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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)*

2009 / 10 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 2009, excluding the effect of fair-value changes on investment properties, was HK\$6,510 million, an increase of 44 per cent from the corresponding period last year. Underlying earnings per share were HK\$2.54, an increase of 44 per cent from the same period last year.

Reported profit attributable to the Company's shareholders was HK\$14,338 million, compared to HK\$692 million for the corresponding period last year. Earnings per share were HK\$5.59, an increase of 19.7 times 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\$8,610 million compared to a revaluation deficit (net of deferred taxation) of HK\$3,813 million for the same period last year.

DIVIDEND

The directors have recommended the payment of an interim dividend of HK\$0.85 per share for the six months ended 31 December 2009, an increase of six per cent from the corresponding period last year. It will be payable on or about 4 May 2010 to shareholders whose names appear on the Register of Members of the Company on 1 April 2010.

BUSINESS REVIEW

PROPERTY SALES

Revenue from property sales for the period as recorded in the accounts, including revenue from joint-venture projects, was HK\$4,607 million, as compared with HK\$5,781 million for the corresponding period last year. The Group sold or pre-sold an attributable HK\$9,159 million worth of properties during the period, an increase of 22 per cent from the same period last year. Sales of Hong Kong properties amounted to HK\$6,996 million, mostly derived from Aria on Kowloon Peak, The Cullinan at Kowloon Station and The Latitude in Kowloon. The remainder came from mainland properties including The Lake Dragon and The Arch in Guangzhou, Jovo Town in Chengdu and Taihu International Community in Wuxi, as well as The Orchard Residences in Singapore. The Group has sold or pre-sold over HK\$7,500 million of properties since January this year, mainly from the sales of YOHO Midtown in Yuen Long.

PROPERTY BUSINESS – HONG KONG

Land Bank

The Group has added three sites to its development land bank in Hong Kong since the beginning of the current financial year. Two sites were added through land use conversion, including a large-scale project at Yuen Long Town Lot 507. This development is adjacent to the Yuen Long Station of West Rail and has a total gross floor area of 2.3 million square feet, of which 1.8 million square feet is residential. This will be the third and largest phase of the Group's landmark YOHO Town development in the centre of Yuen Long. The other residential / commercial site at Tseung Kwan O Area 66B was acquired at a government auction in February this year. It is in the Tseung Kwan O town centre with a comprehensive transportation network. It has a gross floor area of 728,000 square feet, of which 662,000 square feet is for premium residential units.

The Group's current land bank in Hong Kong amounts to 44.1 million square feet comprising 26.1 million square feet of completed investment properties and 18 million square feet of properties under development. The Group also holds about 25 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 continue replenishing its development land bank through various means as appropriate opportunities arise.

Property Development

The Hong Kong residential market continued to perform well of late with healthy transaction volume. Buying interest from mainlanders continued, although some moderation has recently been seen. Overall prices firmed up steadily in recent months and homebuyer confidence remained high with the improving job market and historically-low interest rates.

The Group maintained efforts to strengthen its leading market position and set new standards. It builds premium projects ranging from luxury developments to mass-market residential estates to suit all types of buyers, and the Group's reputation for prestige and quality reinforces its brand and enables premium pricing.

The Group constantly monitors changing market demand locally and among mainlanders. It responds quickly to people's evolving preferences for design, layout, specifications, finishes and clubhouse facilities in new projects, and caters to modern lifestyles with hotel-like concierge service.

The Group completed four projects in Hong Kong during the period under review with one million square feet of attributable gross floor area, and it plans to complete another 3.1 million square feet 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)
Valais I & II	28 & 33 Kwu Tung Road, Sheung Shui	Residential	100	683,000
Peak House	68 Mei Tin Road, Sha Tin	Residential	100	33,000
GreenView	148 Fuk Hang Tsuen Road, Tuen Mun	Residential	100	27,000
One Harbour East	108 Wai Yip Street, Kwun Tong	Office	100	292,000
Total				1,035,000

Property Investment

The Group's gross rental income, including contributions from joint-venture projects, increased by 12 per cent to HK\$5,360 million. Net rental income increased by 13 per cent to HK\$3,963 million.

The increase in rental income was primarily driven by continuous positive rental reversions in the retail and office portfolios, particularly International Finance Centre (IFC), and additional contributions from International Commerce Centre (ICC) and ION Orchard. Occupancy of the Group's rental portfolio remains high at 93 per cent. Mall tenants' retail sales picked up in the period under review and spot rents in the office portfolio have shown signs of stabilization.

ICC at Kowloon Station is a major investment property nearing completion. The second phase was finished in 2009 and the entire building is scheduled for completion later this year. About 90 per cent is now leased or pre-leased. ICC is surrounded by a comprehensive range of complementary essentials including the high-end Elements shopping mall, luxury serviced suites in The HarbourView Place and two international hotels: W Hong Kong that is already in operation and Ritz-Carlton that is set to open in 2010. An observation deck on the 100th floor will open in the fourth quarter of this year, making it the first in Hong Kong to offer visitors a breathtaking, 360-degree panoramic view of the territory. The Kowloon Station development has exceptionally convenient transport links to Central and the airport, as well as to the mainland via the cross-border rail line soon to be constructed.

Rental income from shopping malls remained resilient and accounted for a core part of the Group's rental portfolio income. Occupancies of the Group's major malls remained high. Malls in key tourist areas benefited particularly from the continued increase in spending by mainland shoppers, and the Group plans to organize more shopping tours for the growing pool of mainland visitors. The Group regularly reviews the tenant composition in its malls to boost pedestrian flows. Renovations are also done on a rotational basis to enhance the shopping environment of the retail portfolio.

Four Seasons Place at IFC and The HarbourView Place at Kowloon Station offer an unparalleled standard of luxury living and premium service. They both recorded high occupancies during the period under review, attracting guests from around the world with convenient locations and a wide range of unit sizes.

PROPERTY BUSINESS – MAINLAND AND SINGAPORE

Land Bank

The Group added new projects to mainland land bank, including two adjacent residential / commercial sites in the central district of Foshan that will benefit from the city's further economic integration with Guangzhou. The sites have a combined total gross floor area of 30 million square feet and will be developed into a large-scale landmark comprising mainly premium residences. They are served by a station on a new planned rail line that will significantly shorten the travelling time to downtown Guangzhou. The Group also took part in a joint-venture project at Linhecun in Guangzhou. The project is in Tianhe, the central business district and a high-end residential area in central Guangzhou. It is also in the vicinity of a train station that connects to Hong Kong and other major cities in the Pearl River Delta. The Group has a 70 per cent interest in the two million square feet of luxury premises to be developed.

The Group's mainland land bank currently amounts to an attributable 88.3 million square feet. Over 75 per cent of the 85 million square feet of properties under development will be high-end residences or serviced apartments, while the rest will be top-grade offices, shopping malls and premium hotels. Another 3.3 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

Residential prices and transaction volume on the mainland rose significantly in the past year, underpinned by strong fiscal stimuli and aggressive monetary policy. Market sentiment and activity in recent months have been affected by monetary tightening and restrictive measures in the property sector, but the fundamentals of the residential market remain promising over the medium-to-long term.

The Group is gradually extending its premium brand to major mainland cities. The superb quality of The Lake Dragon in Guangzhou has attracted high market interest since it went on sale last April. About 240 houses have been sold at market-premium prices. The pre-sale of Jovo Town in Chengdu was also satisfactory.

The Group completed 887,000 square feet of offices in Shanghai IFC Tower 1 and an attributable 362,000 square feet of premium residential units in Taihu International City in Wuxi during the period under review. Construction of a 1.7-million-square-foot luxury residential development with unrivalled views of the Bund at Wei Fong in Shanghai is progressing well. Work on the integrated complex with spectacular river views at Liedecun in the Zhujiang Xincheng business area of Guangzhou commenced last year. The development has a subway connection to other major business and residential areas of the city, and the Group has a one-third interest in the project. The Group also recently broke ground on an integrated development in Suzhou. Other projects under development are progressing as planned.

Property Investment

Performance of the Group's mainland rental portfolio was satisfactory for the period under review. Construction of major mainland projects is progressing smoothly and responses to pre-leasing have been encouraging.

Shanghai IFC is in the heart of the Lujiazui finance and trade zone in Pudong, and the entire development will be completed by the first half of 2011. The project will comprise four million square feet of grade-A office space, a high-end shopping centre with an array of international retailers and a five-star Ritz-Carlton hotel expected to open in the second quarter of this year. HSBC's mainland head office will occupy 22 floors of Tower 1, and the rest of the office tower is near fully let. A number of renowned global and mainland corporations have moved in already. Pre-leasing of Tower 2 is progressing and negotiations are under way with major financial institutions and other companies. A substantial majority of the mall is already let, and it will house a collection of major luxury-brand outlets and renowned restaurants. Soft opening of the mall is expected in the second quarter of 2010.

Shanghai ICC on Huai Hai Zhong Road in the Puxi commercial district is progressing smoothly. There will be three million square feet of total floor area with retail, commercial and luxury-residential space. It will be connected to existing and future mass-transit rail stations. The project will be completed in phases from 2011. Marketing of the 1.2-million-square-foot mall has started and the response has been positive, with many international retailers negotiating for space.

The Group's joint-venture ION Orchard shopping mall in Singapore opened in October 2009. This is a world-class mall in the Orchard Road shopping district with over 900,000 square feet of gross floor area and a distinctive exterior. Occupancy is high at 97 per cent. The mall's innovative retail concept and diversified trade mix with leading international outlets and brands are very popular with locals and tourists. The adjoining top-class Orchard Residences are scheduled for completion this year and almost 90 per cent has been sold at premium prices. The Group has a 50 per cent interest in the project.

OTHER BUSINESSES

Hotel

Overall hotel occupancy rebounded notably during the past few months. Overseas visitor numbers saw a gradual recovery and visitor inflow from the mainland grew healthily with further relaxations of the Individual Visit Scheme. In addition to a new policy facilitating multiple-entry permits for Shenzhen permanent residents, non-Guangdong residents in Shenzhen can now apply for individual visits directly in Shenzhen, instead of having to go back to their hometowns to apply.

The Group's hotels have seen higher occupancies since late 2009. The four Royal hotels achieved an average occupancy of over 92 per cent during the period, and occupancies at the Four Seasons and W Hong Kong also recovered considerably in late 2009.

The Group will continue 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. The deluxe Ritz-Carlton at Kowloon Station will be completed this year and two premium hotels above the Tseung Kwan O MTR station are under development. The Group's first hotel in Shanghai – a Ritz-Carlton – will open in the second quarter of this year in time to capture business associated with the 2010 World Expo.

Telecommunications and Information Technology

SmarTone

During the period under review, SmarTone's data service revenue continued to grow. The company also achieved substantial savings in interconnection charges and other cost-control initiatives, although these were partially offset by a marginal decline in roaming revenue. SmarTone built upon its position in Hong Kong as one of the leaders in total communications providing voice, multimedia and broadband service in the mobile and fixed markets. It will continue to lead the market by providing a superb customer experience through outstanding network performance, unique services and unrivalled customer care. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term strategic investment.

SUNeVision

SUNeVision sustained its profitability in the period under review. iAdvantage strengthened its position in the carrier-neutral data centre industry in Hong Kong by signing up new businesses and achieving good occupancy. SUNeVision has a strong financial position, which it will use to further develop its core businesses.

Transportation and Infrastructure

Transport International Holdings

The financial performance of Transport International Holdings' (TIH) franchised public bus operations in the second half of 2009 was affected by rising fuel prices and a decrease in passenger numbers due mainly to continued expansion of the rail network. TIH's two joint ventures operating public buses in Shenzhen and taxis in Beijing made steady progress in 2009. TIH also owns RoadShow Holdings, which is mainly engaged in media sales.

Other Infrastructure Businesses

Business at the River Trade Terminal and Air Freight Forwarding Centre benefited from the gradual recovery in global trade. The Wilson Group performed well, while traffic on the Route 3 (Country Park Section) remained steady throughout the period. All the Group's infrastructure projects are in Hong Kong and constitute valuable investments in the long term.

Corporate Finance

The Group maintained its robust financial position with low gearing and high interest coverage. Net debt to shareholders' funds stood at 14.9 per cent as at 31 December 2009.

Response was very keen to the Group's latest financing arrangements such as RMB bank loans on the mainland and Hong Kong dollar syndicated loans in Hong Kong. The Group was able to renew all its bank lines and procure substantial new facilities at favourable terms, putting it in a stronger and more flexible position to maintain a large pool of stand-by banking facilities on a committed basis for long-term development. The Group issued approximately HK\$1,200 million in three- to ten-year bonds through its Euro Medium Term Note programme during the period under review, to extend its debt maturities and diversify its funding base.

The vast majority of the Group's borrowings are denominated in Hong Kong dollars, resulting in very little foreign-exchange risk. The Group adhered to its conservative financial policies and did not execute any derivative or structured-product transactions for speculation.

The Group has consistently scored the highest credit ratings among Hong Kong developers. Moody's affirmed the Group's A1 rating with a 'stable' outlook and Standard & Poor's upgraded its A with a 'stable' outlook to A with a 'positive' outlook in December 2009.

Customer Service

The Group believes that putting the customer first is essential to providing first-class service. It pays close attention to what customers think about its products and service, and solicits their opinions through a variety of channels. Property-management subsidiaries Hong Yip and Kai Shing do their utmost to provide residents and tenants of the estates and commercial buildings they manage convenience and quality environments. The two companies have won numerous awards for property management and landscaping.

The SHKP Club is an effective channel for two-way communication with consumers and it now has over 290,000 members. It offers members property-related benefits and privileges such as popular exclusive previews of the Group's show flats for new developments and buyer-incentive programmes. The Club also focuses on events and activities that encourage healthy, harmonious family life.

Corporate Governance

A reputation for high standards of corporate governance is key to the Group's success. The Group discloses information promptly and puts great emphasis on its proactive investor-relations programme, all with the full support of the board of directors and management.

The board directs and oversees the Group's strategies. There are sub-committees with independent non-executive directors to monitor audits, remuneration and nominations, and all of the Company's executive directors sit on an executive committee that formulates business policies and decides key issues. These procedures and well-developed internal controls ensure that the Group stays at the forefront of best corporate governance practices.

The Group's sophisticated management and good corporate governance are widely recognized by the investment community. Accolades received during the year include the number one ranking as Best Developer in Hong Kong for the fifth year running by *Euromoney* and an award for Overall Best Company for Corporate Governance in Hong Kong and Asia (2004-2008) in a 'Poll of Polls' by *Asiamoney*. The Group was named Best Real Estate Company in Asia and Hong Kong's Best Managed Company by *FinanceAsia*, and received a Recognition Award – the Best of Asia – from *Corporate Governance Asia* for the fourth year running.

Corporate Social Responsibility

Being a responsible corporate citizen is important to the Group, as evidenced by its support for community and educational programmes and care about the environment. Recent Group-sponsored activities for the benefit of less-fortunate children have included subsidized visits and outings. The Group's SHKP Book Club continues to stage initiatives to encourage reading and the pursuit of knowledge. The Group's 1,400-strong Volunteer Team gets staff involved in helping the needy in the community.

The Group is committed to preserving the environment and follows green principles in all aspects of its operations, for which it has won extensive praise locally and internationally. The Group has comprehensive energy-saving programmes in its commercial and residential developments, plus professional landscaping staff to provide clean, green and comfortable environments.

The Group believes that dedicated staff are one of its most valuable assets. It continues to recruit top graduates as management trainees, and it offers new recruits and existing staff a wide range of training to help them develop to their full potential and instill professionalism. It also has initiatives to build team spirit and a corporate culture of quality.

PROSPECTS

The global economic recovery is likely to continue this year, though at a more modest pace. Money and capital market functions have generally returned to normal, and interest rates in many advanced economies will remain at historic low levels amid high unemployment for most of the year. There remain some economic challenges and uncertainties, including the timing and pace of an exit from aggressive stimulus measures as well as worries over the sovereign credit of a few EU members.

The mainland economy is expected to continue its growth momentum this year, due partly to the follow-through effects of the government's stimulus measures and a gradual recovery in exports. The latest government move to contain credit growth could create market volatility in the short term, but it should be helpful to sustained economic expansion over the long term.

With a modest recovery in developed nations and economic buoyancy on the mainland, the Hong Kong economy will fare better this year; pointing to improving job-market conditions, continued retail-sales growth and strengthening consumer confidence. Accelerated economic integration between Hong Kong and the mainland will also provide numerous business opportunities for Hong Kong over time.

The residential market in Hong Kong is likely to see another good year both in terms of prices and volume. Demand-side fundamentals such as affordability, mortgage interest rates, liquidity and homebuyer confidence remain favourable. Continued buying interest from successful applicants under the Capital Investment Entrant Scheme will add to market demand. The supply of new residential units will remain at low levels in the next few years, and the government's latest decision to proactively offer land supply to the market should be desirable for Hong Kong's property market over the medium-to-long term.

With good prospects for Hong Kong's residential market, the Group will continue to look for opportunities to increase its land bank, particularly via conversion of farmland to residential sites. It will emphasize value optimization of development projects by providing the right products in terms of architecture, layouts, flat mix, facilities and market positioning.

The retail leasing market is expected to remain robust with steady growth in rents against a backdrop of continued increases in mainland tourist spending and higher local consumption. The Group's retail portfolio will likely fare better in the coming year due to improved job-market conditions and continuous efforts to upgrade selected shopping malls. Demand for quality office space is anticipated to show gradual improvement amid the global economic recovery. Rents for top-quality office space in core areas such as Central are likely to fare better due to limited supply.

The Group will continue to take a selective and focused approach to mainland business expansion. It believes that the long-term prospects for the mainland property market are promising, and so will keep seeking land acquisition opportunities in prime cities. Earnings from mainland businesses are expected to rise in coming years as rental projects such as Shanghai IFC and more residential developments are gradually completed.

Major residential projects in Hong Kong to go on sale in the next nine months include Larvotto in Island South, Valais in Sheung Shui, Lime Stardom in Kowloon and projects at Tuen Mun Town Lot 465 and Tseung Kwan O Area 56. Barring unforeseen circumstances, the results for the current financial year are expected to be satisfactory.

APPRECIATION

Dr Cheung Kin-tung, Marvin, who did not seek re-election, retired as an Independent Non-Executive Director of the Company at the conclusion of the annual general meeting held on 3 December 2009. I would like to express my sincere gratitude to Dr Cheung for his valuable contributions to the Group during his tenure.

Dr Fung Kwok-lun, William, was appointed as an Independent Non-Executive Director of the Company with effect from 1 February 2010. With his management expertise and extensive business exposure, Dr Fung will broaden the Group's strategic perspective on business 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, 11 March 2010

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 2009 with comparative figures for 2008:-

Consolidated Income Statement

For the six months ended 31 December 2009

(Expressed in millions of Hong Kong dollars)

		(Unaudited)	
		Six months ended	
		31 December	
	Notes	2009	2008
Revenue	2	13,270	15,120
Cost of sales		(6,711)	(8,451)
Gross profit		6,559	6,669
Other income/(losses)		351	(101)
Selling and marketing expenses		(613)	(642)
Administrative expenses		(705)	(720)
Operating profit before change in fair value of investment properties	2	5,592	5,206
Increase/(decrease) in fair value of investment properties		10,050	(4,335)
Operating profit after change in fair value of investment properties		15,642	871
Finance costs		(260)	(333)
Finance income		10	77
Net finance costs	3	(250)	(256)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$1,144 million (2008: decrease of HK\$320 million)) of:			
Associates		148	42
Jointly controlled entities		2,144	97
	2	2,292	139
Profit before taxation	4	17,684	754
Taxation	5	(3,033)	44
Profit for the period		14,651	798
Attributable to :			
Company's shareholders		14,338	692
Non-controlling interests		313	106
		14,651	798
Interim dividend at HK\$0.85 (2008 : HK\$0.80) per share		2,180	2,051
<i>(Expressed in Hong Kong dollars)</i>			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	6(a)		
Basic		\$5.59	\$0.27
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		\$2.54	\$1.77

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2009

(Expressed in millions of Hong Kong dollars)

	(Unaudited)	
	Six months ended	
	31 December	
	2009	2008
Profit for the period	14,651	798
Exchange difference on translating financial statements of foreign operations	(18)	(50)
Change in fair value of cash flow hedge	(1)	-
Available-for-sale investments:		
- fair value gains/(losses)	277	(1,503)
- fair value gains transferred to income statement on disposal	(55)	(154)
- impairment loss transferred to income statement	-	232
	222	(1,425)
Share of other comprehensive income/(expense) of associates and jointly controlled entities	51	(45)
Other comprehensive income/(expense) for the period	254	(1,520)
Total comprehensive income/(expense) for the period	14,905	(722)
Total comprehensive income/(expense) attributable to :		
Company's shareholders	14,613	(813)
Non-controlling interests	292	91
	14,905	(722)

Consolidated Statement of Financial Position
As at 31 December 2009

(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) 31 December 2009	(Audited) 30 June 2009
Non-current assets			
Investment properties		173,241	158,593
Fixed assets		15,353	21,612
Associates		3,143	3,050
Jointly controlled entities		27,309	25,792
Loan receivables		351	465
Other financial assets		3,850	2,953
Intangible assets		4,519	4,647
		<u>227,766</u>	<u>217,112</u>
Current assets			
Properties for sale		73,737	68,347
Debtors, prepayments and others	7	16,221	15,611
Other financial assets		634	602
Bank balances and deposits		7,169	8,143
		<u>97,761</u>	<u>92,703</u>
Current liabilities			
Bank and other borrowings		(2,253)	(2,644)
Trade and other payables	8	(15,044)	(14,600)
Deposits received on sales of properties		(6,827)	(2,854)
Taxation		(3,616)	(3,990)
		<u>(27,740)</u>	<u>(24,088)</u>
Net current assets		<u>70,021</u>	<u>68,615</u>
Total assets less current liabilities		<u>297,787</u>	<u>285,727</u>
Non-current liabilities			
Bank and other borrowings		(39,488)	(39,381)
Deferred taxation		(20,533)	(18,719)
Other long-term liabilities		(682)	(707)
		<u>(60,703)</u>	<u>(58,807)</u>
NET ASSETS		<u>237,084</u>	<u>226,920</u>
CAPITAL AND RESERVES			
Share capital		1,282	1,282
Share premium and reserves		231,227	220,986
Shareholders' funds		<u>232,509</u>	<u>222,268</u>
Non-controlling interests		<u>4,575</u>	<u>4,652</u>
TOTAL EQUITY		<u>237,084</u>	<u>226,920</u>

Notes to Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation and Principal Accounting Policies

The condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies adopted in the interim financial statements are consistent with those set out in the annual financial statements for the year ended 30 June 2009, except for the changes set out below.

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 2009.

HKFRSs (Amendments)	Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 3 (Revised)	Business combinations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners
HK(IFRIC) - INT 18	Transfers of assets from customers

¹ Amendments that are effective for annual periods beginning on or after 1 January 2009 or 1 July 2009, as appropriate

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. Under the revised standard, the Profit and Loss Account is renamed as the "Income Statement", the Balance Sheet is renamed as the "Statement of Financial Position" and the Cash Flow Statement is renamed as the "Statement of Cash Flows". All income and expenses arising from transactions with non-owners are presented under the "Income Statement" and "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Equity", while the owners changes in equity are presented in the "Statement of Changes in Equity".

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. HKAS 27 (Revised) requires that a change in ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. The Group applies these revised standards prospectively with effect from 1 July 2009.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment reporting", required the identification of two sets of segments (business and geographical) using risks and return approach. The adoption of HKFRS 8 has resulted in a redesignation of the Group's reportable segments (see note 2).

Improvements to HKFRSs 2008 include an amendment to HKAS 40 under which an investment property which is under construction is to be classified as investment property and carried at fair value where this can be reliably measured. Prior to this amendment, the Group had treated such property as an investment property only to the extent of its land portion which is carried at fair value with any gain or loss being recognized in profit or loss whereas its construction cost portion is carried at cost under the fixed assets until the construction had been completed, at which time it would be stated together with the land portion at fair value. As a result of this amendment, the construction costs of investment properties under construction have been reclassified and accounted for as investment properties with effective from 1 July 2009. This amendment is applied prospectively and the correspondent amounts of prior periods have not been restated.

The adoption of the above 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 2009 ²
HKAS 24 (Revised)	Related party disclosures ³
HKAS 32 (Amendment)	Classification of right issues ⁴
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ⁵
HKFRS 1 (Amendment)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters ⁷
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁵
HKFRS 9	Financial instruments ⁶
HK (IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement ³
HK (IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments ⁷

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

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 January 2010

⁶ Effective for annual periods beginning on or after 1 January 2013

⁷ Effective for annual periods beginning on or after 1 July 2010

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

2. Segment Information

Segment profit represents the profit earned by each segment without allocation of investment income, central administration costs, other income and losses, 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 2009

	The Company and its subsidiaries		Associates and jointly controlled entities		Segment Revenue	Segment Results
	Revenue	Results	Share of Revenue	Share of 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		(3,033)		-		(3,033)
- Associates		-		(17)		(17)
- Jointly controlled entities		-		(610)		(610)
Profit after taxation		12,359		2,292		14,651

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

For the six months ended 31 December 2008

	The Company and its subsidiaries		Associates and jointly controlled entities		Segment Revenue	Segment Results
	Revenue	Results	Share of Revenue	Share of Results		
Property sales						
Hong Kong	5,350	1,765	67	(89)	5,417	1,676
Mainland China	288	97	76	9	364	106
	5,638	1,862	143	(80)	5,781	1,782
Property rental						
Hong Kong	3,707	2,703	783	599	4,490	3,302
Mainland China	310	220	-	-	310	220
	4,017	2,923	783	599	4,800	3,522
Hotel operation	618	119	269	74	887	193
Telecommunications	1,955	93	-	-	1,955	93
Other businesses	2,892	730	1,373	104	4,265	834
	<u>15,120</u>	<u>5,727</u>	<u>2,568</u>	<u>697</u>	<u>17,688</u>	<u>6,424</u>
Other losses		(101)		-		(101)
Unallocated administrative expenses		<u>(420)</u>		<u>-</u>		<u>(420)</u>
Operating profit before change in fair value of investment properties		5,206		697		5,903
Decrease in fair value of investment properties		<u>(4,335)</u>		<u>(289)</u>		<u>(4,624)</u>
Operating profit after change in fair value of investment properties		871		408		1,279
Net finance costs		<u>(256)</u>		<u>(151)</u>		<u>(407)</u>
Profit before taxation		615		257		872
Taxation						
- Group		44		-		44
- Associates		-		5		5
- Jointly controlled entities		<u>-</u>		<u>(123)</u>		<u>(123)</u>
Profit after taxation		<u>659</u>		<u>139</u>		<u>798</u>

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

3. Net finance costs

	Six months ended	
	31 December	
	2009	2008
Interest expenses on		
Bank loans and overdrafts	187	455
Other loans wholly repayable within five years	31	37
Other loans not wholly repayable within five years	138	124
	<u>356</u>	<u>616</u>
Notional non-cash interest accretion	43	41
Less : Portion capitalized	<u>(139)</u>	<u>(324)</u>
	260	333
Interest income on bank deposits	<u>(10)</u>	<u>(77)</u>
	<u>250</u>	<u>256</u>

4. Profit before taxation

	Six months ended	
	31 December	
	2009	2008
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	1,818	3,661
Cost of other inventories sold	150	254
Impairment loss of available-for-sale investments	-	232
Depreciation and amortization	494	428
Amortization of intangible assets (included in cost of sales)	163	161
Staff costs (including directors' emoluments and retirement schemes contributions)	1,819	1,752
and crediting:		
Profit on disposal of available-for-sale investments	62	154
Dividend income from listed and unlisted investments	57	177
Interest income from listed and unlisted debt securities	50	47
Net realized and unrealized holding gains/(losses) on financial assets at fair value through profit or loss	100	(275)

5. Taxation

	Six months ended	
	31 December	
	2009	2008
Current taxation		
Hong Kong profits tax	591	579
Tax outside Hong Kong	631	52
	<u>1,222</u>	<u>631</u>
Deferred taxation charge/(credit)		
Change in fair value of investment properties	2,423	(808)
Other origination and reversal of temporary differences	(612)	133
	<u>1,811</u>	<u>(675)</u>
	<u>3,033</u>	<u>(44)</u>

Hong Kong profits tax is provided at the rate of 16.5 per cent (2008: 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.

6. Earnings per share

(a) Reported earnings per share

The calculations of basic earnings per share are based on the Group's profit attributable to the Company's shareholders of HK\$14,338 million (2008: HK\$692 million) and on the weighted average number of shares in issue during the period of 2,564,333,362 (2008: 2,564,333,362).

No diluted earnings per share for the period ended 31 December 2009 and 31 December 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 earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK\$6,510 million (2008: HK\$4,535 million), excluding the effects of fair value changes on investment properties. A reconciliation of profit is as follows:

	Six months ended	
	31 December	
	2009	2008
Profit attributable to the Company's shareholders as shown in the consolidated income statement	14,338	692
(Increase)/decrease in fair value of investment properties	(10,050)	4,335
Effect of corresponding deferred tax charges/(credits)	2,423	(808)
Realized fair value gains of investment properties disposed	782	38
Share of (increase)/decrease in fair value of investment properties net of deferred tax of associates and jointly controlled entities	(1,144)	320
Realized fair value losses of investment properties held by jointly controlled entities disposed	-	(8)
	(7,989)	3,877
Non-controlling interests	161	(34)
	(7,828)	3,843
Underlying profit attributable to the Company's shareholders	6,510	4,535

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\$11,254 million (30 June 2009: HK\$11,661 million), of which 95% aged less than 60 days, 1% between 61 to 90 days and 4% more than 90 days (30 June 2009: 95%, 1% and 4% respectively).

8. Trade and other payables

Included in trade and other payables are trade creditors of HK\$1,437 million (30 June 2009: HK\$1,270 million), of which 61% are aged less than 60 days, 4% between 61 to 90 days and 35% more than 90 days (30 June 2009: 63%, 3% and 34% respectively).

FINANCIAL REVIEW

Review of Results

Profit attributable to the Company's shareholders for the six months ended 31 December 2009 was HK\$14,338 million, an increase of HK\$13,646 million or 19.7 times compared to HK\$692 million for the same period last year. The reported profit has included an increase in fair value of investment properties net of related deferred taxation of HK\$8,610 million for the current period and decrease of HK\$3,813 million for the same period last year.

Underlying profit attributable to the Company's shareholders for the six months ended 31 December 2009, excluding the effect of fair value changes on investment properties, was HK\$6,510 million, a rise of HK\$1,975 million or 43.6% compared to HK\$4,535 million in the same period last year. Net rental income for the period amounted to HK\$3,963 million, increased by HK\$441 million or 12.5% over the same period last year, primarily driven by positive rental reversions in the office and retail portfolio as well as the contribution from ION Orchard shopping mall in Singapore. Profit from property sales reported an increase of HK\$346 million to HK\$2,128 million, owing to improved sale profit margin.

Financial resources and Liquidity

(a) Net debt and gearing

The Company's shareholders' funds as at 31 December 2009 was HK\$232,509 million or HK\$90.7 per share compared to HK\$222,268 million or HK\$86.7 per share at the previous year. The increase of HK\$10,241 million or 4.6% was mainly due to profit attributable to the Company's shareholders for the year of HK\$14,338 million and mark-to-market gains of HK\$222 million on available-for-sale investments, offset by payment of HK\$4,359 million in dividends.

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 31 December 2009, calculated on the basis of net debt to Company's shareholders' funds, was 14.9% compared to 15.2% at 30 June 2009. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 14.4 times compared to 9.0 times for the same period last year.

As at 31 December 2009, the Group's gross borrowings totalled HK\$41,741 million. Net debt, after deducting cash and bank deposits of HK\$7,169 million, amounted to HK\$34,572 million. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2009	30 June 2009
	HK\$ Million	HK\$ Million
Repayable:		
Within one year	2,253	2,644
After one year but within two years	9,004	10,691
After two years but within five years	23,973	22,442
After five years	6,511	6,248
Total borrowings	41,741	42,025
Cash and bank deposits	7,169	8,143
Net debt	34,572	33,882

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 2009, 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 2009, about 82% of the Group's borrowings were denominated in Hong Kong dollars, 8% in US dollars and 10% 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 2009, about 84% 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 16% 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 2009, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate amount of HK\$4,144 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in the amount of HK\$100 million and currency swaps (to hedge principal repayment of USD borrowings) in the aggregate amount of HK\$683 million.

As at 31 December 2009, about 69% of the Group's cash and bank balances were denominated in Hong Kong dollars, 14% in United States dollars, 15% in Renminbi and 2% in other currencies.

Charges of assets

As at 31 December 2009, certain bank deposits of the Group's subsidiary, Smartone, in the aggregate amount of HK\$354 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\$14,888 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 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\$2,814 million (30 June 2009: HK\$2,835 million).

EMOLUMENT POLICY AND LONG TERM INCENTIVE SCHEMES OF THE GROUP

As of end of 2009, the Group employed more than 31,000 employees. The related employees' costs before reimbursements for the period amounted to approximately HK\$2,776 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\$0.85 per share (2008: HK\$0.80 per share) for the six months ended 31 December 2009 payable on or about Tuesday, 4 May 2010 to shareholders whose names appear on the Register of Members of the Company on Thursday, 1 April 2010. Shareholders will have the option of receiving the interim dividend in cash, or in the form of new fully paid share(s) of nominal value of HK\$0.50 each in the share capital of the Company in lieu of cash, or partly in cash and partly in shares. A circular containing details thereof and the election form is expected to be sent to shareholders on or about Friday, 9 April 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 26 March 2010 to Thursday, 1 April 2010 (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 Thursday, 25 March 2010.

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 2009.

CORPORATE GOVERNANCE

During the six months ended 31 December 2009, the Company complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2009 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose report on review of interim financial information is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Audit Committee.

INTERIM REPORT

The interim report containing all the financial and other related information of the Company required by the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website and the Company's website www.shkp.com and copies will be sent to shareholders before the end of March 2010.

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

Hong Kong, 11 March 2010

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.