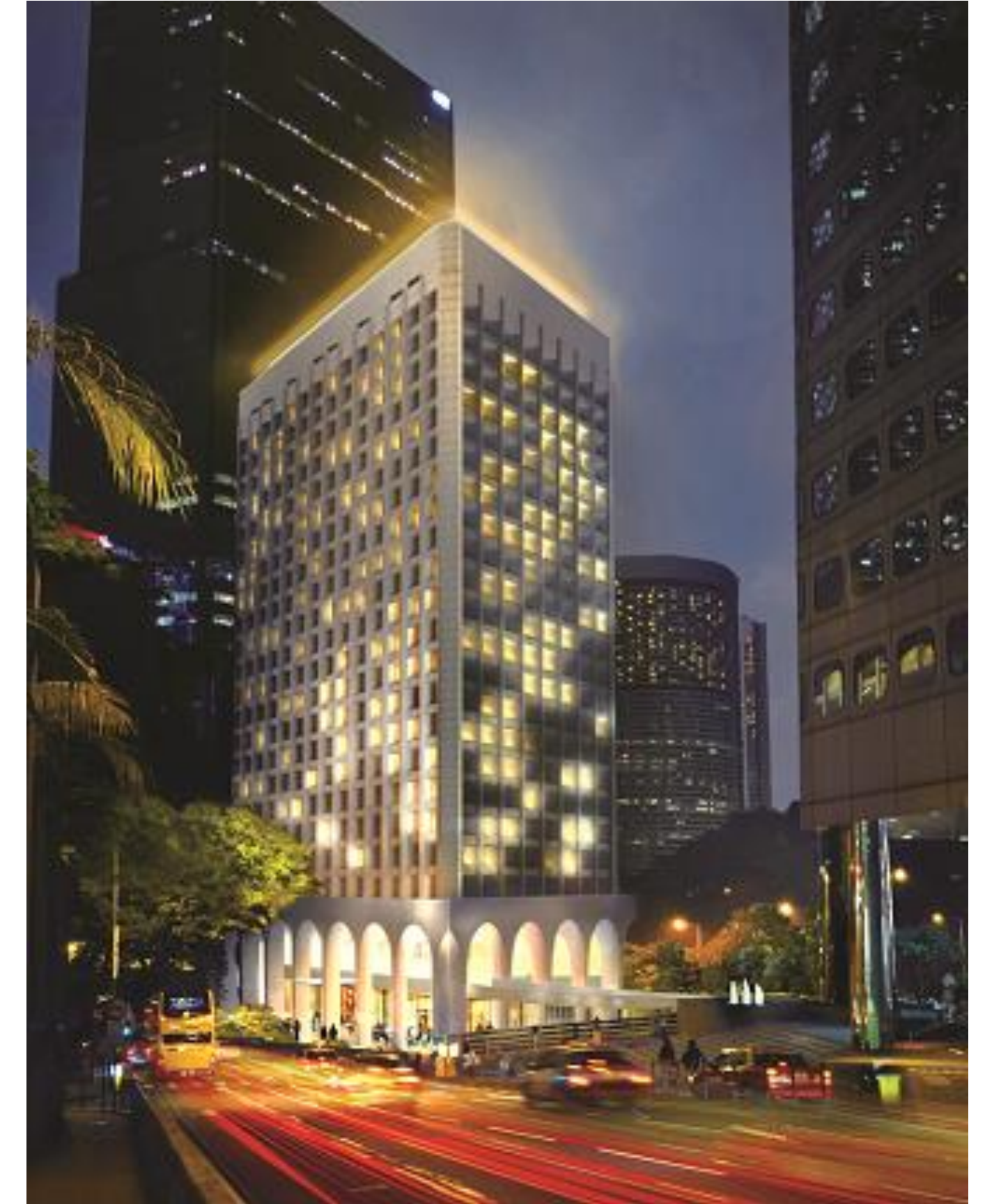
Wheelock House – Prime Office in HK's Core CBD

- Prime Grade A Offices with Top-notch Management
- Prominent Location in HK's Financial hub
- Atop *Central MTR Station*
- Rare 999-year Leasehold



The Murray – Landmark Conversion Under Niccolo Brand

- Part of Government's Conserving Central Initiative
- Converted from Murray Building, a Prominent Landmark Building (Nearly 50 years of History)
- Guards the Intersection of Traffic Arteries in Central
- Contemporary Urban Chic 336-Room Niccolo Hotel
- Befitting the City's Most Prestigious Visitors
- Scheduled to Open in Jan 2018



Plaza Hollywood – Leading Shopping Destination in Kowloon East

- 210 Tenants, 34 Restaurants & a Purpose-built Stadium
- 65% GFA Lettable (Highly Efficient)
- Atop *Diamond Hill MTR Station*
- Exploit Growth Opportunities in Kowloon East (CBD2)



Plaza Hollywood – Diversified Retail Tenant Mix

	% by Rental	% by Area	% by Sales
F&B, Entertainment	21.1	31.2	22.2
Jewellery, Beauty & Accessories	20.9	12.0	16.4
Fashion	19.1	22.9	15.2
Dept. Store, Healthcare Confectionery Products	15.8	13.7	16.4
Travel, Telecommunication & Other Services	8.5	5.5	8.5
Electrical & Audio-visual Equipment	6.7	6.0	14.5
Sports Wear	5.3	4.8	4.5
Others	2.6	3.9	2.3
Total	100.0	100.0	100.0

Note: Data from 2016



Plaza Hollywood – Leading Shopping Destination in Kowloon East

2016 Footfall

~20M

Total GFA

0.6M s.f

2016 Retail Sales

\$2.4B

2016 Portfolio Information

	LFA^ (’000 s.f.)	Revenue (HKD Million)	Average Occupancy (%)
Retail	375	546	96

^ As of 31 Aug 2017



Optimal Capital Structure

20%

Loan-to-Value Ratio (LTV)

23%

Pro-forma Net Debt-to-Total Equity Ratio



Dividend Policy – Stable and Sustainable Dividend Payout

65%

Realized Recurrent Profit Attributable to Shareholders from IPs and Hotels in HK



Seasoned Board Members

Executive Directors	Year Joining Group	Roles and responsibilities
Mr. Stephen Tin Hoi NG (Chairman & M.D.)	1981	Strategic Planning & Decision Making
Ms. Doreen Yuk Fong LEE (Vice Chairman)	1984	IP Portfolio
Ms. Yen Thean LENG	2004	HKIPs
Mr. Kai Hang LEUNG	1983	Finance & Treasury Functions

Independent Non-executive Directors
Mr. Alexander Siu Kee AU
Mr. Andrew James SEATON
Mr. Richard Gareth WILLIAMS
Professor Eng Kiong YEOH



Thank You



Appendix



Pro Forma Consolidated Statement of Profit & Loss

1H17 Unaudited Pro Forma Consolidated Statement of Profit & Loss (HKD Million)

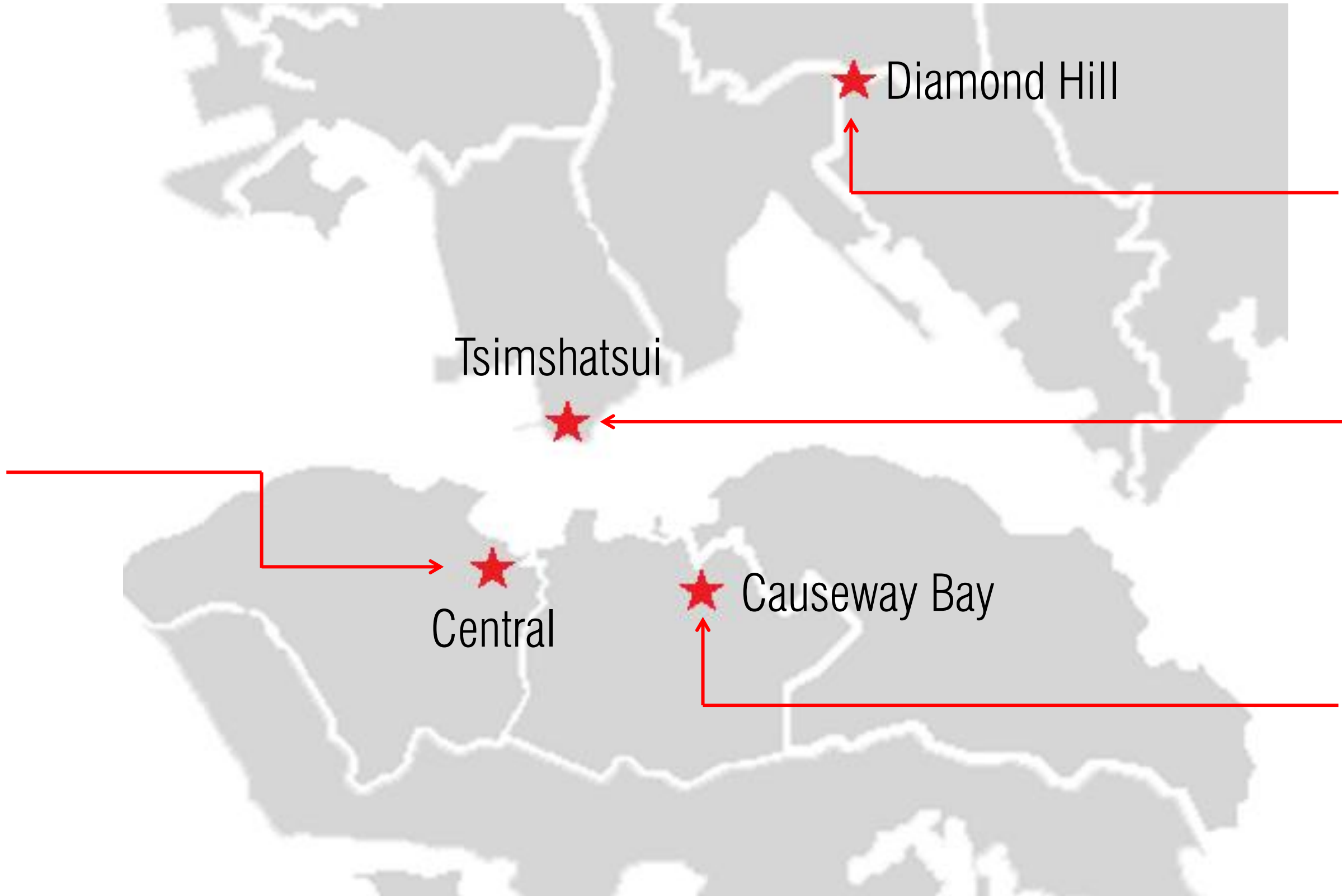
Group Revenue	9,546
Operating Profit	6,984
Operating Margin	73.2%
Profit Before Taxation	6,641
Profit for the Period	5,088
Profit Attributable to Equity Shareholders	4,834
Net Profit Margin Attributable to Equity Shareholders	50.6%

Note: Figures for Wharf Holdings is from 1H17 (Pre-Pro Forma Adjustment)



Six Prime Assets at Prominent Locations

Central Portfolio
Crawford House
Wheelock House
The Murray (Jan 2018)



China IP/ Hotel	Effective Equity Interest
Suzhou IFS	57%
Marco Polo Changzhou	72%
— Currently Intends to Divest Interests in These Assets if Appropriate Offers from 3 rd Parties are Received	

China DP*
— 93% Saleable GFA of 4 Projects Sold/ Pre-sold (as at 31 Dec 2016)
— No Other Landbank for DP & No Intention to Replenish
— No Intention to Further Engage in China DP

Note: All Held by HCDL (0051.HK), 72% Owned by Wharf REIC
*Incl. The U World, Chongqing, Changzhou Times Palace, Suzhou Times City & Shanghai South Station



End of Presentation

Wharf Real Estate Investment Company Limited [HKEx Stock Code: 1997.HK] Disclaimer

- 1) All information and data are provided for information purposes only. All opinions included herein constitute Wharf's judgment as of the date hereof and are subject to change without notice. The Group, its subsidiaries and affiliates hereby disclaim (i) all express, implied, and statutory warranties of any kind to user and/or any third party including warranties as to accuracy, timeliness, completeness, or fitness for any particular purpose; and (ii) any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the information and data contained herein.

