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Sun Hung Kai Properties Limited

(incorporated in Hong Kong with limited liability)

(Stock Code : 16)

2008 / 09 Annual 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 year ended 30 June 2009, excluding the effect of fair-value changes on investment properties, was HK\$12,415 million, an increase of two per cent from last year. Underlying earnings per share were HK\$4.84, an increase of one per cent from last year.

Reported profit attributable to the Company's shareholders was HK\$10,356 million, compared to HK\$27,602 million last year. Earnings per share were HK\$4.04, a decrease of 63 per cent from last year. The reported profit for the year included a revaluation deficit (net of deferred taxation) on investment properties of HK\$2,014 million compared to a revaluation gain (net of deferred taxation) of HK\$15,851 million last year.

DIVIDEND

The directors have recommended the payment of a final dividend of HK\$1.70 per share for the year ended 30 June 2009. Together with the interim dividend of HK\$0.80 per share, the total dividend for the full year will be HK\$2.50; the same as that of last year.

PROPERTY SALES

Revenue from property sales for the year as recorded in the accounts, including revenue from joint-venture projects, was HK\$16,993 million, an increase of 48 per cent over last year. The Group sold or pre-sold an attributable HK\$25,674 million worth of properties in the year under review, an increase of 81 per cent from last year's HK\$14,151 million. Sales of Hong Kong properties amounted to HK\$22,491 million, mostly from new projects including The Cullinan at Kowloon Station, The Latitude in Kowloon, Peak One in Sha Tin, La Grove in Yuen Long and Lime Habitat in North Point on Hong Kong Island. The remaining HK\$3,183 million was from mainland properties, which mainly included Lake Dragon and The Arch in Guangzhou, MIXC Residence in Hangzhou and Taihu International Community in Wuxi.

PROPERTY BUSINESS – HONG KONG

Land Bank

The Group's total land bank in Hong Kong amounted to 41.9 million square feet in June 2009, comprising 26 million square feet of completed investment properties and 15.9 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. Most of the agricultural land is along existing or planned rail lines in the New Territories 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 residential market in Hong Kong has been doing well since the beginning of this year, both in terms of prices and volume. This is notwithstanding macro-economic uncertainty and worsened job market conditions. Banks were more willing to offer mortgage financing on attractive terms, homebuyers gained confidence, more mainlanders purchased luxury homes and the profile of buyers became more diverse.

The Group made extra efforts to get new projects ready for pre-sale, providing greater flexibility in the timing of marketing. It took advantage of its high brand recognition and premium pricing to achieve better development margins and returns.

In an increasingly competitive property market, the Group remained focused on satisfying buyers' evolving needs and preferences with premium residences that offer efficient layouts, optimal designs and comprehensive clubhouse facilities. The Group constantly sets new standards of luxury with residences such as The Cullinan at Kowloon Station, strengthening its leading position in the market.

The Group completed six projects with 1.8 million square feet of attributable gross floor area in Hong Kong during the year. International Commerce Centre (ICC) is being retained as a long-term investment.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Peak One Phases 1 and 2	Sha Tin Town Lots 421 and 438	Residential	100	658,000
La Grove	83 Shap Pat Heung Road Lung Tin Tsuen, Yuen Long	Residential	100	358,000
Park Island Phase 6	8 Pak Lai Road, Ma Wan	Residential	Joint Venture	80,000
One Hyde Park	328 Kung Um Road, Pak Sha Tsuen, Yuen Long	Residential	100	49,000
La Grande Vineyard	23 Ngau Tam Mei Road Yuen Long	Residential	100	48,000
International Commerce Centre Phase 2	1 Austin Road West Kowloon	Office	Joint Venture	622,000
Total				1,815,000

Property Investment

The Group's gross rental income, including contributions from joint-venture projects, increased by 18 per cent to HK\$9,763 million. Net rental income increased by 21 per cent to HK\$7,271 million.

Overall rental income growth was driven by continuous positive rental reversions and increased contributions from projects including the first phase of ICC, The HarbourView Place and Millennium City 6. The leasing market was slow for most of the year under review, but it has shown signs of stabilizing in recent months. The Group's leasing strategy focused on maintaining occupancy in its rental portfolio, and it managed to achieve 93 per cent.

The Group's Kowloon Station project is in a transport core with links to Central, the airport, and the mainland in the future. ICC is complemented by facilities including The HarbourView Place serviced suites, stylish Elements shopping mall and two hotels: the sophisticated W Hong Kong that opened in the third quarter of 2008 and the luxury Ritz-Carlton that will be completed in 2010. The entire project is scheduled for completion in 2010 and about 90 per cent of the office space is already leased or pre-leased.

The new 600,000-square-foot Kowloon Commerce Centre is another premium regional office project in West Kowloon. Leasing of the project is progressing well with many large multinationals already committed to taking space and some tenants have started moving in.

Occupancy of the Group's major malls such as New Town Plaza, APM and IFC mall remained high and they are popular with locals and tourists despite weaker retail sales in the last few months. Regular promotional campaigns and refinements to tenant mixes draw shoppers and boost tenants' business. The renovated WTC More in Causeway Bay and Tsuen Wan Plaza offer shoppers fresh retail experiences.

The HarbourView Place deluxe serviced suites at Kowloon Station are popular and most are leased. The prime location and top-quality service appeal to guests from all over the world.

PROPERTY BUSINESS – MAINLAND AND SINGAPORE

Land Bank

The Group's mainland land bank amounted to an attributable 55.3 million square feet in June 2009. Over 70 per cent of the 52.3 million square feet of properties under development will be high-end residences and serviced apartments. The rest will be 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

The residential markets on the mainland have recovered significantly in terms of prices and volume since early this year. This came after a monetary easing and support measures for the property sector were introduced late last year. The mortgage credit tightening as to second homes in selected cities has yet to reverse the price uptrend, although transaction volumes showed some signs of moderating in major cities.

The Group took advantage of the rising market by pre-selling projects in Guangzhou and Chengdu. Sales of the Guangzhou projects were encouraging as their outstanding quality was recognized in the market. The Group has also established its brand in Guangzhou, achieving premium pricing. The Lake Dragon project in a scenic resort area at Huadu in Guangzhou proved popular with buyers for its superior quality and design, and the first batch of houses to go on the market sold quickly.

Construction has begun on a 1.7-million-square-foot luxury residential development at Wei Fong in Shanghai, which will bring a world-class standard of luxury living to the city. Other residential projects under development are progressing as planned.

Property Investment

The Group's mainland rental portfolio performed well last year. Occupancy of the Shanghai Central Plaza offices remained high at 97 per cent. The many international retailers in the revamped Beijing APM mall have made it a major shopping and entertainment destination in the capital.

Other major mainland projects are on schedule. Shanghai IFC in the city's new Lujiazui financial centre is progressing smoothly. The project is in a premium location with exceptional transport connections and will include offices, a shopping mall and hotel with a total of over four million square feet. Tower 1 of the twin office buildings was finished in July 2009 and will house HSBC China's headquarters occupying 22 floors. Although the rental market in Shanghai remains slow, leasing of the remaining floors of Tower 1 is going well, with the substantial majority of the space let. The first phase of the retail mall and Ritz-Carlton hotel will open in the middle of 2010 and the entire development is scheduled for completion by the first half of 2011. Shanghai IFC Mall will house numerous flagships of top international luxury brands and specialty restaurants, and will be one of the Group's most significant retail projects on the mainland. Preliminary marketing of the mall has been encouraging, with world-renowned retailers negotiating for space.

Construction of another top-quality integrated development – Shanghai International Commerce Centre on Huai Hai Zhong Road – is under way. It is in the busiest commercial area of Puxi and will be linked to a new mass transit station at the interchange of three transit lines. There will be about three million square feet of total floor area, including a distinctive shopping mall, premium offices and luxury residences. The project will be completed in phases from the second half of 2010. Marketing of the retail space has started and the response has been positive.

ION Orchard is a world-class shopping mall in a prime location at the gateway of the Orchard Road shopping belt in Singapore. It had a soft opening in July 2009 and the grand opening will be held in October this year. The mall has over 900,000 square feet of gross floor area and a distinctive external façade. Occupancy is high at 96 per cent. The mall's innovative retail concept and diversified trade mix with leading international outlets and brands are very popular with shoppers. The Group has a 50 per cent interest in the project.

OTHER BUSINESSES

Hotel

The hotel industry faced a challenging environment for most of the year. Occupancy of the Four Seasons was affected as top-quality hotels were hit by fewer business travellers since late 2008. Other segments of the market were more resilient, though modestly affected by swine flu in the past few months. The Group's Royal Garden, Royal Plaza, Royal Park and Royal View hotels maintained high average occupancy of 90 per cent during the year. The sophisticated W Hong Kong hotel at Kowloon Station has been operating smoothly since it opened in the third quarter of 2008.

In the longer term, Hong Kong will continue to benefit from its status as a major financial and business hub in Asia, as well as a popular destination for leisure travellers. The Group is developing new hotels in Hong Kong, including a luxury Ritz-Carlton at Kowloon Station that will be completed in 2010 and two hotels above the Tseung Kwan O MTR station.

Telecommunications and Information Technology

SmarTone

Intense price competition and the global economic slowdown resulted in a notable decline in profit for SmarTone during the year. The company made further progress in expanding into the fixed-line market by launching wireless fixed broadband services for both home and business. SmarTone acquired additional spectrum in the 1800 MHz frequency band through an auction in June 2009 for future implementation of 4G LTE on 1800 MHz. The company's compelling and differentiated service propositions, superior network performance and a strong financial position enable it to meet customers' total communications needs and explore new revenue streams. The Group remains confident in the prospects for SmarTone and will continue to hold the company as a long-term strategic investment.

SUNeVision

SUNeVision improved further in revenue and operating profitability during the year. iAdvantage further strengthened its position in the carrier-neutral data centre market in Hong Kong and achieved good occupancy. SUNeVision will build on its solid financial position to further develop its core businesses in the coming year.

Transportation and Infrastructure

Transport International Holdings

The franchised bus operation of Transport International Holdings (TIH) saw a decrease in ridership in the first half of 2009 as a result of intensifying competition from the railways, higher unemployment rates and the economic downturn. The sale of residential units at Manhattan Hill is virtually complete and a new 'Manhattan Mid-town' shopping mall with 50,000 square feet of floor area began producing rental income in the second quarter of 2009. The TIH subsidiary RoadShow Holdings achieved satisfactory results from its media sales business.

Other Infrastructure Businesses

Businesses at both the River Trade Terminal and the Air Freight Forwarding Centre have been relatively resilient, despite the downturn in global trade. The Wilson Group also turned in a good performance. Traffic and revenue on the Route 3 (Country Park Section) remained steady. All the Group's infrastructure projects are in Hong Kong and they constitute valuable investments for the long term.

CORPORATE FINANCE

The Group's strong financial position is demonstrated by its low gearing and high multiple of interest coverage. Net debt to shareholders' funds was a low 15.2 per cent as at 30 June 2009. This and over HK\$10,000 million in cash from Hong Kong property sales to be received before the middle of 2010 will further strengthen the Group's financial position for long-term development.

There were very positive responses to the Group's funding arrangements, including RMB bank loans on the mainland. The Group was able to renew its bank lines and acquire a large amount of new facilities at favourable terms despite market volatility last year. As a result, the Group continued to maintain substantial stand-by banking facilities on a committed basis to meet its business requirements. The Group issued some HK\$2,938 million in three-to-ten year bonds under its Euro Medium Term Note programme since January this year, to extend its debt maturities and funding sources.

The overwhelming majority of the Group's borrowings are denominated in Hong Kong dollars, meaning that they carry little foreign exchange risk. Conforming to its conservative financial policy, the Group has not entered into any derivative or structured-product transactions for speculative purposes.

The Group has consistently maintained its high credit ratings – an A1 rating and stable outlook from Moody's and an A rating and stable outlook from Standard & Poor's. These are the highest ratings among local developers, reflecting the Group's robust financial position.

CUSTOMER SERVICE

The Group cares about what its customers want and it uses different channels to gather opinions and follow shifts in market preferences. Customer feedback enables the Group to continually improve its service and provide the products that best suit customer needs.

Property management subsidiaries Hong Yip and Kai Shing provide top-notch, caring service designed to cater to residents' needs. They regularly review service standards and have won many awards. Special initiatives like concierges in office developments and customer care ambassadors in shopping malls are praised by tenants and shoppers. The companies have landscape specialists who regularly upgrade the environments in residential and commercial buildings to provide the most comfortable surroundings. Kai Shing and Hong Yip also provide premium service in the Group's mainland developments, and these efforts have earned substantial praise.

The SHKP Club was established to provide a channel for two-way communication with the market. It now has over 290,000 members. The Club offers members a range of property-related benefits, shopping privileges and leisure and recreational activities. It staged an 'Understand Your Loved Ones' campaign recently with talks, workshops and activities to promote family harmony.

CORPORATE GOVERNANCE

The Group is dedicated to ensuring high standards of corporate governance in all aspects of its businesses and maintaining effective accountability mechanisms through an effective board of directors, prompt disclosure of information and a proactive investor relations approach.

The board directs and oversees the Group's strategies. The Group has Audit, Remuneration and Nomination committees in place to ensure good governance and adequate internal controls. In addition, an Executive Committee consisting of all executive directors meets regularly to decide on key business issues and policies. All these ensure that the Group's businesses are run efficiently and its assets and shareholders' interests are safeguarded.

The ongoing efforts in corporate governance have won the Group widespread international recognition. Awards received during the year include Best Company for Corporate Governance and Best Company for Investor Relations in Hong Kong and Asia from *Asiamoney* magazine and awards for Best Managed Company (property) in Asia from *Euromoney* magazine. It also won Best for Corporate Governance in Asia from *Corporate Governance Asia* magazine for the fourth year running and was ranked first among the Best Shareholder Friendly Companies in the property sector by *Institutional Investor* for the second year in a row. The Group will continue its efforts to stay at the forefront of best corporate governance practices.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to corporate social responsibility and it supports a wide range of charitable, environmental and educational initiatives. It follows green policies in the design, construction and management of developments and encourages environmental awareness among its staff, residents and the public. These efforts have gained community recognition for the Group and its subsidiaries, including numerous honours in the Hong Kong Awards for Environmental Excellence. The Group also applies green practices in its mainland developments, and some have won international recognition.

The SHKP Book Club stimulates interest in reading with initiatives including competitions, seminars, a free magazine, sponsoring children from low-income families to visit the Hong Kong Book Fair and more. The Group continues to provide scholarships for talented students in Hong Kong and on the mainland.

The completion of Noah's Ark at Ma Wan Park as a new educational and tourist attraction demonstrates the Group's commitment to corporate social responsibility and fostering a caring community. The new attraction promotes love of life, family and the planet, and reinforces core community values. The Group sponsored visits to the Ark for over 10,000 of the less fortunate in Hong Kong in the months before its official opening in May this year.

The Group values its staff as its most important asset. It continues to recruit top graduates from local and mainland universities, and it provides comprehensive training to staff at all levels to help them realize their potential. It also encourages staff to become involved in community service, and its volunteer team has been widely recognized for the much-needed help it provides to the needy.

PROSPECTS

Global economic conditions are likely to improve in the times ahead, thanks to strong policy responses by various governments including massive fiscal spending and aggressive monetary easing. However, the pace and sustainability of the global economic recovery remain uncertain on the back of an unwillingness to spend on the part of consumers and businesses, as well as banks' cautious attitudes.

The mainland economy is expected to maintain a reasonable level of growth in the year ahead due to strong macro stimulus measures by the Central government since the start of the year. Ongoing economic integration between Hong Kong and the mainland, particularly the Pearl River delta, should offer more business opportunities for Hong Kong companies. These and an environment of continued high liquidity and close-to-zero interest rates will bolster Hong Kong's economy.

It is expected that Hong Kong's residential market will remain resilient with its strong underlying fundamentals, despite challenging external and domestic economic conditions. Affordability for homebuyers is relatively strong by historical standards and mortgage interest rates are at a historic low and attractive relative to rental yields. An increase in purchases by mainlanders is also supporting the demand for residential property in Hong Kong. These factors coupled with low levels of new residential supply in the coming years mean promising prospects for the market.

The Group will continue to strengthen its property development business in Hong Kong by adding new residential sites to its land bank through various means, particularly the conversion of agricultural land to residential sites. The Group will enhance its competitiveness and leading position by meeting homebuyers' needs with high-quality products that feature modern designs, efficient layouts and comprehensive facilities, as well as premium service.

The demand for commercial properties including office and retail space for lease is expected to remain relatively slow, given the uncertain macro-economic outlook. The Group will focus on maintaining high occupancy in its rental portfolio in the current environment. It will continue refurbishing its shopping malls and office buildings regularly to meet the rising expectations of tenants and stay ahead of the market. More promotions will be staged to attract additional traffic flow and consumer spending in the Group's malls. In the long term, the Group will continue reviewing and optimizing its rental portfolio.

The Group will maintain a selective and focused investment strategy for mainland business. Major cities including Beijing, Shanghai, Guangzhou and Shenzhen are the preferred choices. With promising prospects for the mainland economy and property markets, the Group will continue looking for good investment opportunities. With the completion of Shanghai IFC and continued sales of residential projects, earnings from the mainland businesses are expected to rise over time.

Major residential projects in Hong Kong to go on sale in the next nine months include Aria in Kowloon, Ap Lei Chau Inland Lot 129 in Island South, Tuen Mun Town Lot 465 and Park Island Phase 6 on Ma Wan. Barring unforeseen circumstances, the results for the coming financial year are expected to be satisfactory.

DIRECTORS AND APPRECIATION

Eric Li Ka-cheung was re-designated as an Independent Non-executive Director on 19 March 2009. Dr Li became a Non-Executive Director in May 2005 and he is currently a member of the Group's Audit and Remuneration committees. He will continue to contribute to the Group's development in his new role with his extensive knowledge of accounting and finance.

Michael Wong Yick-kam will retire as an Executive Director and become a Non-executive Director on 1 January 2010. Mr Wong has been with the Group for 28 years. He has helped establish the Group's premium brand and market leadership, and contributed to its high standards of corporate governance and corporate social responsibility. I would like to take this opportunity to express my sincere gratitude to Mr Wong for his invaluable contributions to the Group's development.

Patrick Chan Kwok-wai was appointed an Executive Director and Chief Financial Officer with effect from 8 July 2009. Mr Chan is highly proficient in financial planning and management, and the board believes that his extensive knowledge and experience will be beneficial to the Group's future development.

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

Kwong Siu-hing
Chairman

Hong Kong, 15 September 2009

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following audited consolidated figures for the Group for the year ended 30 June 2009 with comparative figures for 2008:-

Consolidated Profit and Loss Account

For the year ended 30 June 2009

(Expressed in millions of Hong Kong dollars)

	Notes	2009	2008
Revenue	2(a)	34,234	24,471
Cost of sales		<u>(17,689)</u>	<u>(11,371)</u>
Gross profit		16,545	13,100
Other income		229	403
Selling and marketing expenses		<u>(1,474)</u>	<u>(1,350)</u>
Administrative expenses		<u>(1,404)</u>	<u>(1,425)</u>
Operating profit before change in fair value of investment properties	2(a)	13,896	10,728
(Decrease)/increase in fair value of investment properties		<u>(2,654)</u>	<u>12,206</u>
Operating profit after change in fair value of investment properties		11,242	22,934
Finance costs		<u>(602)</u>	<u>(922)</u>
Finance income		<u>94</u>	<u>217</u>
Net finance costs	3	(508)	(705)
Profit on disposal and impairment loss of available-for-sale and other investments	4	87	1,056
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$187 million (2008 : HK\$5,470 million)) of :			
Associates		<u>215</u>	<u>432</u>
Jointly controlled entities		<u>1,412</u>	<u>7,518</u>
	2(a) & 7(b)	1,627	7,950
Profit before taxation	5	12,448	31,235
Taxation	6	<u>(1,885)</u>	<u>(3,084)</u>
Profit for the year	2(a)	10,563	<u>28,151</u>
Attributable to :			
Company's shareholders		10,356	27,602
Minority interests		<u>207</u>	<u>549</u>
		10,563	<u>28,151</u>
Dividends			
Interim dividend paid at HK\$0.80 (2008 : HK\$0.80) per share		2,051	2,051
Final dividend proposed at HK\$1.70 (2008 : HK\$1.70) per share		<u>4,359</u>	<u>4,359</u>
		6,410	<u>6,410</u>
		HK\$	HK\$
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	7(a)		
Basic		<u>\$4.04</u>	<u>\$10.87</u>
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		<u>\$4.84</u>	<u>\$4.80</u>

Consolidated Balance Sheet**As at 30 June 2009***(Expressed in millions of Hong Kong dollars)*

	Notes	2009	(Restated) 2008
Non-current assets			
Investment properties		158,593	159,293
Fixed assets		21,612	16,317
Associates		3,050	3,394
Jointly controlled entities		25,792	27,799
Loan receivables		465	693
Other financial assets		2,953	4,566
Intangible assets		4,647	4,971
		<u>217,112</u>	<u>217,033</u>
Current assets			
Properties for sale		68,347	65,417
Debtors, prepayments and others	8	15,611	11,552
Other financial assets		602	717
Bank balances and deposits		8,143	6,796
		<u>92,703</u>	<u>84,482</u>
Current liabilities			
Bank and other borrowings		(2,644)	(2,051)
Trade and other payables	9	(14,600)	(13,103)
Deposits received on sales of properties		(2,854)	(269)
Taxation		(3,990)	(4,171)
		<u>(24,088)</u>	<u>(19,594)</u>
Net current assets		<u>68,615</u>	<u>64,888</u>
Total assets less current liabilities		<u>285,727</u>	<u>281,921</u>
Non-current liabilities			
Bank and other borrowings		(39,381)	(38,252)
Deferred taxation		(18,719)	(18,903)
Other long-term liabilities		(707)	(709)
		<u>(58,807)</u>	<u>(57,864)</u>
NET ASSETS		<u>226,920</u>	<u>224,057</u>
CAPITAL AND RESERVES			
Share capital		1,282	1,282
Share premium and reserves		220,986	217,968
Shareholders' funds		<u>222,268</u>	<u>219,250</u>
Minority interests		<u>4,652</u>	<u>4,807</u>
TOTAL EQUITY		<u>226,920</u>	<u>224,057</u>

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards and Interpretations (collectively, “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value.

The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 30 June 2008, except for the changes in accounting policies as described below.

In the current year, the Group has applied, for the first time, the following new amendments and interpretations of Hong Kong Financial Reporting Standards (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 July 2008.

HKAS 39 and HKFRS 7 (Amendment)	Reclassification of financial assets
HK(IFRIC) - INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 14	HKAS 19 - 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 years.

The adoption of other new 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
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of financial statements ³
HKAS 23 (Revised)	Borrowing costs ³
HKAS 27 (Revised)	Consolidated and separate financial statements ⁴
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ⁴
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate ³
HKFRS 2 (Amendment)	Vesting conditions and cancellations ³
HKFRS 3 (Revised)	Business combinations ⁴
HKFRS 7 (Amendment)	Improving disclosures about financial instruments ³
HKFRS 8	Operating segments ³
HK(IFRIC) - INT 15	Agreements for the construction of real estate ³
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation ⁵
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners ⁴
HK(IFRIC) - INT 18	Transfers of assets from customers ⁶

¹Effective 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

²Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

³Effective for annual periods beginning on or after 1 January 2009

⁴Effective for annual periods beginning on or after 1 July 2009

⁵Effective for annual periods beginning on or after 1 October 2008

⁶Effective for transfers on or after 1 July 2009

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

2. Segment Information

Segment Information is presented in respect of the Group's primary business segments and secondary geographical segments.

(a) Business segments

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

For the year ended 30 June 2009

	The Company and its subsidiaries		Associates and jointly controlled entities		Combined Revenue	Consolidated Results
	Segment Revenue	Segment Results	Share of Revenue	Share of Results		
Property						
Property sales	15,537	6,771	1,456	342	16,993	7,113
Rental income	8,133	6,019	1,630	1,252	9,763	7,271
	<u>23,670</u>	<u>12,790</u>	<u>3,086</u>	<u>1,594</u>	<u>26,756</u>	<u>14,384</u>
Hotel operation	1,162	179	465	116	1,627	295
Telecommunications	3,703	115	-	-	3,703	115
Other businesses	5,699	1,403	2,784	240	8,483	1,643
	<u>34,234</u>	<u>14,487</u>	<u>6,335</u>	<u>1,950</u>	<u>40,569</u>	<u>16,437</u>
Other income		229		-		229
Unallocated administrative expenses		(820)		-		(820)
Operating profit before change in fair value of investment properties		13,896		1,950		15,846
(Decrease)/increase in fair value of investment properties		(2,654)		326		(2,328)
Operating profit after change in fair value of investment properties		11,242		2,276		13,518
Net finance costs		(508)		(217)		(725)
Profit on disposal and impairment loss of available-for-sale and other investments		87		-		87
Profit before taxation		10,821		2,059		12,880
Taxation						
- Group		(1,885)		-		(1,885)
- Associates		-		(21)		(21)
- Jointly controlled entities		-		(411)		(411)
Profit after taxation		<u>8,936</u>		<u>1,627</u>		<u>10,563</u>

For the year ended 30 June 2008

	The Company and its subsidiaries		Associates and jointly controlled entities		Combined Revenue	Consolidated Results
	Segment Revenue	Segment Results	Share of Revenue	Share of Results		
Property						
Property sales	7,040	4,263	4,470	2,180	11,510	6,443
Rental income	6,927	4,976	1,335	1,016	8,262	5,992
	13,967	9,239	5,805	3,196	19,772	12,435
Hotel operation	1,010	289	534	155	1,544	444
Telecommunications	4,073	344	-	-	4,073	344
Other businesses	5,421	1,340	2,710	65	8,131	1,405
	<u>24,471</u>	11,212	<u>9,049</u>	3,416	<u>33,520</u>	14,628
Other income		403		-		403
Unallocated administrative expenses		(887)		-		(887)
Operating profit before change in fair value of investment properties		10,728		3,416		14,144
(Decrease)/increase in fair value of investment properties		12,206		6,449		18,655
Operating profit after change in fair value of investment properties		22,934		9,865		32,799
Net finance costs		(705)		(403)		(1,108)
Profit on disposal and impairment loss of available-for-sale and other investments		1,056		-		1,056
Profit before taxation		23,285		9,462		32,747
Taxation						
- Group		(3,084)		-		(3,084)
- Associates		-		(31)		(31)
- Jointly controlled entities		-		(1,481)		(1,481)
Profit after taxation		<u>20,201</u>		<u>7,950</u>		<u>28,151</u>

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 income includes mainly investment income from equity and bonds investments.

(b) Geographical segments

An analysis of the Group's revenue by geographical area of principle markets is as follows:

	2009	2008
Hong Kong	32,930	23,716
Mainland China	1,061	475
Others	243	280
	<u>34,234</u>	<u>24,471</u>

3. Net finance costs

	2009	2008
Interest expenses on		
Bank loans and overdrafts	682	1,194
Other loans wholly repayable within five years	97	138
Other loans not wholly repayable within five years	255	213
	<u>1,034</u>	<u>1,545</u>
Notional non-cash interest accretion	82	80
Less : Portion capitalized	<u>(514)</u>	<u>(703)</u>
	602	922
Interest income on bank deposits	<u>(94)</u>	<u>(217)</u>
	<u>508</u>	<u>705</u>

4. Profit on disposal and impairment loss of available-for-sale and other investments

	2009	2008
Profit on deemed partial disposal of interest in a subsidiary	-	2
Profit on disposal of interests in jointly controlled entities	-	23
Profit on disposal of available-for-sale investments	319	1,031
Impairment of available-for-sale investments	<u>(232)</u>	<u>-</u>
	<u>87</u>	<u>1,056</u>

5. Profit before taxation

	2009	(Restated) 2008
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	8,218	2,401
Cost of other inventories sold	435	624
Depreciation and amortization	949	804
Amortization of intangible assets (included in cost of sales)	324	322
Loss on disposal of financial assets at fair value through profit or loss	13	-
Fair value loss on financial assets at fair value through profit or loss	148	12
and crediting:		
Dividend income from listed and unlisted investments	215	208
Interest income from listed debt securities	91	63
Profit on disposal of financial assets at fair value through profit or loss	-	22

6. Taxation

	2009	2008
Current taxation		
Hong Kong Profits Tax	1,949	1,142
Under/(over) provision in prior years	29	(4)
	<u>1,978</u>	<u>1,138</u>
Tax outside Hong Kong	91	112
	<u>2,069</u>	<u>1,250</u>
Deferred taxation(credit)/charge		
Change in fair value of investment properties	(427)	1,629
Other origination and reversal of temporary differences	243	205
	<u>(184)</u>	<u>1,834</u>
	<u>1,885</u>	<u>3,084</u>

Hong Kong Profits Tax is provided at the rate of 16.5% (2008 : 16.5%) based on the estimated assessable profits for the year. 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\$10,356 million (2008: HK\$27,602 million) and on the weighted average number of shares in issue during the year of 2,564,333,362 (2008: 2,538,581,996).

No diluted earnings per share for the year ended 30 June 2009 and 30 June 2008 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\$12,415 million (2008: HK\$12,186 million), excluding the effect of fair value changes on investment properties. A reconciliation of profit is as follows:

	2009	2008
Profit attributable to the Company's shareholders as shown in the consolidated profit and loss account	10,356	27,602
Decrease/(increase) in fair value of investment properties	2,654	(12,206)
Deferred tax (credit)/charge on change in fair value of investment properties	(427)	2,350
Decrease in opening deferred tax liabilities related to change in fair value of investment properties resulting from decrease in applicable tax rate	-	(721)
Fair value gains of disposed properties realized	53	435
(Decrease)/increase in fair value of investment properties net of deferred tax attributable to minority interests	(26)	196
Fair value deficit and related deferred tax of disposed properties held by jointly controlled entities realized	(8)	-
Share of increase in fair value of investment properties net of deferred tax of associates and jointly controlled entities	(187)	(5,470)
Underlying profit attributable to the Company's shareholders	<u>12,415</u>	<u>12,186</u>

8. Debtors, prepayments and others

Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rents in respect of leased properties are payable in advance by the tenants. Other trade debtors settle their accounts according to the payment terms as stated in the respective contracts.

Included in debtors, prepayments and others of the Group are trade debtors of HK\$11,661 million (2008: HK\$4,966 million), of which 95% (2008: 94%) are aged less than 60 days, 1% (2008: 1%) between 61 to 90 days and 4% (2008: 5%) more than 90 days.

9. Trade and other payables

Included in trade and other payables of the Group are trade creditors of HK\$1,270 million (2008: HK\$1,183 million), of which 63% (2008: 60%) are aged less than 60 days, 3% (2008: 3%) between 61 to 90 days and 34% (2008: 37%) more than 90 days.

FINANCIAL REVIEW

Review of Results

Underlying profit attributable to the Company's shareholders for the year, excluding the effect of fair value changes on investment properties, was HK\$12,415 million, a rise of HK\$229 million or 1.9% compared to HK\$12,186 million in the previous year. Net rental income for the year amounted to HK\$7,271 million, increased by HK\$1,279 million or 21.3% over the last year, reflecting contributions from new projects and positive rental reversions in the Group's rental portfolio. Profit from property sales reported an increase of HK\$670 million to HK\$7,113 million, owing to increase in sales volume of residential units. Hotel and telecommunication segments contributed an operating profit of HK\$295 million and HK\$115 million, a decrease of 33.6% and 66.6%, respectively, over the last year, as a result of the global economic downturn.

Profit attributable to the Company's shareholders for the year ended 30 June 2009 was HK\$10,356 million, a decrease of HK\$17,246 million or 62.5% compared to HK\$27,602 million for the previous year. The reported profit has included a decrease in fair value of investment properties net of related deferred taxation of HK\$2,014 million for the current year whereas an increase of HK\$15,851 million for the previous year.

Financial resources and Liquidity

(a) Net debt and gearing

The Company's shareholders' funds as at 30 June 2009 was HK\$222,268 million or HK\$86.7 per share compared to HK\$219,250 million or HK\$85.5 per share at the previous year end. The increase of HK\$3,018 million or 1.4% was mainly due to profit attributable to the Company's shareholders for the year of HK\$10,356 million, offset by mark-to-market losses on available-for-sale investments and payment of HK\$6,410 million in dividends.

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 30 June 2009, calculated on the basis of net debt to Company's shareholders' funds, was 15.2% 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 13.6 times compared to 7.6 times for the previous year.

As at 30 June 2009, the Group's gross borrowings totalled HK\$42,025 million. Net debt, after deducting cash and bank deposits of HK\$8,143 million, amounted to HK\$33,882 million. The maturity profile of the Group's gross borrowings is set out as follows:

	<u>30 June 2009</u>	<u>30 June 2008</u>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable:		
Within one year	2,644	2,051
After one year but within two years	10,691	5,548
After two years but within five years	22,442	27,426
After five years	6,248	5,278
Total borrowings	42,025	40,303
Cash and bank deposits	8,143	6,796
Net debt	33,882	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 30 June 2009, about 84% of the Group's borrowings were raised through its wholly-owned finance subsidiaries and the remaining 16% 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 30 June 2009, about 80% of the Group's borrowings were denominated in Hong Kong dollars, 3% in Singapore dollars, 8% in US dollars and 9% in Renminbi. The foreign currency borrowings were mainly for financing property projects outside Hong Kong.

The Group's borrowings were 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 30 June 2009, about 83% 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 17% were on fixed rate basis. The use of financial derivative instruments is strictly controlled and solely for hedging the Group's underlying exposures for its core business operations. It is the Group's policy not to enter into derivative or structured product transactions for speculative purposes.

As at 30 June 2009, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate amount of HK\$3,696 million and currency swaps (to hedge principal repayment of USD borrowings) in the aggregate amount of HK\$683 million.

As at 30 June 2009, about 53% of the Group's cash and bank balances were denominated in Hong Kong dollars, 34% in United States dollars, 11% in Renminbi and 2% in other currencies.

Charges of assets

As at 30 June 2009, certain bank deposits of the Group's subsidiary, Smartone, in the aggregate amount of HK\$389 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\$7,436 million have been charged to secure their bank borrowings. Except for the above charges, all the Group's assets were free from any encumbrances.

Contingent liabilities

As at 30 June 2009, 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\$2,835 million (30 June 2008: HK\$2,427 million).

EMOLUMENT POLICY AND LONG TERM INCENTIVE SCHEMES OF THE GROUP

As at 30 June 2009, the Group employed more than 31,500 employees. The related employees' costs before reimbursements for the year amounted to approximately HK\$5,249 million. Compensation for the Group is made reference to the market, individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.

A share option scheme is in place to provide appropriate long-term incentive of key staff of the Group. Details of the share option scheme of the Company are set out in the section headed "Share Option Schemes" of the Annual Report.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

The same remuneration philosophy is applicable to the Directors of the Group. Apart from benchmarking against the market, the Company looks at individual competence, contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Executive Directors, including the share option scheme, similar to those offered to other employees of the Group.

DIVIDEND

The Directors have decided to recommend the payment of a final dividend of HK\$1.70 per share in respect of the year ended 30 June 2009. The proposed final dividend, together with interim dividend of HK\$0.80 per share paid on 6 April 2009, will make a total distribution of HK\$2.50 per share for the year. The proposed final dividend, if approved at the forthcoming Annual General Meeting, will be paid on Monday, 7 December 2009 to the shareholders on the Register of Members as at Thursday, 3 December 2009.

ANNUAL GENERAL MEETING

The 2009 Annual General Meeting of the Company will be held on Thursday, 3 December 2009 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 26 November 2009 to Thursday, 3 December 2009 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops Nos. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 25 November 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 financial year ended 30 June 2009.

AUDIT COMMITTEE

The annual results for the year have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditors, Deloitte Touche Tohmatsu, and they have issued an unqualified opinion.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 30 June 2009, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, except that upon the resignation of an Independent Non-Executive Director, who was also a member of the Remuneration Committee, on 1 February 2009, the Remuneration Committee comprised one Independent Non-Executive Director and one Non-Executive Director as members. Following the re-designation of a Director to an Independent Non-Executive Director and his appointment as a member of the Remuneration Committee on 19 March 2009, the Company complies with the code provisions in the Code.

ANNUAL REPORT

The annual 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 October 2009.

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

Hong Kong, 15 September 2009

As at the date hereof, the Board of Directors of the Company comprises eight Executive Directors, being KWOK Ping-kwong, Thomas, KWOK Ping-luen, Raymond, CHAN Kai-ming, CHAN Kui-yuen, Thomas, KWONG Chun, WONG Yick-kam, Michael, WONG Chik-wing, Mike and CHAN Kwok-wai, Patrick; six 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), KWAN Cheuk-yin, William and LO Chiu-chun, Clement; and four Independent Non-Executive Directors, being YIP Dicky Peter, WONG Yue-chim, Richard, CHEUNG Kin-tung, Marvin and LI Ka-cheung, Eric.