新鴻基地產發展有限公司

Sun Hung Kai Properties Limited

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

2010 / 11 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 2010, excluding the effect of fair-value changes on investment properties, was HK$10,416 million, an increase of 60 per cent from the corresponding period last year. Underlying earnings per share were HK$4.05, an increase of 60 per cent from the same period last year.

Reported profit attributable to the Company's shareholders was HK$21,019 million, compared to HK$15,439 million for the corresponding period last year. Earnings per share were HK$8.18, an increase of 36 per cent from the same period last year. The reported profit for the period included a revaluation surplus (net of deferred taxation) on investment properties of HK$10,617 million compared to a revaluation surplus (net of deferred taxation) of HK$9,746 million for the same period last year.

DIVIDEND

The directors have recommended the payment of an interim dividend of HK$0.95 per share for the six months ended 31 December 2010, an increase of 12 per cent from the corresponding period last year.

BUSINESS REVIEW

PROPERTY SALES

Revenue from property sales for the period as recorded in the accounts, including revenue from joint-venture projects, was HK$28,837 million. The corresponding figure for last year was HK$4,607 million. The Group sold or pre-sold an attributable HK$22,089 million worth of properties during the period, as compared to HK$9,159 million for the same period last year. Robust sales of two large Hong Kong luxury projects – Valais at Beas River and Larvotto in Island South – contributed to this encouraging performance. Both projects were over 90 per cent sold shortly after going on the market. Together with other projects including Lime Stardom in Kowloon, sales proceeds of Hong Kong properties amounted to HK$21,263 million during the period. The rest came mainly from mainland properties, including Jovo Town in Chengdu and Taihu International Community in Wuxi.

PROPERTY BUSINESS – HONG KONG

<u>Land Bank</u>

The Group added a total of 193,000 square feet of developable floor area to its land bank in Hong Kong during the period under review. This included the Fanling site acquired at a government auction last September, which will produce about 140,000 square feet of mainly small-to-medium residential units.

The Group's total land bank in Hong Kong amounted to 42.3 million square feet in December 2010, comprising 27.9 million square feet of completed investment properties and 14.4 million square feet of properties under development. The Group also holds over 26 million square feet of agricultural land in terms of site area. Most of this 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.

<u>Property Development</u>

The Hong Kong residential market experienced short-term volatility during the past year or so because of cooling measures introduced by the government and related authorities. A special stamp duty imposed since November last year on resales of residential properties within two years of purchase has effectively forced short-term speculators out of the market.

With continued income growth, record low mortgage rate and reasonable affordability, activity gradually recovered over recent months particularly in the secondary market, underpinned by genuine end users and long-term investors.

The Group continues to pursue excellence in a highly-competitive business environment. The market recognizes its premium-quality developments with efficient, practical designs and fine finishings. The Group's brand name means that its developments often draw great market interest and buyers are willing to pay a premium for superior product quality and service. This explains the impressive sales of the Valais town-house project and shows how the Group can redefine an area as a new luxury residential district. Valais blends fine architecture and a style of modern luxurious living with the green environment and sets new standards for suburban houses.

The Group develops a wide range of products to address different customers' needs and preferences. There are luxury residences, small-to-medium units in large estates and urban boutique apartments. Tailored, full-ranging service, comprehensive facilities and trendy features fulfill residents' evolving lifestyle demands. The Group has also initiated the incorporation of green elements in new projects to satisfy the rising aspirations for green living.

Four projects with 2.4 million square feet of attributable gross floor area (2.1 million square feet residential) were completed in Hong Kong during the period under review. Another 400,000 square feet is scheduled for completion in the second half of the financial year. The four completed projects are listed below.

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
The Latitude	638 Prince Edward Road East San Po Kong	Residential / Shopping Centre	100	1,230,000
Aria	51 Fung Shing Street Ngau Chi Wan	Residential	100	775,000
Larvotto	8 Ap Lei Chau Praya Road Ap Lei Chau	Residential / Shops	35	320,000
Excel Centre	483A Castle Peak Road Cheung Sha Wan	Office	100	109,000
Total				**2,434,000**

Property Investment

The Group's gross rental income for the period under review, including contributions from joint-venture projects, rose by 13 per cent to HK$6,081 million. Net rental income for the period was up 16 per cent to HK$4,612 million. The encouraging results from the investment portfolio were mainly driven by higher rents on new leases, continuous positive rental reversions and increased occupancy. The Group's overall rental portfolio was 95 per cent let.

Rental income from the office portfolio rose and market rents firmed up during the period under review. Office space in central areas continued to benefit from expanding financial firms chasing new business opportunities. Office rents in other areas also edged up with reduced vacancies.

The Group's position as a major premium landlord in Hong Kong means that it can take advantage of the good office leasing market. Its major International Commerce Centre (ICC) and International Finance Centre (IFC) office developments standing on opposite shores form a marvelous gateway to Victoria Harbour and demonstrate the Group's vision and commitment to Hong Kong.

ICC is conveniently located above Kowloon Station on the Airport Express with easy access to Central and the airport, as well as to the mainland via a planned cross-border rail connection. The office space is almost fully leased. The final major tenant and a number of other notable tenants are set to move in during the third quarter of 2011. The development also includes a 400,000-square-foot Ritz-Carlton Hotel scheduled to open soon.

On the 100th floor of ICC is the Sky 100 observation deck; the only vantage point in Hong Kong offering a 360-degree view of the city. It will open in April with an array of multi-media exhibits and 3-D displays of local culture and development. There will also be touch screens and interactive installations offering numerous fun facts about Hong Kong. The new attraction will be a boost to the city's tourism sector and complement the whole ICC development.

IFC on the opposite shore of Victoria Harbour above Hong Kong station on the Airport Express has prestigious tenants including leading financial and banking institutions. All office space remained near fully leased and rental performance was also impressive.

The second phase of Kowloon Commerce Centre with over 500,000 square feet of space is under way to boost the Group's office portfolio. It is scheduled for completion in 2013 and will have comprehensive transport with fast links to the Hong Kong International Airport, Kwai Chung terminals and the mainland. It will be a few minutes' walk from the MTR via an air-conditioned footbridge to be ready in the second quarter of this year.

The Group's retail portfolio is one of the largest in the city, with malls situated conveniently near MTR stations. Increased domestic consumption and higher spending by mainland visitors produced good results for the Group's malls. The Group continued organizing more shopping tours for the growing pool of mainland visitors to boost traffic and sales in its malls located in key tourist areas and along rail lines.

The Group will tap the new opportunities arising from mainland visitors by developing a 470,000-square-foot shopping mall at Yuen Long Town Lot 507 just next to the MTR station. Combined with YOHO Midtown and Sun Yuen Long Centre, it will form a regional shopping and entertainment hub with a million square feet of gross floor area in the west New Territories, comparable to the Group's Sha Tin New Town Plaza in the east New Territories. The development of another 269,000-square-foot mall at the Tuen Mun West Rail MTR station is progressing well and will add to the Group's retail portfolio.

Mikiki will be the Group's latest shopping attraction with 205,000 square feet of space scheduled to open in the second quarter of this year. Leasing demand has been high. Mikiki is well-positioned to benefit from its proximity to the future Kai Tak metropolis and transformation of southeast Kowloon that will include a world-class cruise terminal.

The Group carries out regular renovations to its malls to keep them attractive and also stages promotional campaigns and makes refinements to tenant mixes. Tai Po Mega Mall was transformed into a lifestyle mall with an enhanced tenant mix during the period under review.

Four Seasons Place at IFC and The HarbourView Place at Kowloon Station continued to record high occupancies with higher rents during the period under review and attracted guests from around the world.

PROPERTY BUSINESS – MAINLAND

Land Bank

The Group added three million square feet of attributable floor area to its mainland development land bank in the period, of which 2.6 million square feet will be developed into residential premises and serviced apartments. One addition was a 40 per cent interest in a luxury residential project in the resort area of Zhijiang, Hangzhou.

The Group's mainland land bank amounted to an attributable 82.1 million square feet in December 2010. Over 75 per cent of the 76.6 million square feet of properties under development will be high-end residences or serviced apartments, with the rest top-grade offices, shopping malls and premium hotels. The Group held another 5.5 million square feet of completed investment properties, mainly high-quality offices and shopping centres in prime locations of major cities.

Property Development

The mainland residential market was generally affected by stricter monetary and housing measures introduced by the central government, particularly in terms of transaction volumes in prime cities. The measures and policies should nonetheless be helpful for the healthy development of the mainland residential market over the longer term.

The Group completed an attributable 3.5 million square feet of residential properties on the mainland during the period under review, mainly in Lake Dragon Phase 1 and The Arch in Huadu in Guangzhou, Taihu International Community Phase 3 in Wuxi and Jovo Town Phase 1A in Chengdu. Nearly all the units in these projects were presold before completion. The handover quality of the projects was highly praised by homebuyers, reinforcing the Group's premium brand in major mainland cities.

A 1.7-million-square-foot development in Wei Fong that will redefine luxury residences in Shanghai is slated for completion in phases. The first phase of nearly 200 world-class luxury residences with total gross floor area of over 500,000 square feet will go on sale in the second half of 2011. Its unrivalled magnificent view of the Bund and prime location in the heart of the city's new finance and trade zone are sure to make it a favourite with the market. In Guangzhou, the second phase of over 700,000 square feet of luxury apartments and town houses at Lake Dragon is under construction and should be put up for presale around mid 2011. The Group's other residential projects under development on the mainland are progressing as planned.

The world-class Orchard Residences luxury development project in Singapore was completed during the period. About 90 per cent of the units in this 400,000-square-foot development have been sold. The Group has a 50 per cent interest in the project.

Property Investment

The Group's mainland rental portfolio performed well during the period under review, driven mainly by increased rents and new contributions from investment properties like Shanghai IFC Phase 1 and the Hangzhou MIXC shopping mall.

Shanghai IFC is in the heart of Pudong finance and trade zone with a direct connection to a metro station that provides easy access to the airports. Excluding the 22 floors occupied by HSBC as its China headquarters, Tower One has leased well and is almost fully taken. Preliminary leasing of Tower Two has also been encouraging. Tower Two with a total office floor area of 1.3 million square feet is put on lease by phases. The initial phase of 320,000 square feet has been fully leased. Many international financial firms have expressed interest in this premium office tower.

The million-square-foot Shanghai IFC Mall is virtually fully leased and business is gathering momentum. The mall has a unique design concept and international flavour that puts a new face on retailing in Shanghai, and it is now the choice of shoppers looking for a new experience and enjoyment. The new Ritz-Carlton Shanghai, Pudong has been operating smoothly, bringing the city an ultimate destination of uncompromising style and luxury.

Shanghai ICC at the heart of Puxi is another landmark integrated project under development, with links to a metro station at the interchange of three lines. Preliminary leasing of the offices has been encouraging, with commitments from multinationals, renowned local enterprises and professional firms. Tower One has over 600,000 square feet of top-quality office space and is scheduled for completion in the middle of this year. Preliminary marketing of International APM, the 1.3 million square-foot premium shopping mall at Shanghai ICC, has started to a positive response. Opening is scheduled in 2012.

These two major integrated projects are the foundation of the Group’s quality investment portfolio on the mainland. The full completion of Shanghai IFC and ICC will add 2.5 million square feet of retail space, 2.9 million square feet of offices and 1.2 million square feet of hotels and serviced suites to the Group’s rental portfolio. These two projects and additional quality investment properties under development in other major mainland cities will underpin the Group’s mainland rental income.

Shanghai Central Plaza maintained high occupancy with increased retail and office rents. Beijing APM is refining its tenant mix to give shoppers a fresh experience and achieved continued rent increases during the period under review, despite a very competitive retailing environment.

OTHER BUSINESSES

Hotel

Hong Kong’s hotel sector did well over the past few months. The number of travellers from overseas showed steady growth and mainland tourist arrivals remained buoyant. Shenzhen further loosened restrictions on residents visiting Hong Kong individually in December last year, so further growth is likely to continue in the year ahead.

The Group’s six hotels in Hong Kong maintained overall average occupancy of over 90 per cent and posted impressive increases in average room rates from a year ago. The deluxe Ritz-Carlton at Kowloon Station will soon be another premium addition to the Group’s hotel portfolio. It will be the world’s tallest hotel with unrivaled views of Victoria Harbour and the city when it begins operating soon. The Group will keep on building premium hotels in Hong Kong, given the territory’s position as a major financial and business hub in Asia and a popular destination for leisure travellers. Two premium hotels are being developed atop the Tseung Kwan O MTR station. The first one will be a 350-room Crowne Plaza that will open in 2012.

The Ritz-Carlton Shanghai, Pudong is the Group's first hotel in Shanghai. It has a prime location in Lujiazui in the Shanghai IFC integrated deluxe office, serviced suite and retail development offering a contemporary style, lavish comfort and convenience with sweeping views of the Bund. The hotel has been operating smoothly since opening in June last year. The Group is also building or planning other premium hotels in major cities including Guangzhou, Hangzhou, Suzhou, Nanjing and Chengdu, complementing its integrated developments in these cities.

Telecommunications and Information Technology

SmarTone

Higher service revenue derived from the wider adoption of data services and proliferation of smartphones resulted in a substantial growth in profit for SmarTone, at the same time as growth in customer numbers and average revenue per user kept rising. SmarTone will maintain its focus on extending its leadership in network performance, differentiated services and customer care. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

Revenue and operating profitability at SUNeVision continued growing during the period under review. iAdvantage built upon its position in the carrier-neutral data centre market in Hong Kong by maintaining high occupancy and signing up new clients. SUNeVision will take advantage of its solid financial position to further develop key business operations.

Transportation and Infrastructure

Transport International Holdings

Transport International Holdings' (TIH) franchised public bus operations in Hong Kong have been faced with a shift of passengers to the expanded rail network and higher costs due to rising fuel prices, wages and tunnel tolls. With an improved economy, TIH's non-franchised bus operations saw higher profits. Income from two joint-venture companies operating taxis and public buses on the mainland remained steady and the company's 73-per-cent-owned RoadShow Holdings expanded in the Hong Kong media sales business.

Other Infrastructure Businesses

The Wilson Group did well during the period and business at the Airport Freight Forwarding Centre was satisfactory following the rebound in air cargo. Throughput at the River Trade Terminal rose steadily and traffic and toll revenue on the Route 3 (Country Park Section) remained stable throughout the period. All the Group's infrastructure projects are in Hong Kong and will provide steady income streams over the long term.

CORPORATE FINANCE

The Group is committed to conservative financial policies, maintaining high liquidity, low gearing and high interest coverage.

Market responses were enthusiastic to all the Group's financing needs, whether in RMB bank loans on the mainland or Hong Kong dollar loans locally. The Group has a deep pool of stand-by banking facilities on a committed basis to meet short-term business requirements and long-term development. It issued a US$300 million, ten-year bond and HK$800 million in three- to ten-year bonds at very favorable rates under the Euro Medium Term Note programme during the period under review, to lengthen the Group's debt maturity profile and diversify its funding sources.

The majority of the Group's borrowings are denominated in Hong Kong dollars, with the remainder in US dollars or RMB for projects on the mainland. The Group has very little foreign-exchange risk and no exposure to derivative or structured products.

The Group has always attained the highest credit ratings amongst Hong Kong developers. Moody's gives the Group an A1 rating with a 'stable' outlook and Standard & Poor's raised the Group's rating from A to A+ with a 'stable' outlook in December 2010.

CUSTOMER SERVICE

Customer care is of prime importance to the Group and it goes to great lengths to find out what people think of its product and service offerings with an eye to constant improvement.

The Group's Hong Yip and Kai Shing property-management subsidiaries provide the best customer assistance, including concierges in housing estates and offices as well as Customer Care Ambassadors in shopping malls. Their popular home convenience service is constantly adding fresh features to satisfy residents.

New owners of the Group's residential developments have the benefit of a professional handover team that inspects completed units before purchasers take possession and offers help with the procedures of moving in. The same quality of service that Hong Kong buyers have come to expect is also on offer in the Group's mainland projects.

The SHKP Club celebrates its 15th anniversary this year. It has over 300,000 members and has proven to be an effective channel for two-way communication between the Group and the market. It offers members a range of property-related benefits, shopping privileges and leisure activities to build loyalty. The Club also undertakes multiple initiatives to promote harmonious families and a caring community.

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance is a cornerstone of the Group's business philosophy. This is achieved through an effective board of directors, timely disclosure of information and a proactive investor-relations programme.

The board directs and oversees the Group's strategies. There are Audit, Remuneration and Nomination committees chaired by independent non-executive directors. All the Company's executive directors sit on the Executive Committee that formulates policies and makes key business decisions.

The Group's sophisticated management and good corporate governance are widely recognized by the investment community. Accolades earned during the period under review included a Platinum award for Excellence in Management and Corporate Governance from *The Asset* magazine, being named Best Company in Asia for Corporate Governance and Best for Disclosure and Transparency by *Asiamoney* magazine and awards for Best Corporate Governance and Most Convincing and Coherent Strategy in Hong Kong from *Euromoney* magazine. The Group will maintain its efforts to stay at the forefront of best corporate governance practices.

CORPORATE SOCIAL RESPONSIBILTY

The Group takes its corporate social responsibility seriously and supports a range of charitable, environmental and educational initiatives. A new Building Homes with Heart Caring Initiative has been set up to provide immediate assistance to help tide individuals and families over crises or tragic accidents. The initiative has also organized special events for the needy, like celebrations at Chinese New Year with over 2,000 seniors.

The SHKP Book Club encourages reading with seminars, a free magazine, sponsorships and more, including a third staging of the popular Young Writers' Debut competitions. The Group's SHKP Volunteer Team recently added a Sunshine Team to harness the energy of young people to serve the community in the spirit of caring. The full Volunteer Team has nearly 1,800 members and is widely praised for its efforts to help the less fortunate. The Group also provides scholarships for talented mainland students through its SHKP-Kwoks' Foundation.

The Group's community projects like Ma Wan Park promote harmony and love for life, family and the Earth. Many special events for the benefit of the less fortunate have been held at the Ma Wan Park Noah's Ark.

An emphasis on green practices in the design, construction and management of developments provides residents and tenants with better living and working environments. And the Group conserves resources with extensive energy-saving programmes and widely-adopted green features.

The Group employs nearly 32,000 people and believes that staff are its most important asset. It recruits high-calibre graduates from local and mainland universities and provides extensive training to staff at all levels. The Group has extended this caring spirit to the children of employees with a new SHKP Group Undergraduate Scholarship scheme that provides full support for university studies.

PROSPECTS

The global economic recovery is likely to continue this year as a result of ongoing quantitative easing by several developed countries, despite various economic challenges and uncertainties including escalating oil prices resulting from geopolitical tensions in North Africa and the Middle East. While developed economies are likely to show modest growth amid high unemployment, buoyancy in emerging economies will remain with anticipated rising inflationary pressures. Interest rates in developed economies are expected to remain low for most of this year on the back of weakness in labour markets and the possibility of a sovereign debt crisis in some countries, particularly in the Euro zone.

Economic growth on the mainland is expected to remain robust this year, though at a less rapid pace. Export growth should continue with the global economic recovery and domestic consumption will do well given government policy support. The central government's tightening efforts and measures to contain inflation could create short-term financial market volatility, but they should be helpful to sustained economic expansion over the long term.

With continued global economic recovery and positive fundamentals on the mainland, the Hong Kong economy will continue to advance this year. Higher local consumer spending and robust external demand, particularly from mainland tourists, will sustain Hong Kong's economic momentum. Accelerating economic integration between Hong Kong and the mainland, particularly the quickening development of Hong Kong as an off-shore RMB centre, will offer more growth opportunities for the territory over time.

Fundamentals in Hong Kong's residential market will remain positive, notwithstanding worries over further government intervention that may create short-term market volatility and uncertainty. The affordability of homes will likely stay at comfortable levels with record low mortgage interest rates and decent income growth. Increasing integration with the mainland means that more well-off mainlanders will contribute extra demand for properties in Hong Kong. On the supply side, new units available in the presale market will remain limited over the next two to three years, although the government will increase land supply, and subsequently more private flat completions over the longer term, which should be conducive to a sustainable and healthy market.

With positive prospects for the Hong Kong residential market, the Group will continue to look for land bank replenishment opportunities, including the conversion of farmland to residential sites. It will maintain its commitment to quality and develop a diverse range of products that offer the best value to customers in terms of flat mix, layouts, design, facilities and finishes, along with premium customer service to fully meet people's aspirations for ideal homes.

Major residential projects in Hong Kong to go on sale in the next nine months include luxury sea view apartments at Imperial Cullinan in West Kowloon, One Regent Place in Yuen Long and residential towers at an integrated complex atop the Tseung Kwan O MTR station. Upcoming sales proceeds will continue to enhance the Group's financial position and cash flow.

Grade-A office rents are likely to keep rising given relatively tight new supply and greater demand for quality office space. Retail rents should also continue to go up with higher local consumption and more mainland tourist spending. The Group will capitalize on this positive environment and strengthen its leading market position with regular refurbishments and constant reviews of tenant mixes in its office and retail portfolios. More promotions will be staged in shopping malls to attract additional traffic and boost consumer spending, particularly from mainland visitors.

The Group's overall rental portfolio is expected to continue performing well in light of robust leasing demand and higher rents for new leases and renewals. The Group has nearly four million square feet of investment properties under development in Hong Kong, mostly premium office buildings and shopping malls. Non-core investment properties in Hong Kong will continue to be selectively replaced with new landmark projects to further enhance asset quality and returns over time.

On the mainland, the Group will continue seeking new business expansion opportunities, riding on the positive long-term prospects there, while adhering to its focused and selective investment approach. Shanghai IFC and Shanghai ICC will substantially raise the Group's rental income when fully finished and more completions of properties for sale will also boost profit from mainland projects over the medium term.

With the positive business environment and impressive sales and leasing, the Group's results for the current financial year are expected to be encouraging barring unforeseen circumstances.

APPRECIATION

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

Kwong Siu-hing
Chairman

Hong Kong, 28 February 2011

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 2010 with comparative figures for 2009:-

Consolidated Income Statement
For the six months ended 31 December 2010
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) Six months ended 31 December 2010	2009 (Restated)
Revenue	**2**	**31,513**	13,270
Cost of sales		**(20,648)**	(6,711)
Gross profit		**10,865**	6,559
Other income		**393**	351
Selling and marketing expenses		**(1,179)**	(613)
Administrative expenses		**(835)**	(705)
Operating profit before change in fair value of investment properties	**2**	**9,244**	5,592
Increase in fair value of investment properties		**9,315**	10,050
Operating profit after change in fair value of investment properties		**18,559**	15,642
Finance costs		**(515)**	(260)
Finance income		**34**	10
Net finance costs	**3**	**(481)**	(250)
Share of results (including increase in fair value of investment properties net of deferred tax of HK$2,188 million (2009 (restated): HK$1,350 million)) of:			
Associates		**101**	151
Jointly controlled entities		**6,890**	2,347
	2	**6,991**	2,498
Profit before taxation	**4**	**25,069**	17,890
Taxation	**5**	**(3,712)**	(2,137)
Profit for the period		**21,357**	15,753
Attributable to :			
Company's shareholders		**21,019**	15,439
Non-controlling interests		**338**	314
		21,357	15,753
Interim dividend at HK$0.95 (2009 : HK$0.85) per share		**2,442**	2,180
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	**6(a)**		
Basic and diluted		**$8.18**	$6.02
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	**6(b)**		
Basic and diluted		**$4.05**	$2.54

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2010	2009 (Restated)
Profit for the period	**21,357**	15,753
Exchange difference on translating financial statements of foreign operations	**1,125**	(18)
Change in fair value of cash flow hedge	**-**	(1)
Available-for-sale investments:		
- fair value gains	**374**	277
- fair value gains transferred to income statement on disposal	**(11)**	(55)
	363	222
Share of other comprehensive income of associates and jointly controlled entities	**280**	62
Other comprehensive income for the period	**1,768**	265
Total comprehensive income for the period	**23,125**	16,018
Total comprehensive income attributable to :		
Company's shareholders	**22,726**	15,725
Non-controlling interests	**399**	293
	23,125	16,018

Consolidated Statement of Financial Position
As at 31 December 2010
(Expressed in millions of Hong Kong dollars)

	Notes	**(Unaudited) 31 December 2010**	(Restated) 30 June 2010
Non-current assets			
Investment properties		**197,455**	184,001
Fixed assets		**17,224**	16,825
Associates		**3,155**	3,111
Jointly controlled entities		**41,208**	32,715
Loan receivables		**318**	346
Other financial assets		**3,642**	3,554
Intangible assets		**4,344**	4,357
		267,346	244,909
Current assets			
Properties for sale		**91,495**	84,923
Debtors, prepayments and others	**7**	**18,952**	16,060
Other financial assets		**914**	850
Bank balances and deposits		**7,820**	8,204
		119,181	110,037
Current liabilities			
Bank and other borrowings		**(12,782)**	(11,262)
Trade and other payables	**8**	**(20,544)**	(17,667)
Deposits received on sales of properties		**(2,344)**	(10,672)
Taxation		**(6,105)**	(5,266)
		(41,775)	(44,867)
Net current assets		**77,406**	65,170
Total assets less current liabilities		**344,752**	310,079
Non-current liabilities			
Bank and other borrowings		**(50,541)**	(34,126)
Deferred taxation		**(8,357)**	(7,189)
Other long-term liabilities		**(872)**	(739)
		(59,770)	(42,054)
NET ASSETS		**284,982**	268,025
CAPITAL AND RESERVES			
Share capital		**1,285**	1,285
Share premium and reserves		**279,891**	261,936
Shareholders' funds		**281,176**	263,221
Non-controlling interests		**3,806**	4,804
TOTAL EQUITY		**284,982**	268,025

Notes to Consolidated Financial Statements
(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation and Principal Accounting Policies

(a) Basis of preparation

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 2010, except for the changes set out below.

(b) Changes in accounting policies

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations of Hong Kong Financial Reporting Standards and Interpretations (collectively, "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2010.

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 32 (Amendment)	Classification of right issues
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 1 (Amendment)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HK (IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments
HK INT 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause

[1] Amendments that are effective for annual periods beginning on or after 1 January 2010
[2] Amendments that are effective for annual periods beginning on or after 1 July 2010

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

Up to the date of issue of the financial reports, the HKICPA has issued a number of new and revised standards, amendments and interpretations which are not yet effective for the current period. These include the following which may be relevant to the Group:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets[4]
HKAS 24 (Revised)	Related party disclosures[5]
HKFRS 9	Financial instruments[6]
HK (IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[5]

[3] Amendments that are effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group has decided to early adopt the amendments to HKAS 12, Deferred tax: recovery of underlying assets ("HKAS 12 (amendments)"), in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property. The Group is currently reviewing the other new and revised standards, amendments and interpretations and does not anticipate the adoption will have any significant impact on the Group's results and financial position.

(c) Early adoption of HKAS12 (amendments)

The change in policy arising from HKAS 12 (amendments) is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of the Group's investment properties with reference to the tax liability that would arise if the investment properties were disposed of at their carrying amounts at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the assets value through use.

This change in accounting policy has been applied retrospectively by increasing the retained profits, exchange reserve and non-controlling interests at 1 July 2010 by HK$18,130 million (1 July 2009: HK$16,134 million), HK$13 million (1 July 2009: decrease of HK$3 million) and HK$18 million (1 July 2009: HK$14 million) respectively, as a result of reduction in provision for deferred tax in respect of certain investment properties of the Group, its associates and jointly controlled entities. This change in accounting policy has also resulted in an increase in the profit attributable to Company's shareholders, non-controlling interests and basic and diluted earnings per share of the Group of HK$1,627 million (2009: HK$1,101 million), HK$3 million (2009: HK$1 million) and HK$0.63 (2009: HK$0.43) respectively for the period ended 31 December 2010.

2. Segment Information

Segment profit represents the profit earned by each segment without allocation of investment income, central administration costs, other income, net finance costs and change in fair value of investment properties. This is the measure reported to the Group's management for the purpose of resource allocation and assessment of segment performance.

An analysis of the revenue and results for the period of the Group and its share of associates and jointly controlled entities by operating segments is as follows:

For the six months ended 31 December 2010

	The Company and its subsidiaries		Associates and jointly controlled entities			
	Revenue	**Results**	**Share of Revenue**	**Share of Results**	**Combined Revenue**	**Consolidated Results**
Property sales						
Hong Kong	**15,429**	**3,455**	**5,162**	**2,483**	**20,591**	**5,938**
Mainland China	**3,873**	**874**	**453**	**126**	**4,326**	**1,000**
Singapore	**-**	**-**	**3,920**	**1,973**	**3,920**	**1,973**
	19,302	**4,329**	**9,535**	**4,582**	**28,837**	**8,911**
Property rental						
Hong Kong	**4,264**	**3,219**	**976**	**796**	**5,240**	**4,015**
Mainland China	**502**	**369**	**34**	**19**	**536**	**388**
Singapore	**-**	**-**	**305**	**209**	**305**	**209**
	4,766	**3,588**	**1,315**	**1,024**	**6,081**	**4,612**
Hotel operation	**932**	**187**	**267**	**101**	**1,199**	**288**
Telecommunications	**2,759**	**409**	**-**	**-**	**2,759**	**409**
Other businesses	**3,754**	**836**	**1,375**	**116**	**5,129**	**952**
	31,513	**9,349**	**12,492**	**5,823**	**44,005**	**15,172**
Other income		**393**		**-**		**393**
Unallocated administrative expenses		**(498)**		**-**		**(498)**
Operating profit before change in fair value of investment properties		**9,244**		**5,823**		**15,067**
Increase in fair value of investment properties		**9,315**		**2,192**		**11,507**
Operating profit after change in fair value of investment properties		**18,559**		**8,015**		**26,574**
Net finance costs		**(481)**		**(83)**		**(564)**
Profit before taxation		**18,078**		**7,932**		**26,010**
Taxation						
- Group		**(3,712)**		**-**		**(3,712)**
- Associates		**-**		**(18)**		**(18)**
- Jointly controlled entities		**-**		**(923)**		**(923)**
Profit for the period		**14,366**		**6,991**		**21,357**

There is no material change in the Group's total assets since the latest annual reporting date.

For the six months ended 31 December 2009 (Restated)

	The Company and its subsidiaries		Associates and jointly controlled entities			
	Revenue	Results	Share of Revenue	Share of Results	Combined Revenue	Consolidated Results
Property sales						
Hong Kong	3,508	1,593	857	463	4,365	2,056
Mainland China	62	16	180	56	242	72
	3,570	1,609	1,037	519	4,607	2,128
Property rental						
Hong Kong	3,932	2,899	874	706	4,806	3,605
Mainland China	338	241	-	-	338	241
Singapore	-	-	216	117	216	117
	4,270	3,140	1,090	823	5,360	3,963
Hotel operation	662	121	242	65	904	186
Telecommunications	1,810	88	-	-	1,810	88
Other businesses	2,958	713	1,454	102	4,412	815
	13,270	5,671	3,823	1,509	17,093	7,180
Other income		351		-		351
Unallocated administrative expenses		(430)		-		(430)
Operating profit before change in fair value of investment properties		5,592		1,509		7,101
Increase in fair value of investment properties		10,050		1,531		11,581
Operating profit after change in fair value of investment properties		15,642		3,040		18,682
Net finance costs		(250)		(121)		(371)
Profit before taxation		15,392		2,919		18,311
Taxation						
- Group		(2,137)		-		(2,137)
- Associates		-		(14)		(14)
- Jointly controlled entities		-		(407)		(407)
Profit for the period		13,255		2,498		15,753

Other income includes mainly investment income from equity and bonds investments.

3. Net Finance Costs

	Six months ended 31 December	
	2010	2009
Interest expenses on		
Bank loans and overdrafts	**371**	187
Other loans wholly repayable within five years	**39**	31
Other loans not wholly repayable within five years	**149**	138
	559	356
Notional non-cash interest accretion	**45**	43
Less : Amount capitalized	**(89)**	(139)
	515	260
Interest income on bank deposits	**(34)**	(10)
	481	250

4. Profit before Taxation

	Six months ended 31 December	
	2010	2009
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**14,323**	1,818
Cost of other inventories sold	**570**	150
Depreciation and amortization	**494**	494
Amortization of intangible assets (included in cost of sales)	**165**	163
Operating lease rentals for land and buildings, transmission sites and leased lines	**464**	463
Staff costs (including directors' emoluments and retirement schemes contributions)	**2,095**	1,819
Share-based payments	**36**	-
and crediting:		
Profit on disposal of available-for-sale investments	**43**	62
Dividend income from listed and unlisted investments	**54**	57
Interest income from listed and unlisted debt securities	**51**	50
Net realized and unrealized holding gains on financial assets at fair value through profit or loss	**90**	100

5. Taxation

	Six months ended 31 December	
	2010	2009 (Restated)
Current taxation		
Hong Kong profits tax	**971**	591
Under provision in prior years	**1,100**	-
	2,071	591
Tax outside Hong Kong	**610**	631
	2,681	1,222
Deferred taxation charge/(credit)		
Change in fair value of investment properties	**852**	1,492
Tax released on disposal of investment properties	**-**	(676)
Other origination and reversal of temporary differences	**179**	99
	1,031	915
	3,712	2,137

Hong Kong profits tax is provided at the rate of 16.5 per cent (2009: 16.5 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.

The tax assessments for certain subsidiaries of the Group for certain prior years have not been agreed with the relevant tax authorities. During the period, a provision of HK$1,100 million was made by the Group for these liabilities based on the estimates of the management, taking into consideration the best professional advice available. The final liabilities in respect of these outstanding assessments may differ from provisions made, giving rise to further provisions or a write back for provisions already made.

6. 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$21,019 million (2009 (restated): HK$15,439 million).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 2,570,039,181 (2009: 2,564,333,362). The diluted earnings per share is based on 2,570,582,620 (2009: 2,564,333,362) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 543,439 (2009: Nil) shares deemed to be issued at no consideration if all outstanding options had been exercised.

(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$10,416 million (2009: HK$6,510 million), excluding the effects of fair value changes on investment properties. A reconciliation of profit is as follows:

	Six months ended 31 December	
	2010	2009 (Restated)
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**21,019**	15,439
Increase in fair value of investment properties	**(9,315)**	(10,050)
Effect of corresponding deferred tax charges	**852**	1,492
Realized fair value gains of investment properties disposed net of deferred tax	**14**	817
Share of results of associates and jointly controlled entities		
- fair value gains of investment properties	**(2,192)**	(1,531)
- effect of corresponding deferred tax charges	**4**	181
	(10,637)	(9,091)
Non-controlling interests	**34**	162
	(10,603)	(8,929)
Underlying profit attributable to the Company's shareholders	**10,416**	6,510

7. Debtors, Prepayments and Others

Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent 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 contracts.

Included in debtors, prepayment and others are trade debtors of HK$7,726 million (30 June 2010: HK$5,228 million), of which 94% aged less than 60 days, 1% between 61 to 90 days and 5% more than 90 days (30 June 2010: 92%, 2% and 6% respectively).

8. Trade and Other Payables

Included in trade and other payables are trade creditors of HK$1,995 million (30 June 2010: HK$1,489 million), of which 65% are aged less than 60 days, 3% between 61 to 90 days and 32% more than 90 days (30 June 2010: 59%, 2% and 39% respectively).

FINANCIAL REVIEW

Review of Results

Profit attributable to the Company’s shareholders for the six months ended 31 December 2010 was HK$21,019 million, an increase of HK$5,580 million or 36.1% compared to HK$15,439 million for the same period last year. The reported profit for the current period has included an increase in fair value of investment properties net of related deferred taxation and non-controlling interests of HK$10,617 million (2009 : HK$9,746 million).

Underlying profit attributable to the Company’s shareholders for the six months ended 31 December 2010, excluding the net effect of fair value changes on investment properties, increased by HK$3,906 million or 60% to HK$10,416 million compared to HK$6,510 million for the corresponding period last year. Profit from property sales increased by HK$6,783 million to HK$8,911 million, owing to substantial increase in sales recognized for residential projects including Aria, The Latitude, Larvotto and The Orchard Residences in Singapore. Net rental income grew 16.4% to HK$4,612 million, driven by continuous positive rental reversions as well as contribution from new investment properties including ICC Office and Shanghai IFC Mall. Telecommunication segment contributed an operating profit of HK$409 million, a robust increase of HK$321 million or 3.6 times over the corresponding period last year, on the back of strong growth in number of customers. Hotel profit increased by 55% to HK$288 million with overall occupancy and room rates much improved amid economic recovery.

Financial Resources and Liquidity

(a) Net debt and gearing

As at 31 December 2010, the Company's shareholders' funds increased by HK$17,955 million to HK$281,176 million, equivalent to an increase of 6.8% to HK$109.4 per share (30 June 2010 : HK$102.4 per share).

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 31 December 2010, calculated on the basis of net debt to Company's shareholders' funds, was 19.7% compared to 14.1% (restated) at 30 June 2010. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 16.2 times compared to 14.4 times for the same period last year.

As at 31 December 2010, the Group's gross borrowings totalled HK$63,323 million. Net debt, after deducting cash and bank deposits of HK$7,820 million, amounted to HK$55,503 million. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2010 HK$ Million	30 June 2010 HK$ Million
Repayable:		
Within one year	**12,782**	11,262
After one year but within two years	**12,678**	8,022
After two years but within five years	**29,252**	19,402
After five years	**8,611**	6,702
Total borrowings	**63,323**	45,388
Cash and bank deposits	**7,820**	8,204
Net debt	**55,503**	37,184

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 2010, about 83% of the Group's borrowings were raised through its wholly-owned finance subsidiaries and the remaining 17% 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 2010, about 78% of the Group's borrowings were denominated in Hong Kong dollars, 9% in US dollars and 13% 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 2010, 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 derivative instruments is strictly controlled and solely for management of the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 31 December 2010, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate carrying amount of HK$4,044 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in the carrying amount of HK$100 million and currency swaps (to hedge principal repayment of USD borrowings) in the aggregate carrying amount of HK$452 million.

As at 31 December 2010, about 61% of the Group's cash and bank balances were denominated in Hong Kong dollars, 25% in United States dollars, 12% in Renminbi and 2% in other currencies.

Charges of Assets

As at 31 December 2010, certain bank deposits of the Group's subsidiary, Smartone, in the aggregate amount of HK$357 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 carrying value of HK$17,933 million have been charged, majority of which were for securing their bank borrowings on the mainland. Except for the above charges, all the Group's assets are free from any encumbrances.

Contingent Liabilities

As at 31 December 2010, 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$1,649 million (30 June 2010: HK$3,041 million).

EMOLUMENT POLICY AND LONG TERM INCENTIVE SCHEMES OF THE GROUP

As of end of 2010, the Group employed more than 33,600 employees. The related employees' costs before reimbursements for the period amounted to approximately HK$3,037 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 Interim 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.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK$0.95 per share (2009: HK$0.85 per share) for the six months ended 31 December 2010 payable in cash on Wednesday, 23 March 2011 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 22 March 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 15 March 2011 to Tuesday, 22 March 2011 (both days inclusive). In order to establish entitlements to the 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, Shops Nos.1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 14 March 2011.

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 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the six months ended 31 December 2010, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except that the Chairman of the Company did not attend the 2010 annual general meeting of the Company due to other commitment.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2010 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 of the Company.

INTERIM REPORT

The interim report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of Hong Kong Exchange and Clearing Limited www.hkexnews.hk and the Company's website www.shkp.com and copies will be sent to shareholders before the end of March 2011.

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

Hong Kong, 28 February 2011

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