Sun Hung Kai Properties Limited

(incorporated in Hong Kong with limited liability)
(Stock Code : 16)

2008 / 09 Interim Results

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the six months ended 31 December 2008, excluding the effect of fair-value changes on investment properties, was HK$4,535 million, a decrease of 27 per cent from the corresponding period last year. Underlying earnings per share were HK$1.77, a decrease of 28 per cent from the same period last year.

Reported profit attributable to the Company's shareholders was HK$692 million, compared to HK$13,626 million for the corresponding period last year. Earnings per share were HK$0.27, a decrease of 95 per cent from the same period last year. The reported profit for the period included a revaluation deficit (net of deferred taxation) on investment properties of HK$3,813 million compared to a revaluation gain (net of deferred taxation) of HK$7,459 million for the same period last year.

DIVIDEND

The directors have recommended the payment of an interim dividend of HK$0.80 per share for the six months ended 31 December 2008, the same as for the corresponding period last year. It will be payable on 6 April 2009, to shareholders whose names appear on the Register of Members on 1 April 2009.

BUSINESS REVIEW

Property Sales

Revenue from property sales for the period as recorded in the accounts, including revenue from joint-venture projects was HK$5,781 million, as compared to HK$6,305 million for the corresponding period last year. Property sales and pre-sales amounted to an attributable HK$7,513 million during the period, as compared to HK$8,505 million for the previous year. Sales in Hong Kong contributed HK$6,208 million, mainly from Peak One in Sha Tin and La Grove in Yuen Long, and sales on the mainland accounted for HK$1,305 million, with the majority coming from the MIXC Residence in Hangzhou.

Property Business – Hong Kong

Land Bank

The Group did not make any major acquisitions during the period under review. Its Hong Kong land bank now stands at 42.6 million square feet, comprising 25.6 million square feet of completed investment properties and 17 million square feet of properties under development. The Group also holds more than 24 million square feet of agricultural land in terms of site area in the New Territories. Most of this is along existing railways or planned new rail links and is in the process of land use conversion. The Group will replenish its development land bank through various means when appropriate opportunities arise.

Property Development

The Hong Kong residential market showed signs of stabilization in terms of volume and prices in recent months, although it is still under the shadow of the global financial turmoil. Strong affordability and low mortgage rates continued to underpin end-user demand, while investors largely remained on the sidelines.

Completion of private residential units was at a record low in 2008. Supply of new units was limited and new releases in the primary market were warmly received by buyers. Land supply for new development was very limited last year, which suggests continued low supply of new private housing over the medium-to-long term.

Good sales of recent launches reaffirm the Group’s strong brand and the high confidence customers have in the quality of its products. Both Peak One and La Grove sold well in late 2008 despite the challenging economic environment. Within one month, the first phase of luxury Peak One was virtually sold out and La Grove was over 80 per cent sold. Recent pre-sales of the world-class luxury residence The Cullinan at Kowloon Station received an encouraging response. The development features the finest architecture, materials, finishes and property management.

The Group tailors new projects to meet evolving customer preferences in the constantly changing market, and it strives to enhance returns by adhering to the Group’s principle ’speed, quality, efficiency’.

The first phase of Peak One with 592,000 square feet of gross floor area was completed during the period under review, and the remaining 99,000 square feet will be finished by June. Another 535,000 square feet of residential properties are scheduled for completion in the second half of the financial year, as detailed below.

	Residential	**Office**	**Total**
	Attributable gross floor area (million square feet)		
First Half			
For Sale	0.6	-	0.6
For Investment	-	-	-
Subtotal	0.6	-	0.6
Second Half			
For Sale	0.6	-	0.6
For Investment	-	0.6	0.6
Subtotal	0.6	0.6	1.2
Total	**1.2**	**0.6**	**1.8**

Property Investment

The Group's gross rental income, including its share from joint-venture investment properties, rose by 24 per cent over last year to HK$4,800 million. Net rental income was HK$3,522 million, an increase of 24 per cent over the previous year.

The increase in rental income was primarily a result of positive rental reversions generally and contributions from new projects including the first phase of International Commerce Centre (ICC), HarbourView Place and Millennium City 6. Occupancy of the Group's rental portfolio remains high at 94 per cent, although leasing in Hong Kong tapered off in the last few months.

One of the most significant projects under development is International Commerce Centre above Kowloon Station. The development has exceptionally convenient transport links to Central and the airport, and mainland China in the future. Morgan Stanley has already moved into the first phase of ICC and other major tenants will move in as originally planned. About 90 per cent of the building is leased or pre-leased. W Hong Kong hotel next to ICC has been open since the third quarter of 2008. These and other components of the project like the stylish Elements shopping mall, HarbourView Place and the coming Ritz-Carlton are gradually turning Kowloon Station into a new business core in Hong Kong.

Leasing of Kowloon Commerce Centre in Kowloon West is progressing well and a number of multinational companies have committed to taking up space. Tenants have started moving into the first phase of the development.

Occupancy of major malls such as New Town Plaza, APM and IFC mall remained high, despite slower retail sales growth in recent months. The Group enhances its malls' attractiveness with promotions, renovations and tenant mix refinements in the competitive environment. A substantial number of new tenants joined refurbished malls like Tsuen Wan Plaza and WTC More in Causeway Bay, providing a fresh new element for shoppers.

Leasing of the HarbourView Place luxury serviced suites at Kowloon Station is encouraging. Its convenient location and a wide range of unit sizes meet the demand for luxury suite accommodation from guests from all over the world.

Hotels

The hotel industry has faced a challenging environment since last summer; especially top-quality hotels in core districts. Travel from the US and European countries has been affected, mainly by the financial turmoil since the last quarter of 2008. Hotels in decentralized locations are relatively resilient as mainland tourist numbers continued to show modest growth. The Group's Four Seasons, Royal Garden, Royal Plaza, Royal Park and Royal View hotels recorded high occupancies during the period under review.

The grand opening of W Hong Kong hotel at Kowloon Station was held in January this year. It offers a distinctive chic style of hospitality with unique design, features, premium facilities and a stunning Victoria Harbour view. Another luxury hotel at Kowloon Station – Ritz-Carlton – will be completed in 2010. All these hotels should position the Group well to take advantage of Hong Kong as an international business and tourist destination in the medium-to-long term.

Property Business – The Mainland

Land Bank

The Group has not acquired any mainland sites since the previous results announcement last September. Its mainland land bank currently amounts to an attributable 55.3 million square feet. Over 70 per cent of the 52.3 million square feet of properties under development will be high-end residences and serviced apartments, with the rest top-grade offices, shopping malls and premium hotels. The remaining three million square feet of completed investment properties, mainly offices and shopping centres in prime locations in Shanghai and Beijing, are being held for rent.

Property Development

Sentiment in mainland residential markets has shown signs of improvement since late 2008 after the central and local governments introduced support measures. Prices generally declined with reduced volume during 2008, though the extent of the decline varied from city to city. With easier mortgage financing and positive government measures, more end-users have been encouraged back to the market and transaction volume has rebounded since late 2008.

During the period under review, the Group completed The Woodland Phase 3 in Zhongshan. It has 660,000 square feet of gross floor area and is over 70 per cent sold. Pre-sales of about 600 luxury units in Hangzhou's MIXC Residence in August last year were encouraging with over 90 per cent sold. Completion of these units is scheduled for the middle of 2010. The Group has a 40 per cent interest in the project.

The luxury residential project under development in Wei Fong will set new standards for deluxe residences in Shanghai. Other residential projects on the mainland are progressing .well.

Property Investment

The Group's mainland rental business did well during the period under review. Occupancy of the Shanghai Central Plaza offices remained high at 97 per cent. The refurbished Beijing APM also recorded a significant increase in rental income during the period. The new layout, tenant mix and regular promotions helped boost visitor traffic. Construction of major mainland projects is progressing well.

Construction of the Shanghai IFC twin towers in the Lujiazui financial trade zone is on schedule. The HSBC Tower was topped out in late 2008 and will be completed in mid 2009. It will house the HSBC mainland headquarters of over 22 floors and a Ritz-Carlton on the upper floors. The full project will include top-grade office space, a trendy shopping mall and two deluxe hotels in a new Shanghai landmark when it is completed in 2010.

Construction of another major development on Shanghai's Huai Hai Zhong Road is under way. This is in the heart of downtown and will have 2.5 million square feet of top-quality retail space, offices and deluxe residences. The project will be completed in phases from mid 2010 to 2011.

Other Businesses

Telecommunications and Information Technology

SmarTone

Under the challenging economic environment and continuing price competition, SmarTone's service revenue dropped marginally during the period, notwithstanding a 20 per cent growth in data revenue. In addition, higher operating expenses and handset subsidy amortization adversely affected profitability. SmarTone has built a strong foundation in Hong Kong delivering compelling products, services and superior network performance. With its strong financial position, SmarTone will be able to compete more effectively with propositions better meeting different customer needs. The Group is confident in SmarTone's prospects, given its sound management and business strategy, and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision recorded further growth in revenue and recurring profit for the period under review. The company's core iAdvantage data centre business continued to entice high-calibre local and multinational customers with its superior facilities. The Group remains confident in the company's financial strength and earning prospects.

Transportation and Infrastructure

Transport International Holdings

In the period under review, high fuel prices and wage increases affected the financial performance of Transport International Holdings' (TIH) bus operations, although earlier sales of Manhattan Hill residential units strengthened the company's financial position. The TIH group will continue to explore new business opportunities on the mainland. TIH also has a 73 per cent interest in RoadShow Holdings, which is mainly engaged in media sales in Hong Kong and on the mainland.

Other Infrastructure Businesses

The Wilson Group achieved satisfactory results during the period, while both the River Trade Terminal and Airport Freight Forwarding Centre operated smoothly. The Route 3 (Country Park Section) maintained steady traffic volume during the period under review. All the Group's infrastructure projects are in Hong Kong and will provide steady income streams over the long term.

Corporate Finance

The Group's financial position remains robust, evidenced by low gearing and high liquidity. Its net debt to shareholders' funds ratio stayed low at 18.7 per cent as at 31 December 2008, reflecting the Group's conservative financial policy and management.

There were enthusiastic responses to all the Group's RMB bank loans on the mainland. The facilities came at very attractive terms and were used to finance the Group's development projects in China. The Group also issued some HK$3.3 billion in three-to-ten-year bonds under its Euro Medium Term Note Programme in order to diversify its funding base and lengthen its maturity profile.

Exposure to foreign exchange risk is kept to a minimum as an overwhelming majority of its borrowings are in Hong Kong dollars. The Group has substantial undrawn committed facilities and various efficient and stable channels that enable it to meet all its current funding needs and future business requirements. The Group remains conservative in treasury management and does not execute any derivative or structured-product transactions for speculative purpose.

The Group has consistently scored the highest credit ratings among Hong Kong property companies: currently an A1 rating and stable outlook from Moody's and an A rating and stable outlook from Standard & Poor's.

Customer Service

Premium service is one of the Group's top priorities, and it pays meticulous attention to customers in its residential, shopping mall, office and serviced suite hotel developments with specially-trained concierges and attentive staff providing personalized care. The Group closely monitors changing market trends and collects opinions from customers through various channels so that it can offer the high-quality new products and service that people demand.

Its subsidiaries Hong Yip and Kai Shing follow eco-friendly policies in the estates they manage. They have expert teams planning and maintaining the landscaping in Group developments, and some estates have garden areas where residents can practice horticulture, all to provide soothing, green environments in the bustling city.

The SHKP Club is a conduit for two-way communication with the market. It has over 280,000 members. Member privileges include previews of the Group's show flats and buyer-incentive programmes on new flats, as well as shopping offers and leisure and recreational events. It also stages activities that promote family values and social harmony. The Club has a co-brand VISA card that provides members with a variety of discounts and shopping offers in the Group's malls.

Corporate Governance

High standards of corporate governance have always been an important, integral part of the Group's management philosophy. This is achieved through an effective Board of Directors, timely disclosure of information and a proactive investor relations programme.

The Group has made substantial efforts to strengthen corporate governance throughout the years. Audit, Remuneration and Nomination Committees are all in place. The Executive Committee consisting of all Executive Directors meets regularly to set business policies and monitor the day-to-day operations of the Group with the support of an experienced team of managers. The Board conducts regular reviews of internal control systems to ensure that the Group's assets and shareholders' interests are safeguarded.

The Group's dedication to management excellence and corporate governance is widely recognized by the investment community. Accolades during the year include winning awards for best company for corporate governance and best company for investor relations in Hong Kong and Asia by *Asiamoney* magazine. It also won awards for best managed company (property) in Asia by *Euromoney* magazine and best global developer for the second year running and best developer in Asia and Hong Kong for the fourth year running by *Liquid Real Estate* magazine. The Group was additionally named Asia's most shareholder-friendly property company by *Institutional Investor* magazine. The Group will continue its efforts to stay at the leading edge of best corporate governance practices.

Corporate Social Responsibility

The Group is fully committed to corporate social responsibility; supporting numerous charities that promote education, help the needy and enhance community harmony and healthy living. Environmental protection is another of the Group's key priorities, and it incorporates eco-friendly concepts in project planning, design, construction and management to encourage greener buildings and lifestyles.

Recent community initiatives included sponsored visits for economically-disadvantaged children to the Hong Kong book fair, the Group's Ma Wan Park and the Sha Tin City Art Square to promote reading and personal growth in young people. The Group's SHKP Volunteer Team also facilitates the efforts of staff who want to serve the community. The Group's efforts to promote education include the SHKP Book Club and the ongoing Nobel laureates lecture series, now in its fifth year. The Group additionally funds a wide range of scholarships in Hong Kong and on the mainland.

Dedicated staff are the Group's greatest asset, and it encourages employees to reach their full potential. The Group recruits high-calibre graduates from local and mainland universities and it has comprehensive management trainee programmes in place. It also makes numerous improvement courses available to staff at all levels to help them grow personally and professionally and ensure a healthy work-life balance.

PROSPECTS

Global economic conditions will remain challenging in the year ahead as major developed economies are going into a synchronized recession. The money and credit markets worldwide remain tight, although short-term interest rates are expected to go lower or stay close to zero. Proactive policy responses including aggressive monetary and fiscal measures from various government authorities should help support the global economy.

The mainland economy is expected to grow steadily this year, mainly supported by the government's massive stimulus fiscal package and monetary easing. This is notwithstanding weakened external demand. With continued growth on the mainland, Hong Kong's economy should fare better relative to its peers, although it will have to face challenges in 2009 against an uncertain macro environment in developed countries. Solid financial positions of households and major companies including local banks should help Hong Kong easier to recover.

Fundamentals for the Hong Kong residential market remain intact despite short-term macroeconomic uncertainty. Affordability for homebuyers is strong, mortgage interest is at low levels by historical standard and ample mortgage lending is available. Rental yields are also attractive relative to interest rates. Supply of new residential units will be low in the next few years.

The Group will continue to strengthen its development business over time. It will take advantage of the current downturn to increase its residential land bank when opportunities arise, including through conversion of agricultural land to development sites. Without compromising on quality, the Group will make extra efforts to complete development projects in a more timely and cost-efficient manner. Capitalizing on its strong brand, the Group will continue to market new projects for pre-sale when they are ready.

The leasing market for various types of properties is likely to be less active. Regional shopping malls, the core of the Group's retail rental portfolio, should remain relatively resilient as the nature of their trade mix is defensive. Overall rental income is expected to continue to grow moderately in the current financial year.

With the current competitive environment, the Group will continue to maintain optimal trade and tenant mixes in its malls to cater to changing consumer preferences and do regular refurbishments of rental properties to make them more competitive and attractive.

The Group maintains a consistent and selective approach to the property business on the mainland, mainly focusing on prime cities including Beijing, Shanghai, Guangzhou and Shenzhen. Despite the current downturn, the long-term prospects for the mainland's property sector remain promising. The Group will continue to monitor market conditions and look for attractive investment opportunities as appropriate in the long run.

The Group will adhere to its prudent financial policy and maintain high liquidity and low gearing. Major residential projects in Hong Kong to go on sale in the next nine months include The Latitude in Kowloon, a project at Tuen Mun Town Lot 465 and Yoho Town Phase 2 in Yuen Long. The Group has full confidence in its ability to deal with the current business environment.

APPRECIATION

Independent non-executive director Sir Sze-yuen Chung resigned in February 2009. I would like to express my sincere gratitude to Sir Sze-yuen for his valuable contributions to the Group during his tenure.

I would also like to take this opportunity to express my gratitude to my fellow directors for their guidance and support, and to thank all the staff for their dedication and hard work.

Kwong Siu-hing
Chairman

Hong Kong, 11 March 2009

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following unaudited consolidated figures of the Group for the period ended 31 December 2008 with comparative figures for 2007:-

Consolidated Profit and Loss Account
For the six months ended 31 December 2008
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) Six months ended 31 December 2008	2007
Revenue	**2**	**15,120**	11,919
Cost of sales		**(8,451)**	(5,357)
Gross profit		**6,669**	6,562
Other (losses)/income		**(23)**	322
Selling and marketing expenses		**(642)**	(598)
Administrative expenses		**(720)**	(622)
Operating profit before change in fair value of investment properties	**2**	**5,284**	5,664
(Decrease)/increase in fair value of investment properties		**(4,335)**	5,842
Operating profit after change in fair value of investment properties		**949**	11,506
Finance costs		**(333)**	(516)
Finance income		**77**	158
Net finance costs	**3**	**(256)**	(358)
Profit on disposal and impairment loss of long-term investments, net	**4**	**(78)**	530
Share of results of associates		**42**	285
Share of results of jointly controlled entities		**97**	4,000
	2	**139**	4,285
Profit before taxation	**5**	**754**	15,963
Taxation	**6**	**44**	(2,117)
Profit for the period		**798**	13,846
Attributable to :			
Company's shareholders		**692**	13,626
Minority interests		**106**	220
		798	13,846
Interim dividend at HK$0.80 (2007 : HK$0.80) per share		**2,051**	2,051
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's Shareholders (reported earnings per share)	**7(a)**		
Basic & diluted		**$0.27**	$5.42
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	**7(b)**		
Basic & diluted		**$1.77**	$2.47

Consolidated Balance Sheet
As at 31 December 2008

(Expressed in millions of Hong Kong dollars)

	(Unaudited) 31 December 2008	(Restated) 30 June 2008
Non-current assets		
Investment properties	**155,144**	159,293
Fixed assets	**20,582**	16,317
Associates	**3,034**	3,394
Jointly controlled entities	**27,243**	27,799
Long-term investments	**2,969**	4,566
Loan receivables	**526**	693
Intangible assets	**4,808**	4,971
	214,306	217,033
Current assets		
Properties for sale	**67,877**	65,417
Debtors, prepayments and others	**11,859**	11,552
Short-term investments	**511**	717
Bank balances and deposits	**6,539**	6,796
	86,786	84,482
Current liabilities		
Bank and other borrowings	**(2,088)**	(2,051)
Trade and other payables	**(14,005)**	(13,103)
Deposits received on sales of properties	**(109)**	(269)
Taxation	**(2,772)**	(4,171)
	(18,974)	(19,594)
Net current assets	**67,812**	64,888
Total assets less current liabilities	**282,118**	281,921
Non-current liabilities		
Bank and other borrowings	**(44,463)**	(38,252)
Deferred taxation	**(18,221)**	(18,903)
Other long-term liabilities	**(671)**	(709)
	(63,355)	(57,864)
NET ASSETS	**218,763**	224,057
CAPITAL AND RESERVES		
Share capital	**1,282**	1,282
Share premium and reserves	**212,796**	217,968
Shareholders' funds	**214,078**	219,250
Minority interests	**4,685**	4,807
TOTAL EQUITY	**218,763**	224,057

Notes to Consolidated Profit and Loss Account

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation and Principal Accounting Policies

The condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies adopted in the interim financial statements are consistent with those set out in the annual financial statements for the year ended 30 June 2008, except for those set out below.

In the current period, the Group has applied, for the first time, the following new amendments and interpretations of Hong Kong Financial Reporting Standards and Interpretations (collectively, "HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2008.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 14	HKAS19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

HK(IFRIC) - INT 12 gives guidance on the accounting for service concession arrangements and sets out the general principles on recognizing and measuring the obligations and related rights in service concession arrangements. The infrastructure assets of the Group are retrospectively recognized as concession assets under intangible assets instead of being recognized as toll road under fixed assets. The concession assets are amortized over the term of the concession on a straight line basis. The adoption of HK(IFRIC) - INT 12 has no material impact on the results for the current and prior accounting periods.

The adoption of other new amendments and interpretations of HKFRSs has no significant impact on the Group's results and financial position.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentations of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendments)	Eligible hedged items[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 8	Operating segments[2]
HK(IFRIC) - INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation[4]
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners[3]
HK(IFRIC) - INT 18	Transfers of assets from customers[5]

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for transfers on or after 1 July 2009

It is not anticipated that these new and revised standards, amendments and interpretations will have significant impact on the results and the financial position of the Group.

2. Segment Information

The following is an analysis of the revenue and results for the period of the Group and its share of results of associates and jointly controlled entities, analysed by business segments :

For the six months ended 31 December 2008

	The Company and its subsidiaries		Associates and jointly controlled entities			
	Segment Revenue	**Segment Results**	**Share of Revenue**	**Share of Results**	**Combined Revenue**	**Consolidated Results**
Property						
Property sales	**5,638**	**1,862**	**143**	**(80)**	**5,781**	**1,782**
Rental income	**4,017**	**2,923**	**783**	**599**	**4,800**	**3,522**
	9,655	**4,785**	**926**	**519**	**10,581**	**5,304**
Hotel operation	**618**	**119**	**269**	**74**	**887**	**193**
Telecommunications	**1,955**	**93**	**-**	**-**	**1,955**	**93**
Other businesses	**2,892**	**730**	**1,373**	**104**	**4,265**	**834**
	15,120	**5,727**	**2,568**	**697**	**17,688**	**6,424**
Other (losses)/income		**(23)**		**-**		**(23)**
Unallocated administrative expenses		**(420)**		**-**		**(420)**
Operating profit before change in fair value of investment properties		**5,284**		**697**		**5,981**
(Decrease)/increase in fair value of investment properties		**(4,335)**		**(289)**		**(4,624)**
Operating profit after change in fair value of investment properties		**949**		**408**		**1,357**
Net finance costs		**(256)**		**(151)**		**(407)**
Profit on disposal and impairment loss of long-term investments, net		**(78)**		**-**		**(78)**
Profit before taxation		**615**		**257**		**872**
Taxation						
- Group		**44**		**-**		**44**
- Associates		**-**		**5**		**5**
- Jointly controlled entities		**-**		**(123)**		**(123)**
Profit after taxation		**659**		**139**		**798**

For the six months ended 31 December 2007

	The Company and its subsidiaries		Associates and jointly controlled entities			
	Segment Revenue	Segment Results	Share of Revenue	Share of Results	Combined Revenue	Consolidated Results
Property						
Property sales	3,554	2,348	2,751	1,387	6,305	3,735
Rental income	3,232	2,355	642	484	3,874	2,839
	6,786	4,703	3,393	1,871	10,179	6,574
Hotel operation	509	165	265	79	774	244
Telecommunications	2,056	191	-	-	2,056	191
Other businesses	2,568	641	1,350	56	3,918	697
	11,919	5,700	5,008	2,006	16,927	7,706
Other (losses)/income		322		-		322
Unallocated administrative expenses		(358)		-		(358)
Operating profit before change in fair value of investment properties		5,664		2,006		7,670
(Decrease)/increase in fair value of investment properties		5,842		3,463		9,305
Operating profit after change in fair value of investment properties		11,506		5,469		16,975
Net finance costs		(358)		(257)		(615)
Profit on disposal and impairment loss of long-term investments, net		530		-		530
Profit before taxation		11,678		5,212		16,890
Taxation						
- Group		(2,117)		-		(2,117)
- Associates		-		(31)		(31)
- Jointly controlled entities		-		(896)		(896)
Profit after taxation		9,561		4,285		13,846

Other businesses comprise revenue and profit derived from other activities including property management, car parking and transport infrastructure management, toll road fees, logistics business, construction, mortgage and other loan financing, internet infrastructure, enabling services, department store and container and cargo handling services.

Other (losses)/income includes mainly investment losses or income from equity and bonds investments.

3. Net finance costs

	Six months ended 31 December	
	2008	2007
Interest expenses on		
Bank loans and overdrafts	**455**	719
Other loans wholly repayable within five years	**37**	36
Other loans not wholly repayable within five years	**124**	150
	616	905
Notional non-cash interest accretion	**41**	42
Less : Portion capitalized	**(324)**	(431)
	333	516
Interest income on bank deposits	**(77)**	(158)
	256	358

4. Profit on disposal and impairment loss of long-term investments, net

	Six months ended 31 December	
	2008	2007
Profit on deemed partial disposal of interest in a subsidiary	**-**	2
Profit on disposal of interests in jointly controlled entities	**-**	20
Profit on disposal of available-for-sale investments	**154**	508
Impairment loss of available-for-sale investments	**(232)**	-
	(78)	530

5. Profit before taxation

	Six months ended 31 December	
	2008	2007
Profit before taxation is arrived at		(Restated)
after charging:		
Cost of properties sold	**3,661**	1,016
Cost of other inventories sold	**244**	329
Depreciation and amortization	**428**	411
Amortization of intangible assets (included in cost of sales)	**161**	161
Staff costs (including directors' emoluments and retirement schemes contributions)	**1,752**	1,563
and crediting:		
Dividend income from listed and unlisted investments	**177**	101
Interest income from listed and unlisted debt securities	**47**	31
Net realized and unrealized holding (losses)/gains on marketable securities	**(275)**	175

6. Taxation

	Six months ended 31 December	
	2008	2007
Current taxation		
Hong Kong Profits Tax	**579**	727
Tax outside Hong Kong	**52**	25
	631	752
Deferred taxation (credit)/charge		
Change in fair value of investment properties	**(808)**	1,183
Other origination and reversal of temporary differences	**133**	182
	(675)	1,365
	(44)	2,117

Hong Kong profits tax is provided at the rate of 16.5 per cent (2007: 17.5 per cent) based on the estimated assessable profits for the period. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

7. Earnings per share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK$692 million (2007: HK$13,626 million) and on the weighted average number of shares in issue during the period of 2,564,333,362 (2007: 2,513,110,536).

No diluted earnings per share for the period ended 31 December 2008 and 31 December 2007 is presented as there are no potential dilutive ordinary shares.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$4,535 million (2007: HK$6,200 million), excluding the effects of fair value changes on investment properties. A reconciliation of profit is as follows:

	Six months ended 31 December	
	2008	2007
Profit attributable to the Company's shareholders as shown in the consolidated profit and loss account	**692**	13,626
Decrease/(increase) in fair value of investment properties	**4,335**	(5,842)
Deferred tax (credits)/charges on changes in fair value of investment properties	**(808)**	1,183
Fair value gains of disposed properties realized	**38**	33
(Decrease)/increase in fair value of investment properties net of deferred tax attributable to minority interests	**(34)**	56
Share of decrease/(increase) in fair value of investment properties net of deferred tax of associates and jointly controlled entities	**320**	(2,856)
Fair value losses of disposed properties held by jointly controlled entities realized	**(8)**	-
Underlying profit attributable to the Company's shareholders	**4,535**	6,200

FINANCIAL REVIEW

Review of Results

Underlying profit attributable to the Company's shareholders for the period, excluding the effects of fair value changes on investment properties, amounted to HK$4,535 million, a decrease of HK$1,665 million or 26.9% compared to HK$6,200 million in the same period last year. Net rental income for the period amounted to HK$3,522 million, increased by HK$683 million or 24.1% over the same period last year, benefited from continuing positive rental reversions and contribution from new properties. Profit from property sales reported a decrease to HK$1,782 million, owing to drop in both sales revenue and margin of residential units.

Profit attributable to the Company's shareholders for the six months ended 31 December 2008 was HK$692 million, a decrease of HK$12,934 million or 94.9% compared to HK$13,626 million for the corresponding period last year. The reported profit has included a decrease in fair value of investment properties net of related deferred taxation of HK$3,813 million for the current period and an increase of HK$7,459 million for the corresponding period last year.

Financial resources and Liquidity

(a) Net debt and gearing

The Company's shareholders' funds as at 31 December 2008 was HK$214,078 million or HK$83.5 per share compared to HK$219,250 million or HK$85.5 per share at the previous year. The decrease of HK$5,172 million or 2.4% was mainly caused by the reduction of HK$1,494 million in the fair value of long-term investments and the charge of HK$4,359 million for dividend paid, more than offsetting the profit attributable to the Company's shareholders for the period.

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 31 December 2008, calculated on the basis of net debt to Company's shareholders' funds, was 18.7% compared to 15.3% at 30 June 2008. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 9.1 times compared to 7.2 times for the same period last year.

As at 31 December 2008, the Group's gross borrowings totalled HK$46,551 million. Net debt, after deducting cash and bank deposits of HK$6,539 million, amounted to HK$40,012 million. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2008 ***HK$ Million***	30 June 2008 *HK$ Million*
Repayable:		
Within one year	**2,088**	2,051
After one year but within two years	**4,494**	5,548
After two years but within five years	**33,589**	27,426
After five years	**6,380**	5,278
Total borrowings	**46,551**	40,303
Cash and bank deposits	**6,539**	6,796
Net debt	**40,012**	33,507

The Group has also procured substantial committed and undrawn banking facilities, most of which are arranged on a medium to long term basis, which helps minimize refinancing risk and provides the Group with strong financing flexibility.

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements.

(b) Treasury policies

The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 31 December 2008, about 88% of the Group's borrowings were raised through its wholly-owned finance subsidiaries and the remaining 12% through operating subsidiaries.

The Group's foreign exchange exposure was minimal given its large asset base and operational cash flow primarily denominated in Hong Kong dollars. As at 31 December 2008, about 85% of the Group's borrowings were denominated in Hong Kong dollars, 3% in Singapore dollars, 7% in US dollars and 5% in Renminbi. The foreign currency borrowings were mainly for financing property projects outside Hong Kong.

The Group's borrowings are principally arranged on a floating rate basis. For some of the fixed rate notes issued by the Group, interest rate swaps have been used to convert the rates to floating rate basis. As at 31 December 2008, about 88% of the Group's borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis and 12% were on fixed rate basis. The use of financial derivative instruments is strictly controlled and solely for management of the Group's underlying exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

As at 31 December 2008, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate amount of HK$4,189 million and currency swaps (to hedge principal repayment of USD borrowings) in the aggregate amount of HK$381 million.

The Group's bank deposits are interest bearing at prevailing market rates. As at 31 December 2008, about 48% of the Group's cash and bank balances were denominated in Hong Kong dollars, 43% in United States dollars, 5% in Renminbi and 4% in other currencies.

Charges of assets

As at 31 December 2008, certain bank deposits of the Group's subsidiary, Smartone, in the aggregate amount of HK$499 million, were pledged for securing performance bonds related to 3G licence and some other guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate net book value of HK$6,971 million have been charged to secure their bank borrowings. Except for the above charges, all the Group's assets are free from any encumbrances.

Contingent liabilities

As at 31 December 2008, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint venture companies and other guarantees in the aggregate amount of HK$2,827 million (30 June 2008: HK$2,427 million).

EMPLOYEES AND REMUNERATION POLICIES

As of end of 2008, the Group employed more than 30,000 employees. The Group has always been alert to retaining and motivating talent and will make necessary adjustments in compensation to respond to the changes in employment market. Apart from the base salary, employees are offered with incentives such as discretionary bonuses and other merit payments to reward employees their performance and contributions. The Group provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual requirements.

The Company has a share option scheme under which the Company may grant options to eligible employees to subscribe for shares in the Company. Particulars of the scheme are to be set out in the relevant sections of the Interim Report.

INTERIM DIVIDEND

The Directors declared an interim dividend of HK$0.80 per share (2007: HK$0.80 per share) payable in cash on 6 April 2009 to shareholders on the Register of Members as at 1 April 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 26 March 2009 to Wednesday, 1 April 2009 (both days inclusive). In order to establish entitlements to the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 25 March 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's ordinary shares during the period for the six months ended 31 December 2008.

CORPORATE GOVERNANCE

During the six months ended 31 December 2008, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in then Appendix 14 of the Listing Rules.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2008 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose report on review of interim financial information is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Audit Committee.

INTERIM REPORT

The interim report containing all the financial and other related information of the Company required by the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website and the Group's website www.shkp.com and copies will be sent to shareholders before the end of March 2009.

By Order of the Board
YUNG Sheung-tat, Sandy
Company Secretary

Hong Kong, 11 March 2009

As at the date hereof, the Board of Directors comprises seven Executive Directors, being KWOK Ping-kwong, Thomas, KWOK Ping-luen, Raymond, CHAN Kai-ming, CHAN Kui-yuen, Thomas, KWONG Chun, WONG Yick-kam, Michael and WONG Chik-wing, Mike; seven Non-Executive Directors, being KWONG Siu-hing, LEE Shau-kee, KWOK Ping-sheung, Walter, WOO Po-shing (WOO Ka-biu, Jackson being his Alternate Director), LI Ka-cheung, Eric, KWAN Cheuk-yin, William and LO Chiu-chun, Clement; and three Independent Non-Executive Directors, being YIP Dicky Peter, WONG Yue-chim, Richard and CHEUNG Kin-tung, Marvin.