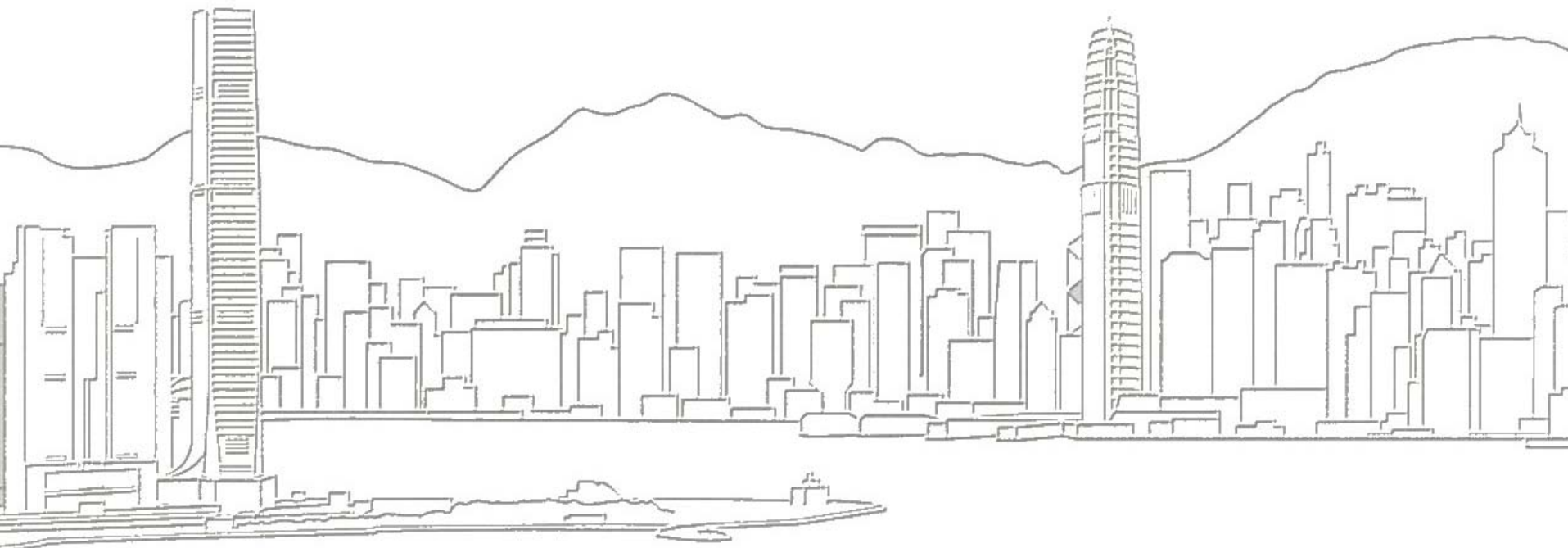




**Sun Hung Kai Properties Limited**

**FY2009 Interim Results**

**11 March 2009**



# Agenda

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- Interim Results Highlights
- Business Review
  - Hong Kong
  - Mainland
- Prospects



# Interim Results Highlights

# Interim Results Highlights

Six months ended 31 December	<u>2008</u>	<u>2007</u>	<u>Change</u>
Underlying net profit* (HK\$m)	<b>4,535</b>	6,200	↓27%
Underlying earnings per share* (HK\$)	<b>1.77</b>	2.47	↓28%
Reported net profit (HK\$m)	<b>692</b>	13,626	↓95%
Reported earnings per share (HK\$)	<b>0.27</b>	5.42	↓95%
Interim dividend per share (HK\$)	<b>0.80</b>	0.80	-
Net debt to shareholders' funds ratio (%)	<b>18.7</b>	14.3	

\* Excluding the effect of fair value changes on investment properties net of deferred tax



# Profit Breakdown

## 6 months ended 31 December (HK\$m)

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Property sales	<b>1,782</b>	3,735	↓ 52%
Net rental income	<b>3,522</b>	2,839	↑ 24%
Hotel operation	<b>193</b>	244	↓ 21%
Telecommunications	<b>93</b>	191	↓ 51%
Other businesses	<b>834</b>	697	↑ 20%
Other (losses)/income	<b>(23)</b>	322	n/a
Unallocated administrative expenses	<b>(420)</b>	(358)	↑ 17%
(Decrease)/Increase in fair value of investment properties	<b>(4,624)</b>	9,305	n/a
Net finance costs	<b>(407)</b>	(615)	↓ 34%
Profit on disposal and impairment loss of long-term investments, net	<b>(78)</b>	530	n/a
Profit before tax	<u><b>872</b></u>	<u>16,890</u>	↓ 95%
Tax (including deferred tax on investment properties revaluation)	<b>(74)</b>	(3,044)	↓ 98%
Minority Interests	<b>(106)</b>	(220)	↓ 52%
<b>Reported Net Profit</b>	<u><b>692</b></u>	<u>13,626</u>	↓ 95%
<b>Underlying Net Profit</b>	<u><b>4,535</b></u>	<u>6,200</u>	↓ 27%



# Review of FY2009 Interim Results

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- Property sales and presales of HK\$7,513m during the period, versus HK\$8,505m in the previous period
  - 83% of sales (HK\$6,208m) were from Hong Kong, mainly from Peak One in Sha Tin and La Grove in Yuen Long
  - Mainland sales were HK\$1,305m, mainly from MIXC Residence in Hangzhou
- Decline in profit from property sales
  - More projects, including La Grove and The Cullinan, will be booked in 2H FY2009



# Review of FY2009 Interim Results

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- Net rental income rose 24% YoY
  - Positive rental reversion for all sectors
  - New rental income from Phase 1 of International Commerce Centre (ICC), HarbourView Place and Millennium City 6
- Relatively stable occupancy and room rates for the hotel operation on average
- Net gearing of 18.7% at 31 December 2008
  - No refinancing issues
  - About 5% of gross debt due within the next year
  - Ample committed and undrawn banking facilities



# Business Review

Hong Kong

# Land Bank – Hong Kong

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## Attributable GFA (m sq ft)

Properties under development	17.0
Completed investment properties	25.6
	<hr/>
	42.6
	<hr/> <hr/>

- No major acquisitions in 1H FY2009
- Over 24m sq ft (site area) of agricultural land
  - Majority under conversion to residential use



# Property Sales - Hong Kong

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- Maintain pipeline of launches despite short-term market volatilities
  - Market sentiment affected by global financial turmoil
  - Signs of stabilization for both volume and price seen in recent months
  
- Peak One in Sha Tin and La Grove in Yuen Long launched in 4Q2008
  - Over 400 units sold at each project
  - Over 95% and 80% of units launched at Peak One and La Grove were sold



# Property Sales - Hong Kong

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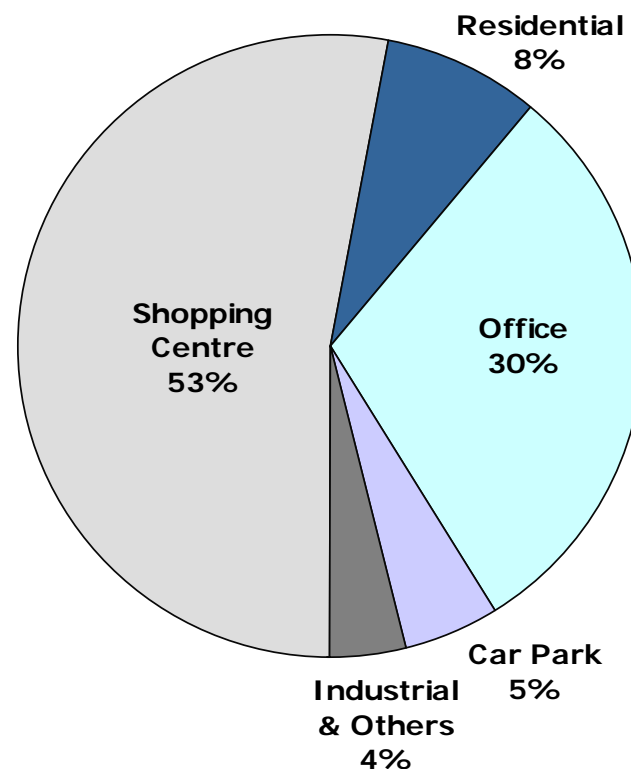
- The Cullinan at Kowloon Station was launched in February 2009
  - About 300 units were sold so far, and sales proceeds exceeded HK\$6bn
- The Latitude is expected to be the next key project launch
  - Urban Kowloon project with over 1,100 units
- More focus on time and cost efficiency of new projects without compromising on quality
  - Vertically integrated team of internal experts to adjust flexibly to market changes



# Property Investment – Hong Kong

- Diversified rental income base
  - Positive rental reversion overall despite slowdown of leasing activities
  - Occupancy remains high at 94%
- Retail sector
  - Rental income relatively more resilient as most are regional malls
  - Mainly fixed rents

**Gross Rental Income for 1H FY2009\***  
(HK\$4,800m)



\* Including share from joint venture investment properties



# Property Investment – Hong Kong

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- Office sector
  - Vacancy remains low at IFC
  - About 90% of ICC has been leased or pre-leased
  - Morgan Stanley has already moved into Phase 1 of ICC and other major tenants of remaining phases will move in as planned
  - Pre-leasing of Kowloon Commerce Centre is progressing well
- Develop about 5m sq ft of new rental properties in the next few years
  - More rental income from Phase 2 and 3 of ICC and other new projects in the next few years



# Business Review

Mainland

# Land Bank – Mainland

## Attributable GFA (m sq ft)

Properties under development	52.3
Completed investment properties	3.0
	<u>55.3</u>

- No major acquisitions after FY2008 final results announcement in September 2008
- Majority under development
  - Expect gradual growth in completion in the next few years



# Property Sales - Mainland

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- Sentiment has shown signs of improvement since late 2008
- Pre-sales response of MIXC Residence in Hangzhou has been encouraging
  - About 600 units were sold since its launch in August 2008
  - Completion of these residential units is scheduled in the middle of 2010
- Other residential projects on the Mainland are progressing well



# Property Investment - Mainland

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- High occupancy at Shanghai Central Plaza offices with over 97% of space let
- Significant improvement in rental income at the renovated Beijing APM
- Construction of Shanghai IFC and Huai Hai Zhong Road project progressing smoothly
  - The HSBC Tower at Shanghai IFC was topped out in late 2008 and will be completed in mid-2009
  - Huai Hai Zhong Road project will be completed in phases from mid-2010 to 2011

# Prospects

# Prospects – Hong Kong

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- Confident to deal with current challenging business environment, as in previous downturns
- Economic fundamentals for Hong Kong residential market remain intact
- Continue to launch projects when ready
  - Sizeable land bank adequate for next 5 years
  - Recycled capital from property sales will be used in potential land acquisition opportunities
  - Actively pursue agricultural land conversion
  - Strong brand remains as a key competitive edge



# Prospects – Hong Kong

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- Recurrent rental income from current balanced investment properties portfolio
  - Rental income from regional retail malls should remain relatively resilient
  - Continue to refine tenant mix and do regular refurbishments to make rental properties more attractive
  - Rental portfolio will be expanded by 20% (additional 5m sq ft) in the next few years
- Financial policy will continue to be prudent and conservative
  - Maintain high liquidity



# Prospects – Mainland

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- Long-term prospects remain promising
- Maintain consistent and disciplined approach to investments on the Mainland
  - Focusing on prime cities including Beijing, Shanghai, Guangzhou and Shenzhen
- Completion of landmark commercial complexes will substantially boost rental income
- Gradual completion and sales for top quality residential projects





**Sun Hung Kai Properties Limited**

**Q & A session**

