



SUN HUNG KAI PROPERTIES LIMITED



Annual Report  
*2006/07*



Our cover features a bauhinia to mark the tenth anniversary of Hong Kong's reunification with the mainland. Sun Hung Kai Properties is committed to the territory and growing with the people of Hong Kong. Its reputation for quality has earned the trust of two generations of homebuyers, and the Group will continue 'Building Homes with Heart' to offer its customers the finest living environments.

Cover Photo:  
*The Vineyard in Yuen Long*



# SUN HUNG KAI PROPERTIES LIMITED

Annual Report 2006/07

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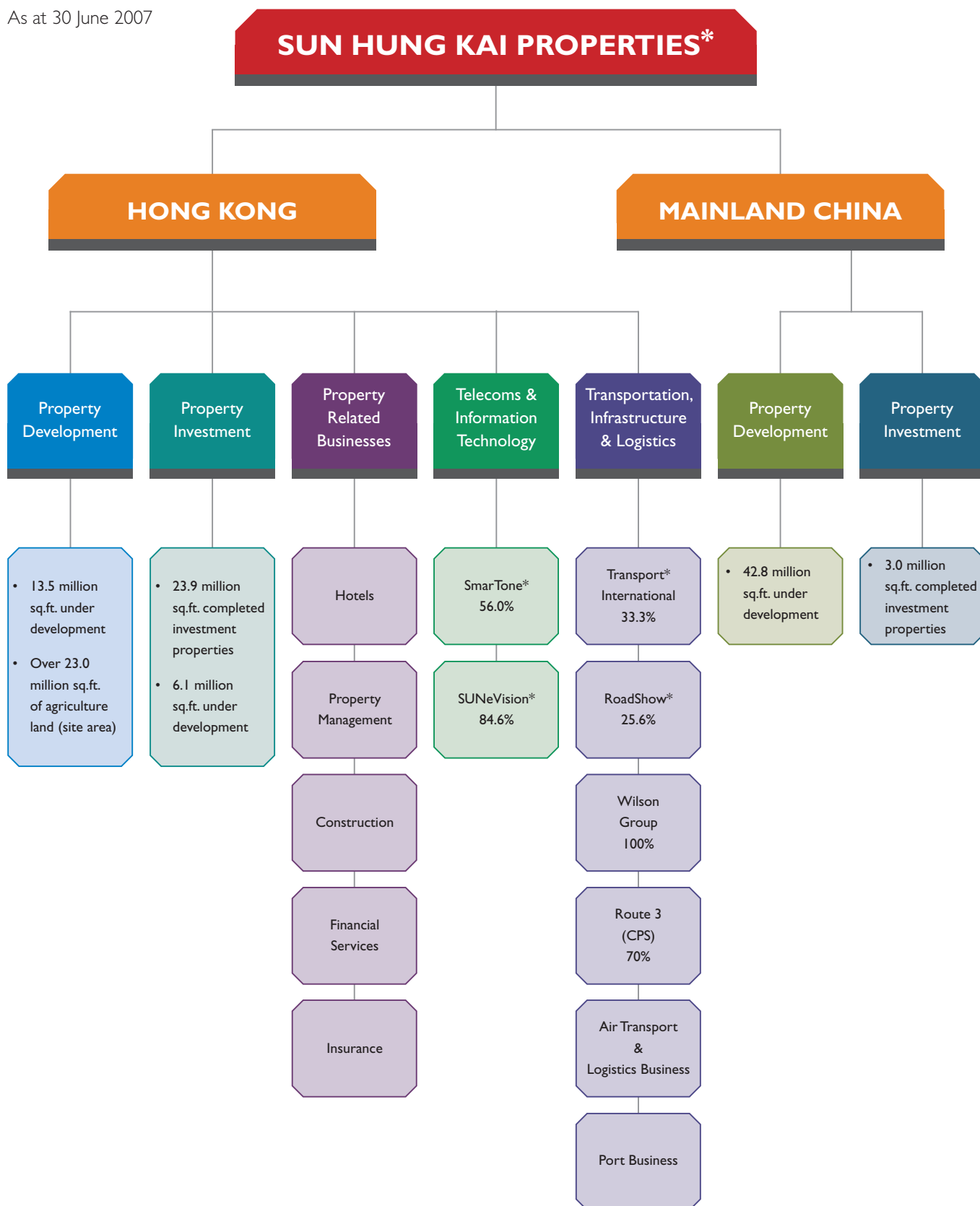
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# Corporate Structure



As at 30 June 2007



\* Listed in Hong Kong

# Board of Directors and Committees



## Board of Directors

### Executive Directors

Kwok Ping-sheung, Walter (*Chairman & Chief Executive*)  
Kwok Ping-kwong, Thomas (*Vice Chairman & Managing Director*)  
Kwok Ping-luen, Raymond (*Vice Chairman & Managing Director*)  
Chan Kai-ming  
Chan Kui-yuen, Thomas  
Kwong Chun  
Wong Yick-kam, Michael  
Wong Chik-wing, Mike

### Non-Executive Directors

Lee Shau-kee (*Vice Chairman*)  
Woo Po-shing  
Li Ka-cheung, Eric  
Kwan Cheuk-yin, William  
Lo Chiu-chun, Clement  
Woo Ka-biu, Jackson  
(*Alternate Director to Woo Po-shing*)

### Independent Non-Executive Directors

Chung Sze-yuen  
Fung Kwok-king, Victor  
Yip Dicky Peter  
Wong Yue-chim, Richard

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## Committees

### Audit Committee

Chung Sze-yuen\*  
Yip Dicky Peter  
Li Ka-cheung, Eric

### Remuneration Committee

Chung Sze-yuen\*  
Lo Chiu-chun, Clement  
Wong Yue-chim, Richard

### Nomination Committee

Wong Yue-chim, Richard\*  
Kwan Cheuk-yin, William  
Yip Dicky Peter

\* Committee Chairman

# Corporate and Shareholders' Information



## Corporate Information

### Company Secretary

Lai Ho-kai, Ernest

### Auditors

Deloitte Touche Tohmatsu

### Solicitors

Woo, Kwan, Lee & Lo  
Johnson, Stokes & Master  
Winston Chu & Company

### Registered Office

45th Floor, Sun Hung Kai Centre  
30 Harbour Road  
Hong Kong

Telephone : (852) 2827 8111

Facsimile : (852) 2827 2862

Website : [www.shkp.com](http://www.shkp.com)

E-mail : [shkp@shkp.com](mailto:shkp@shkp.com)

### Registrars

Computershare Hong Kong  
Investor Services Limited  
Rooms 1712-6, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Principal Bankers

Bank of China (Hong Kong) Limited  
The Hongkong & Shanghai Banking  
Corporation Limited  
The Bank of Tokyo  
– Mitsubishi UFJ, Ltd  
Sumitomo Mitsui Banking Corporation  
Mizuho Corporate Bank, Ltd.  
Hang Seng Bank Limited  
BNP Paribas  
Bank of Communications  
Standard Chartered Bank (HK) Ltd.  
Industrial and Commercial Bank of  
China

## Shareholders' Information

### Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong and are traded over the counter in the United States in the form of American Depositary Receipts (ADR).

### Stock Code

The Stock Exchange of Hong Kong : 16  
Bloomberg : 16 HK Equity  
Reuters : 0016.HK  
Trading Symbol for ADR : SUHJY  
CUSIP : 86676H302

### Investor Relations

Telephone : (852) 2828 8764  
Facsimile : (852) 2827 0676  
E-mail : [ir@shkp.com](mailto:ir@shkp.com)

## Financial Calendar for 2006/07

Interim results announcement	7 March 2007
Interim dividend paid	2 April 2007
Final results announcement	13 September 2007
Closure of register of members	29 November 2007 – 6 December 2007 (both days inclusive)
Annual general meeting	6 December 2007
Final dividend payable	10 December 2007

# Financial Highlights



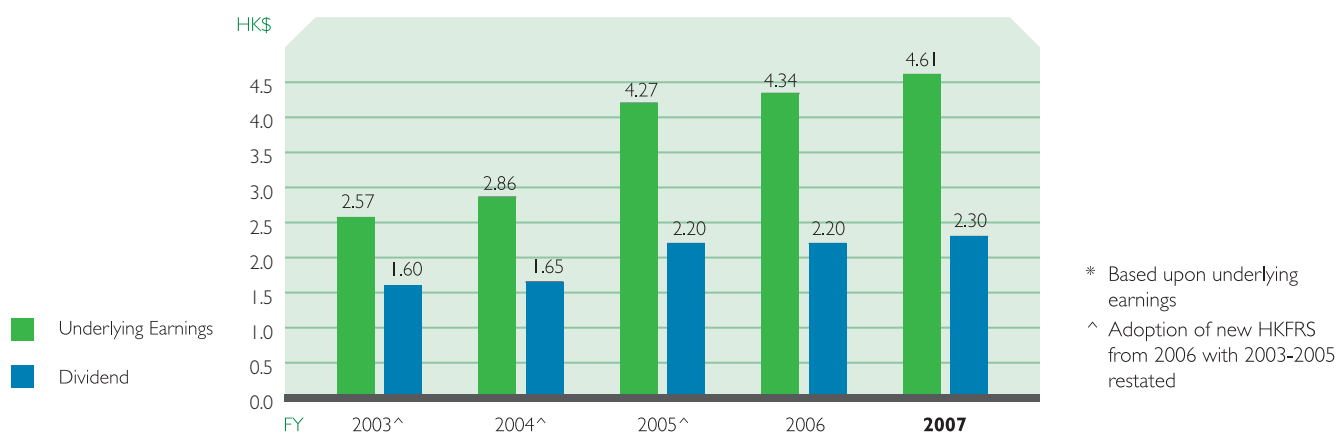
For the year ended 30 June	2007	2006	Change (%)
<b>Financial Highlights</b> (HK\$ million)			
Revenue	<b>30,994</b>	25,598	+21.1
Profit attributable to Company's shareholders			
– Reported	<b>21,226</b>	19,850	+6.9
– Underlying <sup>1</sup>	<b>11,495</b>	10,468	+9.8
Gross rental income <sup>2</sup>	<b>7,215</b>	6,466	+11.6
Net rental income <sup>2</sup>	<b>5,245</b>	4,615	+13.7
<b>Financial Ratios</b>			
Net debt to shareholders' funds (%)	<b>14.0</b>	13.4	+0.6 <sup>3</sup>
Dividend payout (%)	<b>49.9</b>	51.8	-1.9 <sup>3</sup>
<b>Financial Information per Share</b> (HK\$)			
Earnings per share for profit attributable to Company's shareholders			
– Reported	<b>8.52</b>	8.23	+3.5
– Underlying	<b>4.61</b>	4.34	+6.2
Dividends			
– Interim dividend	<b>0.70</b>	0.70	0.0
– Final dividend	<b>1.60</b>	1.50	+6.7
– Full-Year	<b>2.30</b>	2.20	+4.6
Shareholders' funds	<b>74.43</b>	67.25	+10.7
<b>Land Bank in Hong Kong</b> (gross floor area in million square feet)			
Development land bank <sup>4</sup>	<b>19.6</b>	18.4	+6.5
Completed investment properties	<b>23.9</b>	22.4	+6.7
Total	<b>43.5</b>	40.8	+6.6
<b>Land Bank on the mainland</b> (gross floor area in million square feet)			
Development land bank	<b>42.8</b>	17.2	+148.8
Completed investment properties	<b>3.0</b>	2.6	+15.4
Total	<b>45.8</b>	19.8	+131.3

Notes:

1. Underlying profit attributable to Company's shareholders excluded the effect of fair value change on investment properties
2. Including contributions from jointly-controlled entities and associates
3. Change in percentage points, dividend payout based upon underlying profit
4. Excluding over 23 million square feet of agricultural land in terms of site area

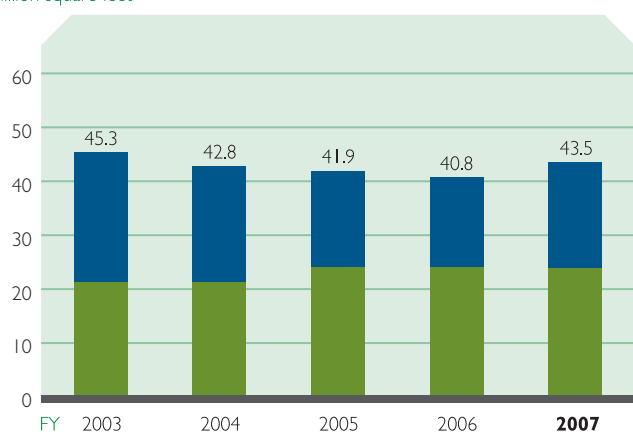


## Underlying Earnings and Dividends per Share\*



## Land Bank in Hong Kong

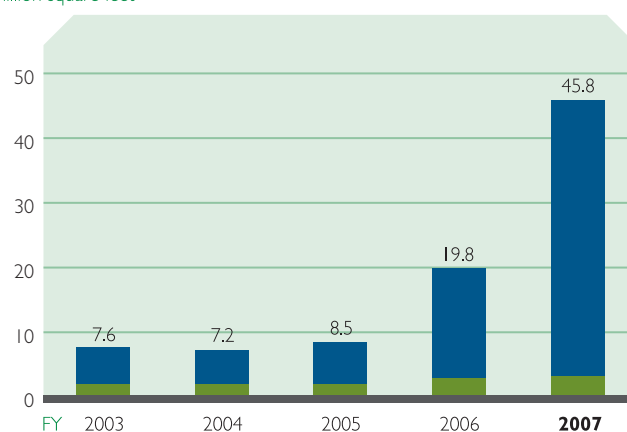
million square feet



Development Land Bank

## Land Bank on the Mainland

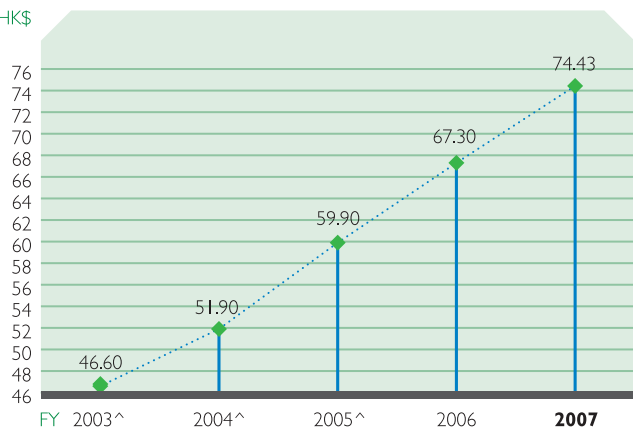
million square feet



Completed Investment Properties

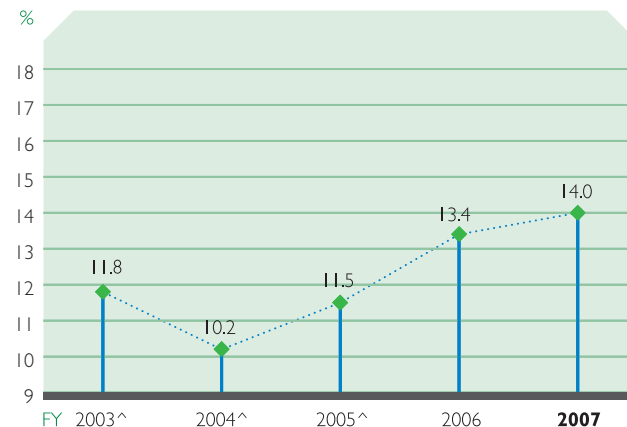
## Shareholders' Funds per Share

HK\$

<sup>^</sup> Adoption of new HKFRS from 2006 with 2003-2005 restated

## Net Debt to Shareholders' Funds Ratio

%



# Chairman's Statement



I am pleased to present my report to the shareholders.

## Results

Profit attributable to the Company's shareholders for the year ended 30 June 2007 was HK\$21,226 million, including a revaluation surplus on investment properties of HK\$9,778 million, net of deferred tax. This represents a 6.9 per cent increase over last year. Earnings per share were HK\$8.52, an increase of 3.5 per cent over last year.

Underlying profit attributable to the Company's shareholders, excluding the effect of fair-value changes on investment properties, was HK\$11,495 million, an increase of 9.8 per cent over last year. Underlying earnings per share were HK\$4.61, an increase of 6.2 per cent over last year.

## Dividend

The directors have recommended the payment of a final dividend of HK\$1.60 per share for the year ended 30 June 2007. Together with the interim dividend of HK\$0.70 per share, the dividend for the full year will be HK\$2.30 per share, an increase of 4.5 per cent over last year.

## Business Review

### Property Sales

Property sales turnover for the year as recorded in the accounts was HK\$14,242 million, as compared with last year's sales of HK\$10,890 million. The Group sold and pre-sold an attributable HK\$20,930 million worth of properties during the year, including HK\$252 million from mainland properties and HK\$2,350 million from the Orchard Residences in Singapore. The HK\$18,328 million derived from sales in Hong Kong came mainly from Harbour Green in West Kowloon, The Vineyard in Yuen Long, Park Island Phase 5 on Ma Wan, Severn 8 on The Peak and Manhattan Hill in West Kowloon. Property sales in the previous year were HK\$5,102 million.

The Group completed six projects in Hong Kong consisting of 4.4 million square feet of attributable floor area during the year, of which 2.9 million square feet are residential properties for sale. Virtually all the residential units completed during the year have been sold, except for The Cullinan at Kowloon Station, which will go on sale in the next few months.



*Manhattan Hill in West Kowloon was popular with end-users and investors.*



*Luxury houses in The Vineyard in Yuen Long were all sold within weeks.*

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Harbour Green	8 Sham Mong Road, West Kowloon	Residential	Joint venture	1,110,000
The Vineyard	23 Ngau Tam Mei Road, Yuen Long	Residential	100	383,000
Manhattan Hill	1 Po Lun Street, West Kowloon	Residential/ Shopping centre	33	376,000
The Cullinan, Elements, W-Hotel and The HarbourView Place	Kowloon Inland Lot 11080	Residential/ Shopping centre/Hotel	Joint venture	1,786,000
Millennium City Phase 6	392 Kwun Tong Road	Office	100	402,000
Royal View Hotel	353 Castle Peak Road, Ting Kau	Hotel	100	310,000
<b>Total</b>				<b>4,367,000</b>

## Land Bank

### Hong Kong

Ten sites were added to the Group's land bank in Hong Kong during the year, through agricultural land conversions, government auctions, public tenders and private negotiations. The total developable gross floor area is 5.5 million square feet, of which 4.1 million square feet will be for residential use.

The Group's Hong Kong land bank amounted to 43.5 million square feet of gross floor area as at 30 June 2007, consisting of 23.9 million square feet of completed investment properties and 19.6 million square feet of properties under development. The Group also holds more than 23 million square feet of agricultural land in terms of site area. Most of this is along existing or planned railways 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 when appropriate opportunities arise.



Deluxe entrance lobby at Harbour Green in West Kowloon.



Park Island Phase 5 on Ma Wan has an exclusive 70-metre outdoor swimming pool.

# Chairman's Statement

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
West Rail Tuen Mun Station Development	Residential/Shopping centre	Joint venture	1,556,000
Tseung Kwan O Area 56 Development	Residential/Office/Hotel	Joint venture	1,541,000
Kowloon Inland Lot 11146, West Kowloon	Residential/Shopping centre	100	916,000
Lot 2099 in DD 109, Yuen Long	Residential/Shopping centre	100	880,000
Larch Street/Fir Street Development, Kowloon	Residential/Shopping centre	Joint venture	201,000
Ngau Tam Mei Phase 1A, Yuen Long	Residential	100	48,000
195 Prince Edward Road, West Kowloon	Residential	100	46,000
12 Mount Kellett Road, The Peak	Residential	100	43,000
Tsing Lung Tau Lot 68	Residential	100	9,000
181 Hoi Bun Road, Kwun Tong	Industrial	100	309,000
<b>Total</b>			<b>5,549,000</b>

## Mainland China

The Group made significant progress in land acquisitions on the mainland during the year, adding four new sites to its development land bank. Three are in Guangzhou with an aggregate attributable gross floor area of 15.6 million square feet and one is in Chengdu, in which the Group has a 91 per cent interest with an attributable gross floor area of six million square feet.

The Group's mainland land bank was an attributable 45.8 million square feet as at 30 June 2007. Of the 42.8 million square feet of properties under development, 33.3 million will be high-end residences, while the remainder will be top-grade offices, shopping malls and premium hotels. Another three million square feet of completed investment properties, mainly offices and shopping centres in prime locations, are being held as long-term investments.



*The prestigious Severn 8 is in a traditional luxury residential area on The Peak.*



*The Wei Fong project in Shanghai will have 1.7 million square feet of luxury residences and serviced apartments.*



### Property Development

The overall residential market in Hong Kong fared better with higher transaction volume, increased prices and reduced inventory levels in the past few months. Market confidence strengthened further amid rising incomes and a strong job market. High affordability and low mortgage interest also supported demand. There were fewer new projects available in the market for pre-sale during the year. The profile of homebuyers diversified, with more up-graders and investors.

Demand in the luxury segment was particularly strong as a result of abundant liquidity and higher equity prices. New supply was also limited, so prices for luxury residential properties outperformed the mass market during the period under review.

The encouraging sales results for Manhattan Hill, The Vineyard and Harbour Green once again demonstrated the Group's superb quality, market leadership and strong brand. Efficient layouts, luxurious clubhouses and appealing lifestyle concepts set the Group's developments apart.

The Group was the first in the industry to offer a one-year guarantee on new residential developments ten years ago, and it is again taking the lead by extending the guarantee to two years. This shows the Group's commitment to and confidence in the quality of its developments. The Group will continue reinforcing its brand name for quality, upgrading new developments and innovating to meet the evolving needs and aspirations of homebuyers.

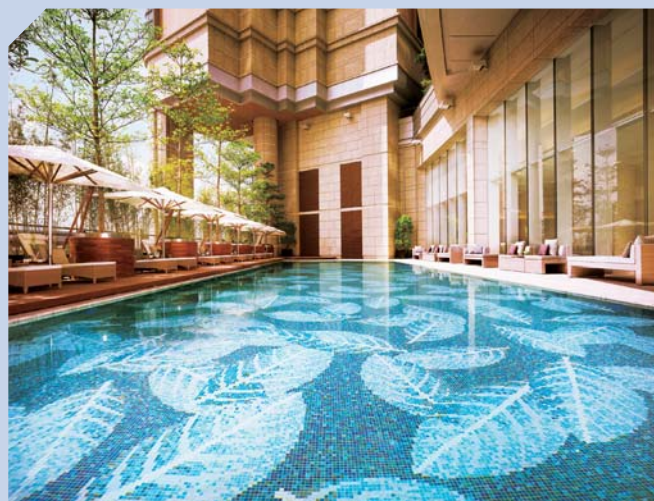
### Property Investment

The Group's gross rental income, including its share from joint-venture investment properties, rose by 11.6 per cent over last year to HK\$7,215 million. Net rental income was HK\$5,245 million, an increase of 13.7 per cent over the previous year. Occupancy of the Group's rental portfolio remains high at 94 per cent.

Overall rental income growth was primarily driven by increased rents for new leases and renewals for all types of property, with better growth from offices in core areas where the booming financial sector sought space for further expansion. The Group's diverse office portfolio performed well in this positive environment. Renovations during the year added to the competitiveness of the Group's portfolio, and new office projects to be completed over the next four years will further boost rental income.



Some houses in The Vineyard in Yuen Long have sitting rooms looking out on private gardens for relaxation amid the greenery.



The outdoor swimming pool at Manhattan Hill in West Kowloon offers superb views.

## Chairman's Statement

The key office project under development is International Commerce Centre. It is destined to be both a landmark and a prestigious business address, and will be the tallest building in Hong Kong when completed in 2010. The project is conveniently located above Kowloon Station on the Airport Express, with easy access to Central and the airport, as well as the mainland via planned cross-border rail connections. It will incorporate a comprehensive range of facilities including hotels operated by Ritz-Carlton and W-Hotels and the stylish 900,000-square-foot Elements shopping mall set to open soon.

Pre-leasing of the International Commerce Centre office space is very encouraging. Morgan Stanley will become the anchor tenant in the first phase, occupying ten floors. It will relocate its Asia Pacific head office from Central to International Commerce Centre in late 2008. This will be the first time that an investment bank has moved its headquarters to Kowloon. Virtually all the 900,000 square feet of office space in the first phase is pre-leased or at an advanced stage of negotiations. Prospective tenants include financial institutions, professional firms, multinational companies and China-Hong Kong businesses. Pre-leasing of the second phase of 600,000 square feet to be completed in mid 2009 has started.

Other office projects under construction in various locations will set new area benchmarks for premium quality. Pre-leasing of Millennium City Phase 6 in East Kowloon is progressing as planned. The Group is also developing a large office project on Kwai Chung Town Lot 215. Construction of the first phase of 600,000 square feet is under way. These projects together with International Commerce Centre will cement the Group's position as one of the largest grade-A office landlords in Hong Kong.

The local retail sector continued to do well and the Group's shopping centres attracted more visitors, benefiting retail tenants with growth in traffic and sales. Both the APM and IFC malls are fully let, and their success has reinforced the Group's leading position in the retail leasing market.

The Group will ensure that its shopping malls remain attractive with regular renovations, promotional campaigns and refinements to tenant mixes. World Trade Centre has been one of the most popular shopping malls in Causeway Bay. Renovations are under way to increase the retail area from 160,000 to 280,000 square feet, with nine office floors being converted to retail use. Both Landmark North and Tsuen Wan Plaza are also undergoing renovations and tenant mix changes, which will give the malls fresh new looks and offer more comfortable environments for shoppers.



*IFC remains a prime choice for multinationals, international banks and retailers in core Central.*



*Location and state-of-the-art facilities are spurring leasing at ICC, drawing a major investment bank to headquarter in Kowloon for the first time.*

## Mainland Business

The mainland economy continued to grow rapidly over the past year. The inflow of foreign investment continued amid an appreciating renminbi exchange rate. The demand for housing has been growing among end users as people become more affluent and look to fill their greater need for accommodation, while ample liquidity is fuelling property investment. The current macro-control measures aimed specifically at the property sector should be conducive to sustainable and healthy development in the property market over the long term.

The Group's mainland investments remain focused on prime cities including Beijing, Shanghai and Guangzhou, as well as other selected major cities. The balanced model between property sales and rental income in Hong Kong is being followed on the mainland where both residential projects for sale and landmark commercial properties for rent are being developed.

Applying its Hong Kong expertise and experience, the Group has started to build its brand name by developing landmark projects in major mainland cities. The entire four-million-plus square foot Shanghai IFC project in Lujiazui will be finished by 2010. The first phase with 900,000 square feet of premium offices, one million square feet of retail space and a half-million-square-foot W-Hotel will be finished in 2009. The office towers are being built according to the latest international standards and specifications, catering to the sophisticated needs of multinational companies and world-class financial institutions. Office leasing enquiries from multinationals and top retailers seeking retail space have been encouraging. HSBC will be a major occupant of the south office tower upon its completion.

Construction of another major development on Shanghai's Huai Hai Zhong Road is under way. This is in the heart of the busiest downtown area and will have 2.5 million square feet of top-quality retail space, offices and deluxe residences. The 1.2-million-square-foot shopping mall is destined to be a new focal point in the heart of Shanghai. The Group is also developing a 1.7-million-square-foot luxury waterfront residential project in Wei Fong that will be the epitome of luxury living in Shanghai.



The Huai Hai Zhong Road project in Shanghai will contain a shopping centre, offices and luxury residences, with direct connection to new and existing subway.



Shanghai IFC will have a gross floor area of over four million square feet with offices, a shopping mall and two luxury hotels to be completed in phases by 2010.



## Chairman's Statement

The Group's joint venture projects in Wuxi and Hangzhou are progressing as scheduled. The first release of nearly 300 units in the Taihu International Community in Wuxi went on sale in June this year and all were sold within a few hours. The pre-sale of approximately one million square feet of luxury residences in the first phase of Hangzhou MIXC is set to start in mid 2008. The Group has 40 per cent stakes in both projects.

The Group's mainland rental portfolio continued to produce good results. Shanghai Central Plaza remained fully let during the year at increased retail and office rents. The major revamp of the one-million-square-foot Beijing APM is ongoing and will be finished by the end of this year, in time to take advantage of opportunities offered by the 2008 Beijing Olympics. The renovated mall will be a stylish shopping destination for high-spending customers, with more international retailers like the new Nike megastore and additional food and beverage outlets. Major renovations to the 460,000 square feet of office space are in progress.

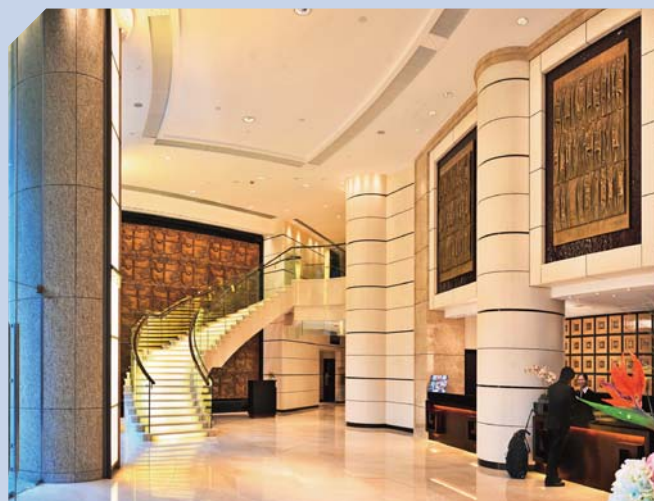
### Hotels

The steady increase in tourists and business travellers coming to Hong Kong was beneficial to the Group's Four Seasons, Royal Garden, Royal Park and Royal Plaza hotels. They recorded an impressive average occupancy of 89 per cent and significant room rate increases during the year. The rooms and restaurants in the Royal Garden, Royal Park and Royal Plaza were upgraded to sustain high occupancy and competitiveness. The Royal View Hotel on the Ting Kau waterfront opened in June 2007 and has seen steadily-increasing business.

The year ahead is expected to be very good for tourism with the 2008 Olympic Games, and expanding business opportunities on the mainland and in Hong Kong are likely to boost the number of business travellers further. The Group is well positioned to capitalize on these opportunities with new hotels under development. The Kowloon Station development will include two first-class hotels operated by Ritz-Carlton and W-Hotels. The Group is also developing premium hotels as part of its Shanghai IFC project, again to be operated by Ritz-Carlton and W-Hotels.



*The Four Seasons Hotel Hong Kong provides world-class hospitality favoured by locals and overseas guests.*



*The Royal View Hotel in Ting Kau opened in June. It has scenic surroundings and over 600 premium rooms and serviced suites.*



## Telecommunications and Information Technology

### SmarTone

SmarTone registered a continued increase in service revenue and encouraging growth in operating profit. With a strong focus on delivering a superior customer experience, the company has established its position as the premier mobile operator in Hong Kong. Leading the way in network performance, service innovation as well as customer service, the company continues to improve its customer profile, reflected in the increase in ARPU and data revenue, under very competitive market conditions. The Group is confident in SmarTone's prospects and will maintain its interest in the company as long-term strategic investment.

### SUNeVision

SUNeVision saw further revenue growth in the period under review. iAdvantage continued to strengthen its leading position in carrier-neutral data centre facilities and service in Hong Kong and on the mainland, achieving solid improvements in occupancy. SUNeVision's financial position remained strong and the Group is confident in the company's prospects.

## Transportation and Infrastructure

### Transport International Holdings

Transport International Holdings Limited (TIH) faced a challenging operating environment in Hong Kong, with wage increases, high fuel prices and intense competition from the railways exerting pressure on its franchised bus operations. TIH's bus operations on the mainland have recorded growth in ridership, but have been affected by high fuel prices and inflation. The company will continue to explore new investment opportunities given the positive long-term outlook for the mainland market. Good sales of the Manhattan Hill residential flats in West Kowloon have enhanced the company's financial position. TIH also owns 73 per cent of RoadShow Holdings Limited, which is mainly engaged in media sales in Hong Kong and on the mainland.

### Other Infrastructure Businesses

The Wilson Group reported satisfactory results, while Route 3 (CPS) traffic volume remained steady throughout the year. Both the Airport Freight Forwarding Centre and the River Trade Terminal continued to operate smoothly. All the Group's infrastructure projects are in Hong Kong and are expected to generate healthy cash flows and returns over the long term.



*Transport International is always looking for new investment opportunities and ways to enhance service.*



*SUNeVision's i-Advantage offers premier data centre services.*

# Chairman's Statement

## Corporate Finance

The Group remains committed to prudent financial management and maintaining low leverage. Higher cash flows from rental income and property sales kept it in a strong financial position with the net debt to shareholders' funds ratio standing at 14 per cent as at 30 June 2007.

A HK\$15,250 million six-year, fully-revolving syndicated loan facility was arranged in June 2007, in line with the Group's policy of lengthening its debt maturity profile and ensuring adequate committed facilities for expansion. The Group also issued a ten-year US\$300 million bond under its Euro Medium Term Note Programme in March 2007. The Group will continue to source long-term financing at competitive rates as and when appropriate.

The Group has not made any speculative arrangements with derivatives or structured products including collateralized debt obligations. Its exposure to foreign exchange risk is minimal, as the great majority of its financing is denominated in Hong Kong dollars. The Group's robust financial condition and leading market position have earned it an A1 rating with a stable outlook from Moody's and an A rating with a stable outlook from Standard & Poor's. These are the highest credit ratings among Hong Kong developers.

## Customer Service

Quality and service are the Group's hallmarks, and it never ceases its efforts to raise standards even higher. Its property-management subsidiaries Hong Yip and Kai Shing provide occupants of the Group's residential estates the finest customer care. The Group's extended two-year guarantee shows its confidence in the quality of its developments and a commitment to offering homebuyers the very best.

The Group is committed to protecting the environment. Hong Yip and Kai Shing employ green practices in the estates they manage, and the companies' efforts to work with tenants to achieve a greener environment have earned numerous accolades for customer service and environmental protection.

The Group reaches out to the community through the SHKP Club, as part of its dedication to 'Building Homes with Heart'. The Club actively promotes domestic harmony in various ways and offers its 260,000 members a variety of property-related offers and shopping privileges, as well as leisure and recreational activities. The Club's co-brand VISA card also provides members with a broad spectrum of discounts and services.



*Personalized service is part of the Group's customer-orientated approach.*



*The SHKP Club offers various member privileges and works to promote two-way communications and family harmony.*

## 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 Group has Audit, Remuneration and Nomination committees in place to ensure adequate internal controls, and it will continue its efforts to stay at the forefront of best corporate governance practices.

The Group's ongoing efforts and achievements in corporate governance have won widespread recognition and awards from the investment community. Accolades during the year include number one rankings as the Best Company for Corporate Governance in Hong Kong and Asia by *Asiamoney* magazine and Best Property Company in Hong Kong and Asia by *Euromoney* magazine. It was also crowned Asia's Best Real Estate Company by *FinanceAsia* magazine and secured a place as the only developer to receive a Best Corporate Governance award from *The Asset* magazine.

## Corporate Social Responsibility

Effective community involvement is also a priority for the Group. It started the SHKP Book Club two years ago to encourage reading and writing in Hong Kong, and the Club has been very active in organizing book review competitions, helping new authors and putting out a free literary magazine. The Group makes significant contributions to a wide variety of charitable organizations and supports education through direct funding and scholarships for deserving Hong Kong and mainland students at various levels. The Group also promotes mental well being and positive living. Its 1,200-strong SHKP Volunteer Team devotes considerable time to helping needy people in the community.

Senior management recognizes that staff are the Group's most valuable asset. The Group offers a broad range of training and development courses to help employees reach their full potential, both personally and professionally. The Group also recruits top graduates from Hong Kong and mainland universities for its management trainee programmes, to ensure the continuity of its high-calibre management and corporate culture.



The Group promotes mental health awareness with activities encouraging positive living.



The SHKP Book Club fosters a reading culture in Hong Kong.



# Chairman's Statement

## Prospects

The global economy should continue to grow in the coming year, with steady expansion in most industrialized countries and robust growth in emerging markets despite the sub-prime lending problem and downward housing market adjustment in the US. Recent global stock market volatility and tighter credit conditions could pose potential risks to the global economy, but strong economic growth is likely to continue on the mainland even though some macro-control measures and monetary tightening remain.

This year was the tenth anniversary of Hong Kong's reunification with the motherland. The successful implementation of the 'one-country, two-systems' concept has helped boost confidence in the territory's future among foreign and domestic investors, while various sectors of Hong Kong's economy have risen to new heights over the last ten years. The Central Government continues to provide support to the territory with positive policies and initiatives such as the recent introduction of renminbi bonds in Hong Kong and the plan to allow individual mainland investors to purchase Hong Kong shares via specific channels. All these factors reinforce Hong Kong's role as an international hub of business and finance.

The residential market in Hong Kong will continue to do well. Accelerated income growth amid a tight labour market, continued low mortgage interest and the expectation of higher inflation are likely to drive greater demand for residential property. Improved confidence and high affordability for homebuyers are also positive factors. On the supply side, significant inventory declines and low levels of new completion also point to further firming up of prices.

The Group will continue adding to its Hong Kong land bank as opportunities arise through means such as farmland conversion. It will also keep adding value to new developments with sophisticated planning, better designs and layouts, comprehensive clubhouse facilities and top-quality finishes. The Group's well-recognized brand name enhances marketability and development margins on new projects.

Good performance is anticipated from the Group's investment portfolio in Hong Kong, with higher rents for lease renewals and new tenants. Grade-A office rents in core areas are likely to remain firm given the tight supply. Retail rents should continue to rise modestly, thanks to healthy retail sales amid a better job market, rising incomes and growing tourist spending.



*The Cullinan (second and third right) should draw keen interest with its quality and prime location.*



*Harbour Place in Kowloon is a major quality housing estate in the district.*



The Group has over six million square feet of investment property now under development in Hong Kong. These new projects and others on the mainland will substantially raise the Group's rental income over the medium to long term. The Group will keep considering different options to enhance the composition of its investment property portfolio.

The mainland property market will continue to prosper in the years ahead in view of continued rapid economic growth and people's increasing aspirations to home ownership. The Group added significantly to its mainland land bank last year and will continue to step up investment on the mainland. It is actively looking for new projects and will increase the proportion of its mainland committed investments from the current 17 per cent to 30 per cent of total assets in the medium term, at the same time as it continues building up its mainland team to cope with this business growth.

The Group's mainland strategy will remain focused on four prime cities – Beijing, Shanghai, Guangzhou and Shenzhen – at the same time as it seeks investment opportunities in other major cities. The brand recognition achieved in Hong Kong will be replicated on the mainland with major commercial and residential developments targeting middle and high-end customers.

Major residential projects to go on the market in the next nine months include The Cullinan at Kowloon Station and Harbour Place and Beacon Lodge in Kowloon. The remaining units in the first phases of Taihu International Community in Wuxi and Hangzhou MIXC will also be offered for pre-sale. Barring unforeseen circumstances, the results for the coming financial year are expected to be satisfactory.

## Appreciation

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.

### **Kwok Ping-sheung, Walter**

*Chairman & Chief Executive*

Hong Kong, 13 September 2007



*Chairman & Chief Executive Walter Kwok (middle) and Vice Chairmen & Managing Directors Thomas Kwok (seventh right) and Raymond Kwok (sixth left) with some of the Directors.*



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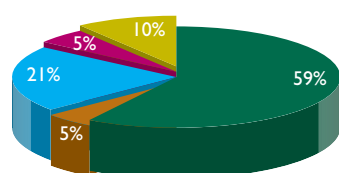


## Highlights

- **Acquired or completed conversion of ten sites in Hong Kong with aggregate gross floor area of 5.5 million square feet**
- **Diverse Hong Kong land bank of 43.5 million square feet by gross floor area, plus over 23 million square feet of agriculture land reserves by site area**
- **Acquired four mainland sites with aggregate gross floor area of 21.6 million square feet for residential development**
- **Mainland land bank grew substantially to 45.8 million square feet by gross floor area**

## Hong Kong Land Bank Composition

(43.5 million square feet in attributable gross floor area as at 30 June 2007)



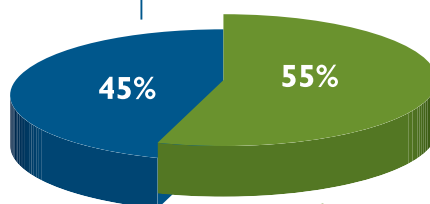
By Usage

Properties under development

By Location



- Residential
- Shopping Centre
- Office
- Hotel
- Industrial/Office

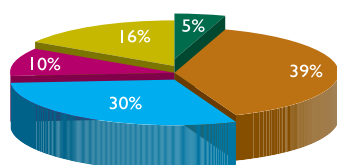


- Hong Kong Island
- Kowloon
- New Territories

By Usage

Completed investment properties

By Location



The Group's Hong Kong land bank amounted to 43.5 million square feet as at 30 June 2007, consisting of 19.6 million square feet of properties under development and 23.9 million square feet of completed investment properties.

The Group replenishes its development land bank to meet future development needs through various means, including government land auctions, public tenders, private purchases and farmland conversions. Sites acquired during the year added an attributable 5.5 million square feet of developable gross floor area. Details of the new additions are provided on page 10 of the Chairman's Statement.

The Group also owns over 23 million square feet of agricultural land in terms of site area, in various new towns along existing or planned rail lines. Most of these sites are being converted to residential use, with the majority already close to finalization.

Of the 19.6 million square feet of properties under development, 13.5 million will be for sale and the other 6.1 million kept for long-term investment. The Group holds a diverse portfolio in terms of usage. Residential premises for sale account for 59 per cent of the development land bank and 69 per cent of completed investment properties are shopping malls and prime offices.

The Group's land bank is also geographically diverse, with 46 per cent of the development land bank in urban areas and 54 per cent in the New Territories. Completed investment properties are divided between 41 per cent in various new towns in the New Territories and 59 per cent in Kowloon and on Hong Kong Island.

The Group's Hong Kong land bank as at 30 June 2007 was as follows:

Attributable Gross Floor Area (million square feet)				
	Development for sale	Development for investment	Completed investment properties	Total
By Usage				
Residential	11.5	—	1.2	12.7
Shopping Centre	—	1.0	9.4	10.4
Office	—	4.1	7.2	11.3
Hotel	—	1.0	2.4	3.4
Industrial/Office*	2.0	—	3.7	5.7
Total	13.5	6.1	23.9	43.5
By Location				
Hong Kong Island	0.5	—	6.6	7.1
Kowloon	4.7	3.8	7.5	16.0
New Territories	8.3	2.3	9.8	20.4
Total	13.5	6.1	23.9	43.5

\* Includes godowns

# Land Bank

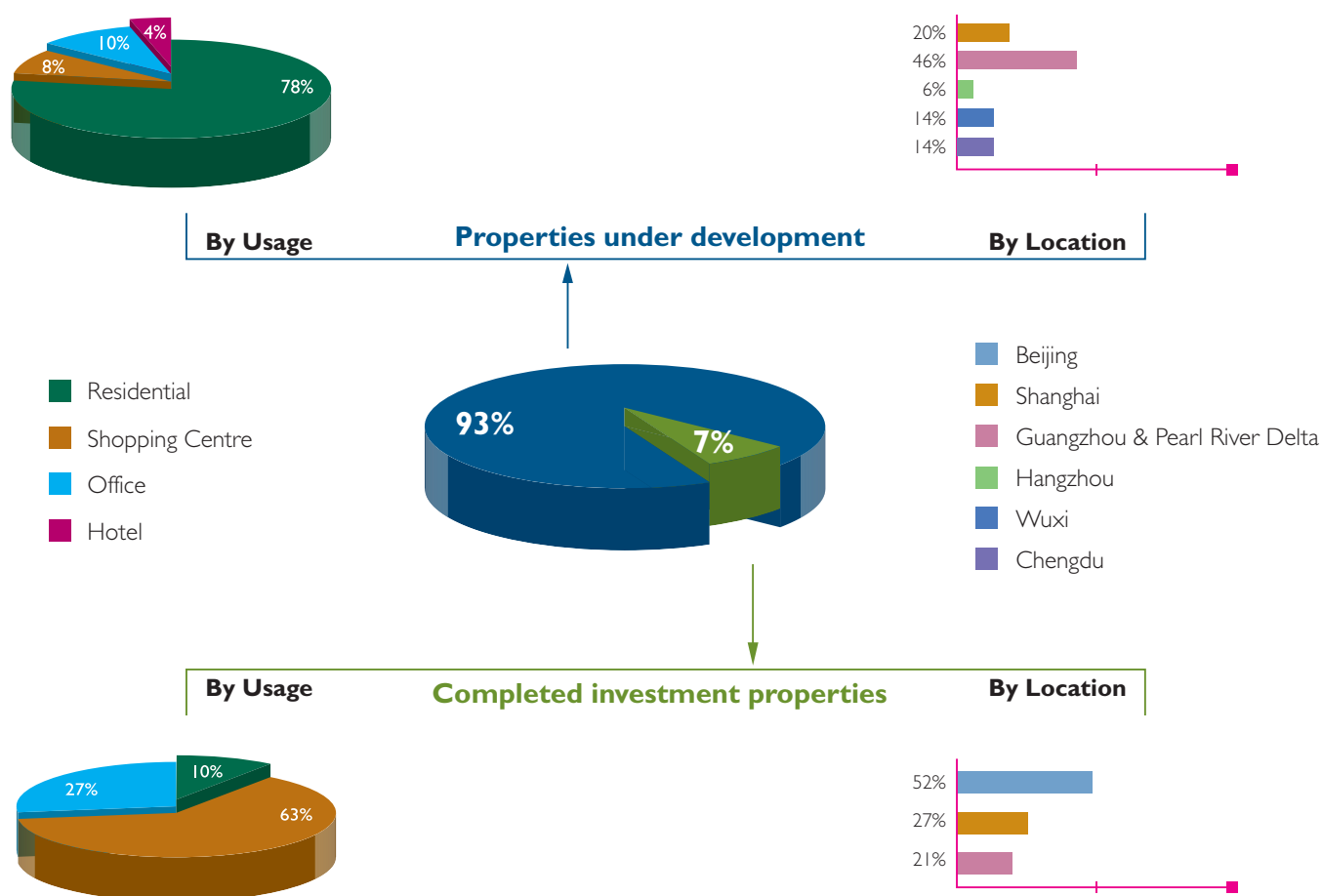
## Mainland Land Bank

The Group is significantly expanding its mainland property investments with a focus on the prime cities of Beijing, Shanghai, Guangzhou and Shenzhen. It acquired four residential parcels in the past year; three sites in Guangzhou with an aggregate gross floor area of 15.6 million square feet in attributable terms and a 91 per cent stake in a high-end residential project with an attributable gross floor area of six million square feet in Chengdu.

The recent acquisitions took the Group's mainland land bank to 45.8 million square feet as at 30 June 2007. An attributable gross floor area of 42.8 million square feet is properties under development, of which 33.3 million square feet will be built as high-end residences for sale. The remaining gross floor area of 3.0 million square feet is completed investment properties, which are mainly offices and shopping centres in coveted locations.

### Mainland China Land Bank Composition

(45.8 million square feet in attributable gross floor area as at 30 June 2007)





The Group's mainland land bank as at 30 June 2007 was as follows:

	Attributable Gross Floor Area (million square feet)		
	Under development	Completed investment properties	Total
<b>By Usage</b>			
Residential	33.3	0.3	33.6
Shopping Centre	3.7	1.9	5.6
Office	4.1	0.8	4.9
Hotel	1.7	–	1.7
<b>Total</b>	<b>42.8</b>	<b>3.0</b>	<b>45.8</b>
<b>By Location</b>			
Beijing	–	1.6	1.6
Shanghai	8.6	0.8	9.4
Guangzhou & Pearl River Delta	19.8	0.6	20.4
Hangzhou	2.4	–	2.4
Wuxi	6.0	–	6.0
Chengdu	6.0	–	6.0
<b>Total</b>	<b>42.8</b>	<b>3.0</b>	<b>45.8</b>

## Property Development

The Group is constantly raising standards and coming up with new innovations to satisfy homebuyers' ever-changing aspirations. Its brand name and reputation for quality enhance the marketability and development margins on new projects.



*Manhattan Hill, West Kowloon*







## Highlights

- **19.6-million-square-foot Hong Kong development land bank by gross floor area**
- **2.9 million square feet of residential property completed for sale**
- **Sold or pre-sold an attributable HK\$20,930 million of properties**



*Extensive landscaping makes The Vineyard in Yuen Long blend in with the natural surrounding to give residents a green living environment.*

Most of the Group's 19.6-million-square-foot development land bank in Hong Kong is earmarked as residential properties for sale. The majority of the projects will be large estates offering a wide range of unit sizes catering to different customers.

The Group has earned a reputation for high-quality products and service over the years. It took the lead in the property industry ten years ago when it began offering a one-year guarantee on new residential developments, and recently extended the guarantee period to two years. The Group's recognized brand name gives homebuyers confidence, which helps enhance development margins. This is evident from the impressive sale results for Severn 8 on The Peak, The Vineyard in Yuen Long, Manhattan Hill and Harbour Green in West Kowloon.

## Property Sales

The year ended 30 June 2007 saw the Group sell or pre-sell an attributable HK\$20,930 million worth of property. This is well above the HK\$5,102 million in the previous year and includes HK\$252 million from mainland properties and HK\$2,350 million from Orchard Residences in Singapore. The HK\$18,328 million from Hong Kong properties are mainly attributable to Park Island Phase 5 on Ma Wan, Severn 8 on The Peak, The Vineyard in Yuen Long and Manhattan Hill and Harbour Green in West Kowloon.

The Group will continue offering new projects for sale as planned. Major developments to go on the market over the next few months include The Cullinan at Kowloon Station, and Harbour Place and Beacon Lodge in Kowloon.





A project in Sha Tin Town Lots 421, 438 and 496 will be a low-to medium-density luxury residential development with over 500 units.

## Major Projects Under Development

### Sha Tin Town Lots 421, 438 and 496

(100% owned)

Site area : 371,000 square feet  
 Gross floor area : 691,000 square feet  
 Units : about 520  
 Expected completion : first half of 2008

This project is made up of three sites in close proximity. It will contain over 500 units of low-and medium-rise luxury units, plus a number of houses, scheduled for completion in the middle of 2008. The project has been designed to give residents an enjoyable lifestyle integrated with the natural environment.

### Kwu Tung, Sheung Shui

(100% owned)

Site area : 1.7 million square feet  
 Gross floor area : 672,000 square feet  
 Units : about 330  
 Expected completion : first half of 2009

Kwu Tung is a low-density project with 330 houses surrounded by the greenery adjacent to Beas River with a gross floor area of 672,000 square feet. Foundation work has begun.

## Harbour Place

### Kowloon Inland Lot 11076

(50% owned)

Attributable site area : 150,000 square feet  
 Attributable gross floor area : 793,000 square feet  
 Attributable units : about 1,200  
 Expected completion : second half of 2007

Harbour Place on the urban Kowloon waterfront has seven residential towers containing nearly 2,500 units. It is currently undergoing a major renovation with the addition of a fully-equipped clubhouse for residents. The renovations are almost finished and the project will go on sale shortly.

# Property Development



*The Group will build a medium-density residential and house development in the quiet environs of Castle Peak Road.*

## **Tuen Mun Town Lot 465, Castle Peak Road**

(100% owned)

Site area : 478,000 square feet  
Gross floor area : 621,000 square feet  
Units : about 370  
Expected completion : first half of 2009

This is a luxury residential development on Castle Peak Road with a mixture of houses and medium-rise blocks in a tranquil, green environment. Foundations work is under way.

## **YOHO Town Phase 2**

### **Yuen Long Town Lot 504**

(100% owned)

Site area : 318,000 square feet  
Gross floor area : 1.4 million square feet (residential)  
249,000 square feet (retail)  
Units : about 2,000  
Expected completion : first half of 2010

YOHO Town has easy access to road and rail networks, and Phase 2 will include a regional shopping mall linked to the Yuen Long West Rail station, offering added convenience to the neighbourhood.



*YOHO Town phase 2 is readily accessible with nearby road and rail connections.*



## Rhine Harbour

### New Kowloon Inland Lot 6308, Prince Edward Road East

(100% owned)

Site area : 137,000 square feet  
 Gross floor area : 1 million square feet (residential)  
                               205,000 square feet (retail)  
 Units : about 1,200  
 Expected completion : first half of 2010

This will establish a new residential enclave and shopping destination in East Kowloon, with flats setting new standards of luxury in the district, including scarce four-bedroom units. The development is set to benefit from the South East Kowloon Development plan, which will revitalize the neighbouring districts.

### New Kowloon Inland Lot 6350, Ngau Chi Wan

(100% owned)

Site area : 66,500 square feet  
 Gross floor area : 775,000 square feet  
 Units : about 700  
 Expected completion : second half of 2010

This prime site by Kowloon Peak is being developed into 700 luxury residential units; most with panoramic views of urban Kowloon and Victoria Harbour.



*Rhine Harbour will be the first luxury development next to the proposed Cruise Terminal.*



*Most units in this Ngau Chi Wan residential project overlook Kowloon and Victoria Harbour.*

# Property Development



*Tseung Kwan O Area 56 above the MTR station will be developed into residences, hotel accommodation and offices.*

## Tseung Kwan O Area 56 Development

(Joint venture)

Site area	: 460,000 square feet
Gross floor area	: 1.8 million square feet (total) 1.5 million square feet (attributable)
Units	: about 1,150
Expected completion	: from 2010 in phases

The Group won the right to develop this project February this year. The development is above the MTR Tseung Kwan O station. There will be 861,000 square feet of residential units for sale and the Group will retain 626,000 square feet of hotel space and 54,000 square feet of office premises. Completion is scheduled for 2010 and beyond. There will be a public square and open space to the immediate north of the development that will be the town centre and leisure and entertainment focus of Tseung Kwan O.

## Kowloon Inland Lot 11146, West Kowloon

(100% owned)

Site area	: 122,000 square feet
Gross floor area	: 794,000 square feet (residential) 122,000 (retail)
Units	: about 750
Expected completion	: beyond 2010

The Group acquired this site in a government auction in June this year. It has a good location with harbour views, and will be developed into luxury residences.



*The West Rail Tuen Mun Station development is at the heart of a comprehensive transport network.*

## West Rail Tuen Mun Station Development

(Joint venture)

Site area	: 286,000 square feet
Gross floor area	: 1.3 million square feet (residential) 269,000 (retail)
Units	: about 1,900
Expected completion	: beyond 2010

The Group won the development right of this project in August 2006. It will have 1.3 million square feet of premium residential units overlooking Tuen Mun Park and a regional shopping mall of 269,000 square feet. It will be the only major new residential development in the heart of Tuen Mun over the next few years, and with its easy transport links to railways and buses, it is destined to be a central focus in the area.

## Lot 2099 in DD 109, Yuen Long

(100% owned)

Site area	: 674,000 square feet
Gross floor area	: 856,000 square feet (residential) 24,000 (retail)
Units	: about 500
Expected completion	: beyond 2010

The Group finished the land use conversion of this site during the year under review and plans to develop it into a prestigious residential development with a mixture of houses, duplexes and apartment towers. The site is close to the Yuen Long and Kam Sheung Road West Rail stations and has convenient road links to the urban areas via Route 3.



## International Commerce Centre

### Airport Railway Kowloon Station Development Package 7

(Joint venture)

Site area : 790,000 square feet  
(for the whole of Packages 5, 6 & 7)  
Gross floor area : 2.9 million square feet (Package 7)  
Expected completion : from 2007 in phases

Packages 5, 6 and 7 consist of 5.4 million square feet of gross floor area, of which the Group has an attributable holding of 4.7 million square feet. The Group completed Packages 5 & 6 in the year under review, which include one million square feet of deluxe residential units and serviced apartments in The Cullinan, a 900,000-square-foot shopping mall Elements, The HarbourView Place suite hotel and W-Hotel. The Cullinan will go on sale in the next few months.

Package 7 is currently under development and will include the tallest building in Hong Kong – International Commerce Centre (ICC) — and the Ritz-Carlton Hotel. ICC will have ultra-modern facilities and all the amenities demanded by contemporary commercial tenants. The first phase of 900,000 square feet of office will be completed by the end of this year and pre-leasing has been very encouraging. More details are provided on page 34 under Investment Property.

### Kwai Chung Town Lot 215

(100% owned)

Site area : 89,000 square feet  
Gross floor area : 1.1 million square feet  
Expected completion : from 2008 in phases

This will be a premium office development conveniently linked to other parts of the territory by railway connections. The development's specifications and features will meet international standards, setting new benchmarks for premium offices in the district. Construction of first phase of 600,000 square feet is progressing smoothly and completion is expected in mid 2008. Planning of the second phase is in progress.



First phase of ICC with 900,000 square feet of offices will be finished this year, and leasing interest has been strong.



Kwai Chung Town Lot 215 has convenient transport access, and the Group's new premium office development will redefine local standards.

# Property Development

## Major projects in progress are listed below by year of completion

Location	Project Name	Group's Interest (%)	Residential
<b>Projects to be completed in financial year 2007/08</b>			
Kowloon Inland Lot 11076	Harbour Place	50	777,000
Sha Tin Town Lots 421, 438 and 496		100	691,000
Shun Ning Road/Po On Road, Kowloon	Beacon Lodge	Joint Venture	112,000
18-30 Bedford Rd., Kowloon	Bedford 28	100	55,000
Ngau Tam Mei Phase 2, Yuen Long		100	36,000
Airport Railway Kowloon Station Development Package 7 (first phase)	International Commerce Centre	Joint Venture	—
Kwai Chung Town Lot 215 (first phase)		100	—
<b>Year Total</b>			<b>1,671,000</b>
<b>Projects to be completed in financial year 2008/09</b>			
Kwu Tung, Sheung Shui		100	672,000
Tuen Mun Town Lot 465		100	616,000
Lot 4042 (formerly as Lot 4038) in DD 120, Yuen Long		100	358,000
Ma Wan Development	Park Island Phase 6	Joint Venture	80,000
Lot 4313 in DD 124, Hung Shui Kiu		74	77,000
Pak Sha Tsuen, Yuen Long		100	49,000
Ngau Tam Mei Phase 1A, Yuen Long		100	48,000
Tsing Lung Tau Lot 68		100	9,000
Airport Railway Kowloon Station Development Package 7 (second phase)	International Commerce Centre	Joint Venture	—
<b>Year Total</b>			<b>1,909,000</b>
<b>Projects to be completed in financial year 2009/10</b>			
New Kowloon Inland Lot 6308, Prince Edward Road East	Rhine Harbour	100	1,025,000
Yuen Long Town Lot 504	YOHO Town Phase 2	100	1,454,000
Tsing Lung Tau Lot 67		100	10,500
Airport Railway Kowloon Station Development Package 7 (third phase)	International Commerce Centre/Ritz-Carlton Hotel	Joint Venture	—
129 Hoi Bun Road, Kwun Tong		100	—
483 Castle Peak Road, Cheung Sha Wan		100	—
77 Wing Hong Street, Cheung Sha Wan		100	—
<b>Year Total</b>			<b>2,489,500</b>
<b>Projects to be completed in financial year 2010/11 and beyond</b>			
West Rail Tuen Mun Station Development		Joint Venture	1,286,000
Lot 2099 in DD 109, Yuen Long		100	856,000
Kowloon Inland Lot 11146, West Kowloon		100	794,000
Tseung Kwan O Area 56 Development		Joint Venture	861,000
New Kowloon Inland Lot 6350, Ngau Chi Wan		100	775,000
Ap Lei Chau Inland Lot 129		35	316,000
Shek Wu Wai, Yuen Long		50	227,000
Larch Street/Fir Street Development, Kowloon		Joint Venture	177,000
12 Mount Kellett Road, The Peak		100	42,700
Tuen Mun Town Lot 461, Lam Tei		100	27,000
Kwai Chung Town Lot 215 (second phase)		100	—
49 King Yip Street, Kwun Tong		100	—
181 Hoi Bun Road, Kwun Tong		100	—
<b>Total</b>			<b>5,361,700</b>

## Attributable Gross Floor Area (square feet)

Shopping Centre	Office	Hotel	Industrial	Total
16,000	—	—	—	793,000
—	—	—	—	691,000
22,000	—	—	—	134,000
—	—	—	—	55,000
—	—	—	—	36,000
—	900,000	—	—	900,000
26,000	574,000	—	—	600,000
<b>64,000</b>	<b>1,474,000</b>	<b>0</b>	<b>0</b>	<b>3,209,000</b>
—	—	—	—	672,000
5,000	—	—	—	621,000
—	—	—	—	358,000
—	—	—	—	80,000
—	—	—	—	77,000
—	—	—	—	49,000
—	—	—	—	48,000
—	—	—	—	9,000
—	622,000	—	—	622,000
<b>5,000</b>	<b>622,000</b>	<b>0</b>	<b>0</b>	<b>2,536,000</b>
205,000	—	—	—	1,230,000
249,000	—	—	—	1,703,000
—	—	—	—	10,500
—	973,000	417,000	—	1,390,000
—	292,000	—	—	292,000
—	109,000	—	—	109,000
—	—	—	242,000	242,000
<b>454,000</b>	<b>1,374,000</b>	<b>417,000</b>	<b>242,000</b>	<b>4,976,500</b>
269,000	—	—	—	1,555,000
24,000	—	—	—	880,000
122,000	—	—	—	916,000
—	54,000	626,000	—	1,541,000
—	—	—	—	775,000
—	—	—	—	316,000
—	—	—	—	227,000
24,000	—	—	—	201,000
—	—	—	—	42,700
—	—	—	—	27,000
—	497,000	—	—	497,000
—	—	—	120,000	120,000
—	—	—	309,000	309,000
<b>439,000</b>	<b>551,000</b>	<b>626,000</b>	<b>429,000</b>	<b>7,406,700</b>



All Severn 8 houses on The Peak overlook Victoria Harbour.



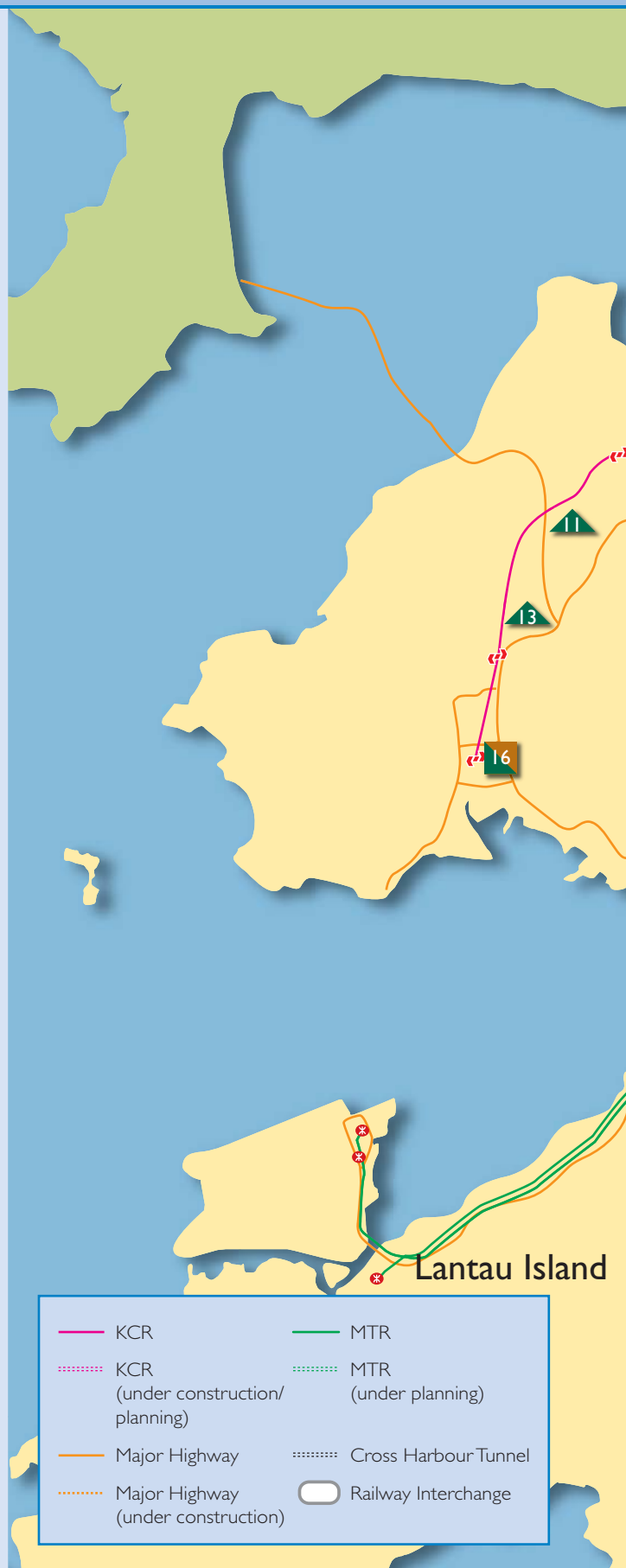
Park Island penthouses on Ma Wan offers luxury living.

# Property Development

## Major Projects Under Development



- 01 ▲ Sha Tin Town Lots 421, 438 & 496
- 02 ▲ Kwu Tung
- 03 ▲ Shek Wu Wai
- 04 ▲ Ngau Tam Mei Phase 1A & 2
- 05 ▲ Park Island Phase 6
- 06 ▲ Tsing Lung Tau Lots 67 and 68
- 07 ▲ Ap Lei Chau Inland Lot 129
- 08 ▲ Bedford 28
- 09 ▲ Lot 4042 in DD120, Yuen Long
- 10 ▲ Pak Sha Tsuen
- 11 ▲ Lot 4313 in DD124, Hung Shui Kiu
- 12 ▲ New Kowloon Inland Lot 6350, Ngau Chi Wan
- 13 ▲ Tuen Mun Town Lot 461, Lam Tei
- 14 ▲ 12 Mount Kellett Road, The Peak
- 15 ▲ Tuen Mun Town Lot 465
- 16 ▲ West Rail Tuen Mun Station Development
- 17 ▲ YOHO Town Phase 2
- 18 ▲ Beacon Lodge
- 19 ▲ Rhine Harbour
- 20 ▲ Harbour Place
- 21 ▲ Lot 2099 in DD 109, Yuen Long
- 22 ▲ Kowloon Inland Lot 11146
- 23 ▲ Larch Street / Fir Street Development
- 24 ▲ Tseung Kwan O Area 56 Development
- 25 ▲ International Commerce Centre and Ritz-Carlton Hotel
- 26 ▲ Kwai Chung Town Lot 215
- 27 ▲ 129 Hoi Bun Road
- 28 ▲ 483 Castle Peak Road
- 29 ▲ 77 Wing Hong Street
- 30 ▲ 49 King Yip Street
- 31 ▲ 181 Hoi Bun Road







# Property Investment



*International Commerce Centre, Kowloon Station*





With over six million square feet of investment property under development in Hong Kong and other projects on the mainland, the Group anticipates substantially higher rental income over the medium-to-long term. Income from shopping malls will continue increasing steadily amid a thriving retail sector. The Group will keep its malls attractive and draw consumers with regular renovations and refinements to tenant composition.





## Highlights

- **Completed investment property portfolio grew to 23.9 million square feet**
- **Portfolio 94 per cent occupied**
- **HK\$7,215 million in gross rental income including contributions from joint-venture properties, up 11.6 per cent**
- **HK\$5,245 million in net rental income, up 13.7 per cent**

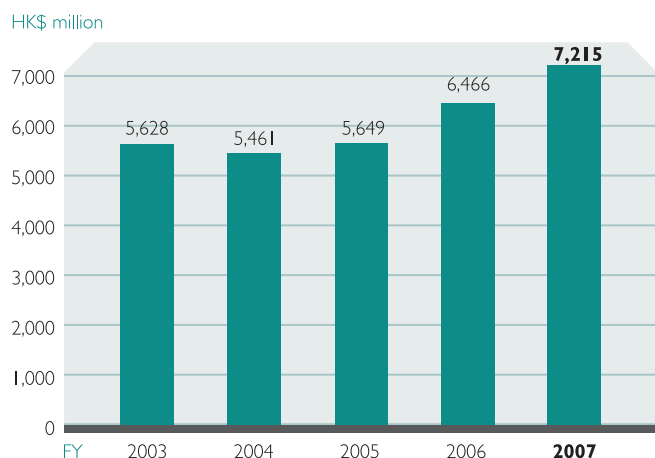


APM in East Kowloon is the most popular mall in the district, with its unique late-night operation.

Gross rental income including contributions from joint-venture developments increased 11.6 per cent during the year to HK\$7,215 million, while net rental income increased 13.7 per cent to HK\$5,245 million. Occupancy remained high at 94 per cent. Higher rent for renewals and new leases, particularly for the office portfolio, led to this respectable performance.

Demand for offices remained keen as a result of solid economic growth and a robust financial sector over the past year. Strong demand, particularly from the financial sector, has been driving up rents of premium offices in the core districts where new supply is limited. The leasing market of decentralized offices is more competitive as new supply is growing in those areas. Renovations were staged during the year to further raise the competitiveness of the Group' office portfolio.

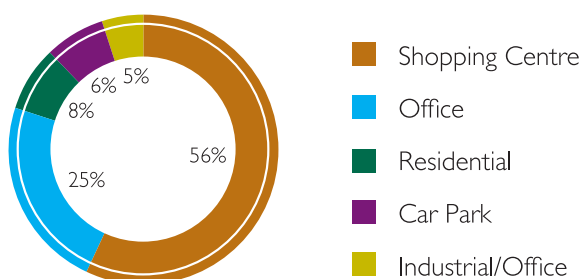
### Gross Rental Income\*



Retail rents in malls continued to grow during the year as retail sales and tourist arrivals kept rising. Consecutive years of pay rises boosted domestic consumption and tourist spending also saw continuing growth. The retail leasing market thrived in this positive market environment with demand coming from existing operators expanding and new outlets setting up in Hong Kong.

The Group has always taken the initiative in enhancing the value of its investment property portfolio to stay ahead of competitors. The conversion of nine floors at World Trade Centre in Causeway Bay from office to retail use is under way, and the existing mall will also undergo a face-lift. The whole upgrade will be completed in late 2008. The shopping malls at Landmark North in Sheung Shui and Tsuen Wan Plaza are also undergoing renovations and tenant mix reviews. Regular reviews of tenant composition and large-scale promotions help boost pedestrian flows.

### Gross Rental Income by Sector\*



The Group puts great emphasis on customer satisfaction, which helps engender loyalty and keep occupancies high. Two-way communication with tenants through surveys and day-to-day interaction enables the Group to serve them better by ensuring that their needs are understood and met.

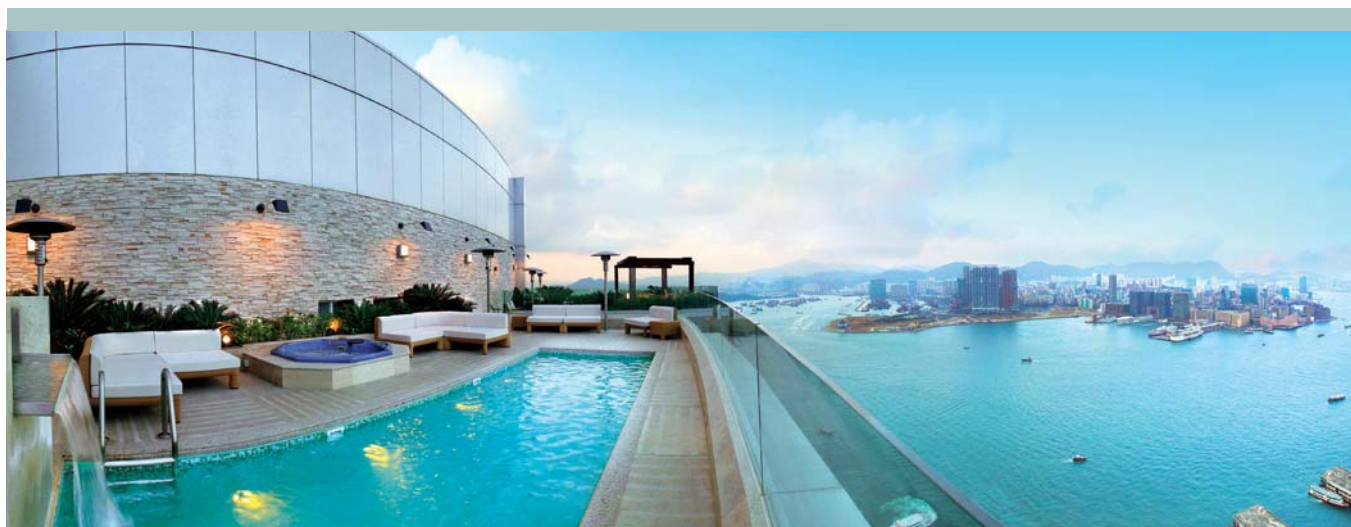
\* Including contributions from jointly-controlled entities and associates



Major renovations have bolstered Sha Tin New Town Plaza's market-leading position.



# Property Investment



*World-class service and deluxe facilities ensure high occupancy for the Four Seasons Place serviced suites in Central.*

## Completed Investment Properties

### Shopping Centres

Rents rose modestly in the Group's 9.4-million-square-foot Hong Kong shopping centre portfolio during the year. APM in East Kowloon has been very popular since it opened in the second quarter of 2005, due to its unique market positioning as a late-night shopping spot appealing to young people. IFC Mall remained a major attraction in Central, and both are virtually fully let. The Group's other major malls also performed well, with Grand Century Place in Mongkok, Metroplaza in Kwai Chung and Tai Po Mega Mall almost fully occupied.

### Offices

Overall occupancy in the Group's 7.2-million-square-foot office portfolio remained high, with the offices in IFC in Central over 95 per cent let. Occupancy of the various phases of Millennium City in Kowloon East remained high despite keener competition in the district.

### Residential

The Group holds 1.2 million square feet of residential property for lease, including luxury developments like Dynasty Court in Mid-Levels. SignatureHomes oversees high-end leasing for the Group, and is dedicated to offering tenants comprehensive personal one-stop service.

### Other Properties

The Group owns about 29,400 car parking bays, which generated rental income of HK\$395 million during the year. The Group also owns a number of industrial buildings, godowns and data centres. Some of the industrial premises are being evaluated for conversion into other uses such as office.

## Investment Properties Under Development

The Group has been optimizing its investment property mix over the years, gradually increasing the proportion of high-grade projects in prime locations by building new landmark developments.

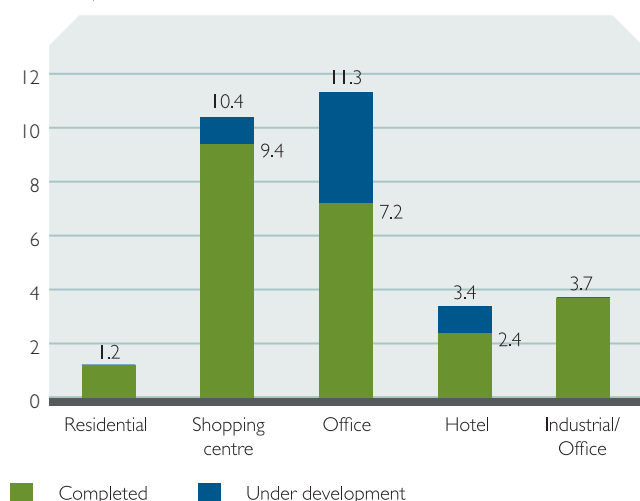
Major investment properties under development include International Commerce Centre (ICC) at Kowloon Station and the office development at Kwai Chung Town Lot 215. ICC will rise to 118 stories or 490 metres, making it the tallest building in Hong Kong and the third tallest in the world. It will have a total of 2.5 million square feet of office space. Its height, design and advanced facilities complement Hong Kong's position as an international hub for commerce, trade and finance. Designed by noted international architects, the development incorporates aesthetics and functionality.

Pre-leasing of the first phase of 900,000 square feet of offices at ICC attracted keen market interest from the financial community and other multinationals. Virtually all the office spaces have been pre-leased or at the final stage of negotiation. Morgan Stanley will become the anchor tenant in the first phase, occupying 10 floors in the building. It will move all its operations in Central to ICC by late 2008, the first among investment banks to move its headquarters to Kowloon. Leveraging on the success of the first phase, pre-leasing of the second phase of 600,000 square feet to be completed in mid 2009 has just started.



## Investment Property: Completed and Under Development

million square feet



Kwai Chung Town Lot 215 is another premium regional office project being developed by the Group. It is set to be the top-quality office development in the district, featuring state-of-the-art facilities and modern design that meets the needs of contemporary business tenants. The first phase of 600,000 square feet is under construction and scheduled for completion in mid 2008.

The Group has an attributable 6.1 million square feet of new investment properties under development. About two-thirds are slated to be grade-A office space with the latest technology and modern facilities. Retail space will account for one million square feet, while another million square feet will be up-market hotels and serviced suites.

## Major Investment Properties Under Development

### Shopping centres

- YOHO Town Phase 2 on Yuen Long Town Lot 504
- New Kowloon Inland Lot 6308, Prince Edward Road East
- Tuen Mun Station Development

### Offices

- International Commerce Centre at Kowloon Station
- Kwai Chung Town Lot 215



The recently completed Millennium City 6 strengthens the Group's office portfolio in East Kowloon.



The futuristic ICC was designed by world-renowned architects to set new standards.

# Property Investment

## Major Completed Investment Properties

Project	Location	Lease Expiry	Group's interest (%)	Residential
<b>Hong Kong Island</b>				
One IFC	1 Harbour View Street, Central	2047	50	—
Two IFC & IFC Mall	8 Finance Street, Central	2047	50	—
Four Seasons Hotel and Four Seasons Place	8 Finance Street, Central	2047	50	—
Sun Hung Kai Centre	30 Harbour Road, Wan Chai	2127	100	—
Central Plaza	18 Harbour Road, Wan Chai	2047	50	—
World Trade Centre	280 Gloucester Road, Causeway Bay	2842	100	—
Harbour Centre	25 Harbour Road, Wan Chai	2128	33.3	—
Dynasty Court (Blocks 2 & 3)	23 Old Peak Road	2886	100	341,000
Pacific View (Blocks 2 & 3)	38 Tai Tam Road	2047	100	274,000
Hillsborough Court (Block 4)	18 Old Peak Road	2884	100	159,500
<b>Kowloon</b>				
Millennium City 1*	388 Kwun Tong Road	2047	100	—
Millennium City 2	378 Kwun Tong Road	2047	50	—
Millennium City 3	370 Kwun Tong Road	2047	70	—
Millennium City 5	418 Kwun Tong Road	2047	100	—
Millennium City 6	392 Kwun Tong Road	2047	100	—
Grand Century Place	193 Prince Edward Road West, Mong Kok	2047	100	—
Royal Plaza Hotel	193 Prince Edward Road West, Mong Kok	2047	100	—
The HarbourView Place/W-Hotel	Kowloon Inland Lot 11080	2047	100	—
The Sun Arcade	28 Canton Road, Tsim Sha Tsui	2047	100	—
The Royal Garden	69 Mody Road, Tsim Sha Tsui	2127	100	—
Kerry Hung Kai Godown	3 Fat Tseung Street, Cheung Sha Wan	2047	50	—
APEC Plaza	49 Hoi Yuen Road, Kwun Tong	2047	100	—
Peninsula Tower	538 Castle Peak Road, Cheung Sha Wan	2047	100	—
New Tech Plaza	34 Tai Yau Street, San Po Kong	2047	100	—
Hing Wah Centre	82-84 To Kwa Wan Road	2099	100	—
<b>New Territories</b>				
New Town Plaza I	18 Shatin Centre Street, Sha Tin	2047	100	—
New Town Plaza III	2-8 Shatin Centre Street, Sha Tin	2047	100	—
New Town Tower	10-18 Pak Hok Ting Street, Sha Tin	2047	100	—
Grand Central Plaza	138 Shatin Rural Committee Road, Sha Tin	2047	100	—
Royal Park Hotel	8 Pak Hok Ting Street, Sha Tin	2047	100	—
Metroplaza Tower I & Shopping Centre	223 Hing Fong Road, Kwai Chung	2047	100	—
Landmark North	39 Lung Sum Avenue, Sheung Shui	2047	100	—
Tai Po Mega Mall	9 On Pong Road, Tai Po	2047	100	—
Tsuen Wan Plaza	5-21 Pak Tin Par Street, Tsuen Wan	2047	100	—
East Point City Shopping Centre	8 Chung Wa Road, Tseung Kwan O	2047	100	—
Sun Yuen Long Centre Shopping Arcade	8 Long Yat Road, Yuen Long	2047	87.5	—
Park Central Shopping Centre	Tseung Kwan O Town Lots 57 & 66	2047	57.52/25	—
Yuen Long Plaza Shopping Arcade	249-251 Castle Peak Road, Yuen Long	2047	100	—
Uptown Plaza Shopping Arcade	9 Nam Wan Road, Tai Po	2047	100	—
Grand City Plaza	1-17 Sai Lau Kok Road, Tsuen Wan	2047	100	—
Citygate	Tung Chung Town Lot 2	2047	20	—
Royal View Hotel	353 Castle Peak Road, Ting Kau	2047	100	—
Sunhing Hungkai Godown	8 Wong Chuk Yeung Street, Sha Tin	2047	100	—
Advanced Technology Centre	2 Choi Fat Street, Sheung Shui	2047	100	—

\* Including the attributable share in areas held by SUNeVision, in which the Group has an 84.6 per cent interest.

## Attributable Gross Floor Area (square feet)

Shopping Centre	Office	Hotel	Industrial/Office	Total
—	392,000	—	—	392,000
320,000	566,000	—	—	886,000
—	—	550,000	—	550,000
53,400	850,600	—	—	904,000
—	700,000	—	—	700,000
162,000	350,000	—	—	512,000
20,500	80,000	—	—	100,500
—	—	—	—	341,000
—	—	—	—	274,000
—	—	—	—	159,500
27,000	890,000	—	—	917,000
—	133,000	—	—	133,000
—	108,000	—	—	108,000
598,000	308,000	—	—	906,000
—	402,000	—	—	402,000
725,000	475,000	—	—	1,200,000
—	—	400,000	—	400,000
—	—	606,000	—	606,000
204,800	—	—	—	204,800
—	—	295,000	—	295,000
—	—	—	285,000	285,000
—	—	—	240,000	240,000
—	—	—	202,000	202,000
—	—	—	184,000	184,000
—	—	—	182,700	182,700
1,300,000	—	—	—	1,300,000
350,000	—	—	—	350,000
—	96,000	—	—	96,000
236,000	505,000	—	—	741,000
—	—	258,000	—	258,000
600,000	569,000	—	—	1,169,000
181,500	375,500	—	—	557,000
588,800	—	—	—	588,800
583,000	—	—	—	583,000
415,000	—	—	—	415,000
245,000	—	—	—	245,000
195,000	—	—	—	195,000
145,000	—	—	—	145,000
120,000	—	—	—	120,000
35,100	137,200	—	—	172,300
99,000	32,000	—	—	131,000
—	—	310,000	—	310,000
—	—	—	500,000	500,000
—	—	—	142,000	142,000



Nine floors of World Trade Centre in Causeway Bay are being converted to retail space and the building's façade is being upgraded for a fresh new look.



IFC Mall is fully occupied by an array of international brand-name retailers.

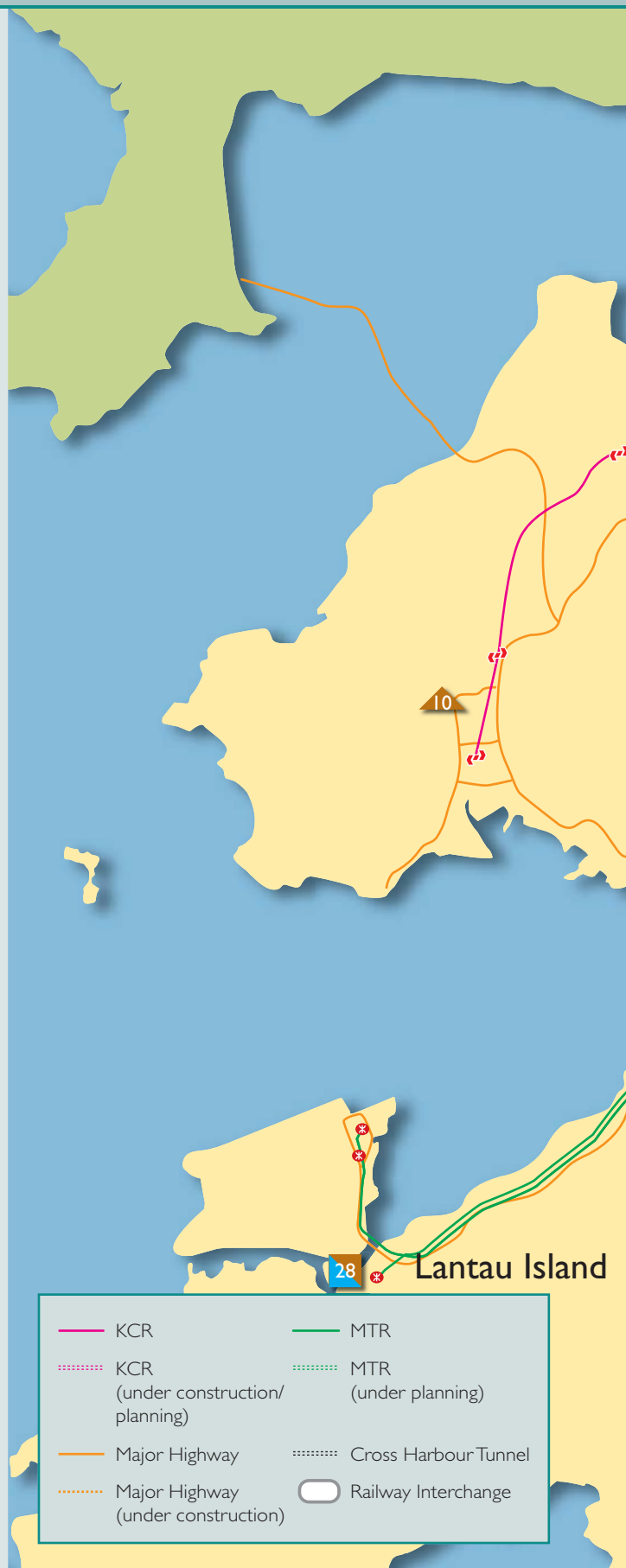


# Property Investment

## Major Completed Investment Properties

- ▲ Residential      ▲ Shopping Centre      ▲ Office  
▲ Industrial / Office      ▲ Hotel

- 01 ▲ Dynasty Court
- 02 ▲ Hillsborough Court
- 03 ▲ 63 Deep Water Bay Road
- 04 ▲ 51 & 55 Deep Water Bay Road
- 05 ▲ Pacific View
- 06 ▲ Uptown Plaza
- 07 ▲ Tai Po Mega Mall
- 08 ▲ Sun Yuen Long Centre
- 09 ▲ Yuen Long Plaza
- 10 ▲ Chelsea Heights
- 11 ▲ Tsuen Wan Plaza
- 12 ▲ New Kowloon Plaza
- 13 ▲ The Sun Arcade
- 14 ▲ East Point City
- 15 ▲ Park Central
- 16 ▲ Chi Fu Landmark
- 17 ▲ New Jade Shopping Arcade
- 18 ▲ New Town Plaza / New Town Tower
- 19 ▲ Grand Central Plaza
- 20 ▲ Landmark North
- 21 ▲ Grand City Plaza
- 22 ▲ Metroplaza
- 23 ▲ Grand Century Place
- 24 ▲ World Trade Centre
- 25 ▲ Sun Hung Kai Centre
- 26 ▲ Harbour Centre
- 27 ▲ IFC
- 28 ▲ Citygate
- 29 ▲ Millennium City Phases 1, 2, 3, 5 & 6
- 30 ▲ Central Plaza
- 31 ▲ APEC Plaza
- 32 ▲ Infotech Centre
- 33 ▲ Hing Wah Centre
- 34 ▲ New Tech Plaza
- 35 ▲ Advanced Technology Centre
- 36 ▲ Peninsula Tower
- 37 ▲ Kerry Hung Kai Godown
- 38 ▲ Sunhing Hungkai Godown
- 39 ▲ The Royal Garden
- 40 ▲ Four Seasons Hotel & Four Seasons Place
- 41 ▲ Royal Plaza Hotel
- 42 ▲ Royal Park Hotel
- 43 ▲ The HarbourView Place / W-Hotel
- 44 ▲ Royal View Hotel











The prime cities Beijing, Shanghai, Guangzhou and Shenzhen remain the focus of the Group's mainland strategy, and it is seeking investment opportunities in other major cities. The Group is using its Hong Kong expertise and experience to build its mainland brand recognition with landmark projects in China.



Shanghai IFC





## Highlights

- **Rising mainland investment with total land bank now at 45.8 million square feet**
- **Added four new projects for residential development in Guangzhou and Chengdu**
- **Sold or pre-sold an attributable HK\$252 million worth of mainland property**



Shanghai IFC in the Lujiazui financial trade zone will be a new landmark upon completion in 2010.

The Group's mainland property business performed well during the year, with increased office and retail rents driven by buoyant market demand. Attributable property sales during the year amounted to HK\$252 million, mainly from The Woodland Phase 2 in Zhongshan and Taihu International Community in Wuxi.

Property markets in most mainland cities continued to thrive over the past year despite Central Government measures to cool over investment. Stricter policies and a crackdown on illegal practices should actually help to produce healthy, sustainable market development. Long-term prospects for mainland markets are bright, in view of the robust economic growth and generally rising affluence.

The Group is establishing its brand on the mainland by developing major projects like Shanghai IFC. It will continue to actively expand its mainland investment, focusing on the prime cities of Beijing, Shanghai, Guangzhou and Shenzhen, while also seeking investment opportunities in other major cities. It will increase the proportion of its mainland committed investments from the current 17 per cent to 30 per cent of total assets in the medium term. The Group will follow its Hong Kong model of balancing revenue from property sales and rental income on the mainland, developing both landmark properties for long-term investment and residential premises for sale.

Significant mainland property investments over the year included the acquisition of four sites for residential development, as described under Land Bank on page 24.



*The Wei Fong project in Pudong will have a sweeping view of the Huangpu River and set a new standard for luxury living in Shanghai.*

## Major Mainland Projects Under Development

### SHANGHAI

#### Shanghai IFC

##### Lujiazui, Shanghai (100% owned)

Shanghai IFC is at 8 Century Avenue in the heart of the Lujiazui financial centre. The integrated complex will contain over four million square feet of gross floor area spread over two high-rise towers and a lower block. There will be over 2 million square feet of grade-A offices, hotels covering one million square feet with 656 rooms managed by Ritz-Carlton and W-Hotels and a one-million-square-foot mall with an array of international retailers. The project is scheduled for completion in phases from 2009 to 2010. The first phase will include the W-Hotel, retail mall and 900,000 square feet of offices. Leasing enquiries from multinationals and international retailers have been encouraging. HSBC will be the single largest occupant of the south office tower, occupying 20 floors.

#### Wei Fong Project, Shanghai (100% owned)

This project is on the waterfront of the Huangpu River in the most prestigious residential area of Pudong, with a panoramic view of the famous Bund. The Group will apply its expertise in developing luxury residences to build 1.7 million square feet of top-quality units and serviced apartments. This project will stand out and set new standards of luxury in Shanghai.



*The Shanghai IFC shopping mall will feature a spectrum of international retailers.*



# Mainland China Business

## **Huai Hai Zhong Road Lot 3, Shanghai** (Joint venture)

The Group is planning to develop this site on Huai Hai Zhong Road into first-class retail space, offices and luxury residences. Construction is under way and scheduled for completion in 2010. The project has a gross floor area of 2.5 million square feet. It is in the busiest commercial area of Puxi and will include a 1.2 million-square-foot shopping mall that will link to a new mass transit station that will be the interchange between three transit lines.

## **GUANGZHOU AND PEARL RIVER DELTA**

### **Dragon Lake Project**

#### **Huadu, Guangzhou** (60% owned)

This project is in the scenic Dragon Lake resort area close to the Guangzhou city centre and Guangzhou Baiyun International Airport. The Group acquired 60 per cent stake during the year. The project will have a gross floor area of 12 million square feet in a low-density development integrated with a local golf course.

### **Sandong Avenue Project**

#### **Huadu, Guangzhou** (95% owned)

The Group plans to build luxury residences on this prime site in the centre of Huadu, where economic prospects are bright with the opening of the Guangzhou Baiyan International Airport and improved transport links with Guangzhou's city centre. The project will have 1.1 million square feet of luxury residences for sale and is scheduled for completion in 2009.



*The Huai Hai Zhong Road project in the vibrant Puxi business district will contain premium residences, offices and a shopping centre.*



*The Dragon Lake project in Guangzhou is a low-density residential development in a serene beautiful setting.*

## Shiling Project

### Huadu, Guangzhou (100% interest)

Shiling project is the Group's another residential development in Huadu, on a site surrounded by a green environment where most units will have scenic views of the reservoir. There will be over seven million square feet of high-end apartments and houses to be completed in phases.

## The Woodland

### Zhongshan 5 Road, Zhongshan (joint venture)

The Woodland is a low-rise development of over five million square feet of premium residential units being built in phases. The first two phases of over 1.2 million square feet are finished and nearly sold out. The third phase of 660,000 square feet is currently under development and marketing commenced in late August this year with encouraging response.

## OTHER CITIES

### Hangzhou MIXC

#### Qianjiang New City, Hangzhou (40% interest)

This project is on the banks of the Qian Tang River in a core area of the central business district of Qianjiang New City and next to the planned new city government headquarters. It will have a gross floor area of six million square feet made up of deluxe residences, serviced apartments, offices and retail space. The project is being completed in phases, with the first phase of one million square feet of residences and a 1.6-million-square-foot shopping mall scheduled for completion in the second half of 2009. Marketing of the first phase residences is scheduled for mid 2008.

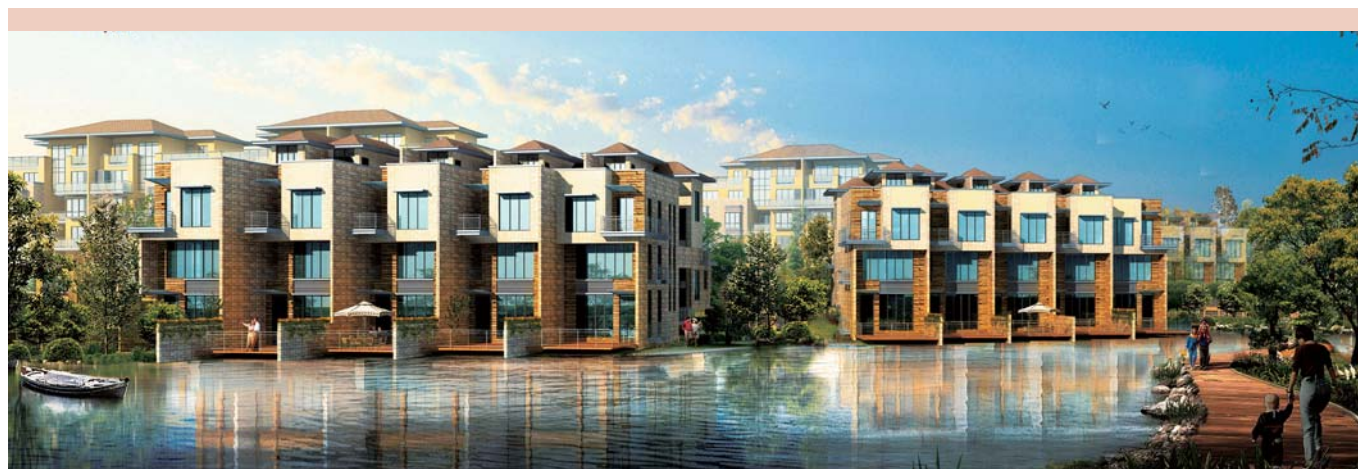


*The first phase of Hangzhou MIXC will contain residences and a shopping centre. Completion is expected in 2009.*

## Taihu International Community

### Taihu New City, Wuxi (40% interest)

Taihu International Community will be an integrated development with 15 million square feet of residential units, serviced apartments, offices and retail space. The project is on a lake front that have extensive water features and greenery, making it the finest residential community in Wuxi. Construction of the first 600 low-density luxury residences with a gross floor area of close to one million square feet is under way and planned for completion in 2008. The first batch of 300 units offered for sale in June this year sold out within a few hours. The remaining units will be marketed shortly.



*The lakeside Taihu International Community will offer the finest residences in Wuxi.*



# Mainland China Business



A luxury residential development in Shuangliu, Chengdu will be completed in phases.

## Shuangliu County Project

**Chengdu** (91% interest)

The Group acquired this prime site during the year. It can accommodate 6.6 million square feet of gross floor area and will be developed into high-end residences to be completed in phases from late 2009. It is near the city's future administrative centre and new municipal government headquarters, close to an ocean park currently under construction.

## Major Completed Mainland Properties

The Group's 3-million-square-foot completed investment property portfolio in the mainland consists mainly of key projects primarily in Beijing and Shanghai. All these projects are in prime districts and produce very highly satisfactory leasing returns. Major projects include:

### Beijing APM

**138 Wangfujing Dajie, Beijing** (Joint venture)

Attributable gross floor area : 1 million square feet (retail)  
460,000 square feet (office)

Lease expiry : 2043

Beijing APM is in the heart of Wangfujing and a recognized landmark property in Beijing. After the ownership restructuring in 2005, a major revamp for the retail space owned and operated by the Group has begun last year. The renovated mall is rebranded as Beijing APM. It is set to be a trendy mall targeting at high-spending customers, with a wider collection of international brands as well as more food and beverage outlets. The renovations will be completely finished by the end of 2007, in time for capitalizing the opportunities offered by the Beijing Olympics in 2008. The office towers are also undergoing major renovations.



Beijing APM will become the latest foothold of major international retailers and a benchmark for high-spending shoppers' mall after renovation.



### Central Plaza

**381 Huai Hai Zhong Road, Shanghai** (80% owned)

Attributable gross floor area : 106,000 square feet (retail)  
366,000 square feet (office)  
Lease expiry : 2044

Central Plaza is in the busy Puxi commercial district in Shanghai, with 588,000 square feet of top-quality offices and retail space. Its prime location makes it a favourite with multinational companies and retailers. The whole project is fully leased with an impressive increase of average rental for the year under review. During this year, the revamping work for the office tower has taken place to improve the overall environment and enhance competitiveness.

### Arcadia Shanghai

**88 Guang Yuan Xi Road, Shanghai** (97% owned)

Attributable gross floor area : 320,000 square feet  
Lease expiry : 2064

Arcadia Shanghai in Xuhui consists of two apartment blocks completed in 1999 and a residential tower completed in 2004. The Group is holding one of the serviced apartment blocks as a rental property and leasing was satisfactory during the year.

### Nanhai Plaza

**Nanhai Avenue, Foshan** (100% owned)

Gross floor area : 640,000 square feet  
Lease expiry : 2045

Nanhai Plaza, which was acquired by the Group during the year, is a major shopping mall located along Nanhai Avenue in Foshan. With 640,000 square feet, Nanhai Plaza is an existing 9-level shopping complex and anchored by a department store, a supermarket and a cinema. This mall is almost 100 per cent occupied and in conjunction with partial renovation works, the Group is actively upgrading the tenant mix with the introduction of better brands, including many well-known Hong Kong retailers.



Central Plaza in Shanghai appeals to multinationals and international retailers. The offices and shopping mall are fully let.



The Group's serviced apartments in Arcadia Shanghai delivered good leasing returns during the year.

# Mainland China Business

## Major Mainland Projects Under Development by Year of Completion

Site	Project Name	City	Group's Interest (%)
<b>Projects to be completed in financial year 2007/08</b>			
Taihu New City Project Phase I	Taihu International Community	Wuxi	40
Zhongshan 5 Road Project Phase 3	The Woodland	Zhongshan	Joint Venture
Glorious City Garden Phase 3		Guangzhou	30
<b>Year Total</b>			
<b>Projects to be completed in financial year 2008/09</b>			
Taihu New City Project Phase 2	Taihu International Community	Wuxi	40
Sandong Avenue project		Guangzhou	95
<b>Year Total</b>			
<b>Projects to be completed in financial year 2009/10 and beyond</b>			
Taihu New City Project remaining phases	Taihu International Community	Wuxi	40
Qianjian New City Project	Hangzhou MIXC	Hangzhou	40
Zhongshan 5 Road Project remaining phases	The Woodland	Zhongshan	Joint Venture
Shuangliu County Project		Chengdu	91
Dragon Lake Project		Guangzhou	60
Shiling Project remaining phases		Guangzhou	100
Lujiazui Project	Shanghai IFC	Shanghai	100
Huai Hai Zhong Road Lot 3		Shanghai	Joint Venture
Wei Fong Project		Shanghai	100
<b>Total</b>			

\* Gross floor area including basement area

Attributable Floor Area (square feet)*				
Residential	Shopping Centre	Office	Hotel	Total
369,000	—	—	—	369,000
663,000	—	—	—	663,000
—	12,000	77,000	—	89,000
<b>1,032,000</b>	<b>12,000</b>	<b>77,000</b>	<b>0</b>	<b>1,121,000</b>
388,000	—	—	—	388,000
1,090,000	—	—	—	1,090,000
<b>1,478,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,478,000</b>
3,774,000	627,000	344,000	478,000	5,223,000
1,218,000	718,000	345,000	179,000	2,460,000
3,457,000	—	—	—	3,457,000
5,940,000	—	—	—	5,940,000
7,244,000	—	—	—	7,244,000
7,284,000	—	—	—	7,284,000
—	1,102,000	2,213,000	1,026,000	4,341,000
195,000	1,177,000	1,167,000	—	2,539,000
1,656,000	18,000	—	—	1,674,000
<b>30,768,000</b>	<b>3,642,000</b>	<b>4,069,000</b>	<b>1,683,000</b>	<b>40,162,000</b>



Beijing APM will be the most-visited trendy mall for both local and overseas visitors.



The first two phases of the popular low-density The Woodland residential development in Zhongshan are finished and nearly sold out.



# Mainland China Business

## Major Projects Under Development

- Under Development    ● Completed
- ▲ Residential              ▲ Shopping Centre
- ▲ Office                      ▲ Hotel

**District                      Project Name                      Usage**

### BEIJING

- Beijing APM  
138 Wangfujing Dajie    ▲

### SHANGHAI

- Shanghai IFC  
Lujiazui    ▲
- Wei Fong Project    ▲
- Huai Hai Zhong Road Lot 3    ▲
- Central Plaza  
381 Huaihai Zhong Road    ▲
- Arcadia Shanghai  
88 Guang Yuan Xi Road    ▲

### GUANGZHOU & PEARL RIVER DELTA

#### Guangzhou

- Dragon Lake Project  
Huadu    ▲
- Sandong Avenue Project  
Huadu    ▲
- Shiling Project  
Huadu    ▲

#### Zhongshan

- The Woodland  
Zhongshan 5 Road    ▲

#### Foshan

- Nanhai Plaza  
Nanhai Avenue    ▲

### OTHER CITIES

#### Hangzhou

- Hangzhou MIXC  
Qianjiang New City    ▲

#### Wuxi

- Taihu International Community  
Taihu New City    ▲

#### Chengdu

- Shuangliu County Project    ▲

- Shanghai
- Beijing
- Guangzhou & Pearl River Delta



## Property Related Businesses

Growing business opportunities on the mainland will likely boost the number of travellers coming to Hong Kong, which will be beneficial to the territory's hospitality industry. The Group is set to capitalize on this boom with new hotels in prime locations under development and renovations to its existing premium hotels.



*Four Seasons Hotel, Central*







# Property Related Businesses



The **Four Seasons** was named the best hotel in Hong Kong in 2007 by a noted international magazine. Luxurious guest rooms (left) and fine restaurants appeal to locals and overseas visitors.

## Hotels

Hong Kong's hospitality industry continues to thrive with higher numbers of both business and leisure travellers entering the territory as a result of a healthy global economy and booming growth on the mainland, as well as a wide array of local tourist attractions. The Group's hotels made the most of this favourable operating environment during the year under review, seeing high average occupancy of 89 per cent and increased revenues.

The **Four Seasons Hotel** is in its second year of operation and has become a favourite with both local and overseas guests as the preferred venue for major meetings, weddings and other events. Its amenities have received high praise, with the Chinese restaurant being included in a US travel magazine's 2007 Best New Restaurants list and the spa being named Best Spa in Hong Kong in an Asian magazine's readers' choice awards. *Institutional Investor* magazine named it the Best Hotel in Hong Kong in 2007.

All of the **Royal Garden Hotel's** food and beverage outlets made solid contributions despite strong competition, with the Dong Lai Shun restaurant once again winning a gold 'Best of the Best' culinary award from the Hong Kong Tourism Board. Increased visitor arrivals and good results from the food and beverage outlets point to a very positive year ahead.

Renovations to the **Royal Plaza Hotel's** Executive Club floors and lounge are finished and have helped bring in more high-end business, while the other guestrooms have also been upgraded. Major refurbishments to the Grand Ballroom and some restaurants have given the hotel a fresh new look. The results have been well received. Efforts to cultivate the meeting and convention business are ongoing within a competitive environment.

The **Royal Park Hotel** attracts the largest proportion of guests from the corporate sector. It is also popular with tour groups. Renovations to the guest floors were finished in August 2007, providing a bright new look and more comfortable hospitality to guests. The hotel is staging various overseas promotions and roadshows to open up new markets.

The **Royal View Hotel** opened in June 2007 and business has been growing steadily. The hotel is on the scenic Ting Kau waterfront and has 691 rooms and suites, along with a comprehensive range of facilities. It offers easy access to the Hong Kong International Airport, Asia World Expo and Disneyland, so patronage from both tourists and business travellers is expected to rise.

The Group has several new premium hotels including the premium 400-room W-Hotel and a grand Ritz-Carlton Hotel in International Commerce Centre at Kowloon Station. There are two other projects as part of the Shanghai IFC development, which will also be operated by Ritz-Carlton and the W-Hotels Group. Another hotel development is being planned in Tseung Kwan O.



The Royal Garden Hotel recorded high occupancy and good returns from its food and beverage outlets.



Guest rooms in Royal Park Hotel were upgraded with better facilities for guests' added comfort.



The Royal View Hotel has some guest rooms overlooking the sweeping Tsing Ma and Ting Kau bridges and Ma Wan Island.



A refurbishment has made Royal Plaza Hotel's grand ballroom more attractive.



# Property Related Businesses



Kai Shing Director Patrick Lam (left) and Hong Yip Executive Director Edmund Kwok (right) receiving Q-Mark certificates.



Hong Yip Vice Chairman & Chief Executive Alkin Kwong (right) receives a Platinum Employers' Gold Star Award from Employees' Retraining Board Chairman Michael Tien.

## Property Management

The Group is committed to offering its customers the finest products and service, and it delivers on this promise through its two principal property management subsidiaries, the **Hong Yip Service Company Limited** and **Kai Shing Management Services Limited**. The companies manage nearly 215 million square feet of residential, commercial and industrial premises containing over a quarter of a million households. Both Hong Yip and Kai Shing are industry leaders and have won numerous awards for environmental management and service.

The companies practice green property management, running recycling programmes in the estates they oversee and following stringent conservation measures to save energy, water and utility expenses. The year under review saw Kai Shing win over 50 awards for environmental management and security. The company also won other awards for landscaping and its staff are praised for their voluntary service to the community.

Hong Yip and Kai Shing were among the first companies in Hong Kong to receive Green Mark certification for environmental management in its own operations and many of the estates it oversees. Hong Yip has also been given Q-Mark Service Scheme certification for four successive years, and won other accolades including the platinum of the Employers Gold Star Award from the Employees' Retraining Board, and a Sing Tao Excellent Services Brand award.

The companies take advantage of the latest high technology to provide residents and commercial tenants with state-of-the-art security, and to enhance operational efficiency.

## Premises Managed by the Group

million square feet



In addition to projects developed by the Group, Hong Yip secured outside management contracts covering a total of 28 new properties containing nearly 15,000 units. Kai Shing is extending its presence on the mainland already fulfilling 25 management contracts. It is set to manage the Group's Shanghai IFC and Shanghai Huai Hai Zhong Road projects and continue to manage Nanhai Plaza in Foshan, promoting the Group's brand reputation with the finest international standard of service.



An advanced surveillance system in the control room ensures high building security.



Frontline staff get regular training in property management.



Hong Yip Vice Chairman & Chief Executive Alkin Kwong (right, left photo) and Kai Shing Managing Director Jimmy Wong (second left, right photo) visiting residents to hear their views.

# Property Related Businesses



Construction Department staff accepts Considerate Contractor awards.

## Construction

The construction division completed projects totaling 8.5 million square feet of floor area during the year, including Harbour Green, Manhattan Hill, The Vineyard, Kowloon Station Packages 5 & 6, Millennium City Phase 6, and Royal View Hotel. The division achieved turnover of HK\$8,730 million (on a progressive completion basis), and another HK\$120 million was recorded by joint venture companies.

Major projects in progress include YOHO Town Phase 2, Park Island Phase 6, villa developments at Ngau Tam Mei and Kwo Tung, Rhine Harbour, residential apartments at New Kowloon Island Lot 6350, a premium office development on Kwai Chung Town Lot 215 and International Commerce Centre, which will be Hong Kong's tallest building upon completion.

The construction division has several wholly-owned subsidiaries in related fields. Everlight Engineering Company Limited, Everfield Engineering Company Limited, Eversun Engineering Company Limited, Aegis Engineering Company Limited and Sanfield Landscape Company Limited provide various construction-related services to the Group and third-party clients. Their services include electrical and fire prevention systems, construction plant and machinery and landscaping. The division also supplies concrete to the Group and external contractors through its associate Glorious Concrete (HK) Limited.



Vice Chairman & Managing Director Thomas Kwok is speaking at inauguration of the Safety Partnership Scheme.

## Financial Services

The financial services division made up of the Hung Kai Finance Company Limited and Honour Finance Company Limited offers mortgage servicing, home mortgages, deposit taking and other services to support the Group's property development business. The division remained profitable despite fierce competition in the industry.

## Insurance

Sun Hung Kai Properties Insurance Limited saw an increase in both turnover and profit before taxation during the year under review, despite a continuing competitive market. The company has been providing its clients with comprehensive and efficient insurance services. It also offers and promotes a wide variety of insurance products through its web site [www.shkpinsurance.com.hk](http://www.shkpinsurance.com.hk), which has helped expand its client base and build stronger links with existing customers. The company aims to achieve healthy growth in turnover by continually upgrading its products and services as clients become more informed and discerning.



# Telecommunications and Information Technology



*SmarTone has established its position as the premium mobile operator in Hong Kong.*

## SmarTone

**SmarTone** registered a continued increase in service revenue and encouraging growth in operating profit despite intensifying price competition in Hong Kong's mobile market. Net profit for the year increased by 125 per cent to HK\$158 million. The company had 1,077,000 customers in Hong Kong as at 30 Jun 2007 and its 3G subscriber base currently accounts for over 30 per cent of postpaid customers.

The company has established its position as the premium mobile operator in Hong Kong with its focus on delivering a superior customer experience. It has been leading the way in network performance, innovation and customer service, and its enhanced customer profile is reflected in an increase in ARPU and data revenue in a very competitive market.

SmarTone continues to lead in innovative service propositions. It was the first operator to introduce a true Internet experience on mobile, and it started a unique service addressing the needs of teenagers and their parents.

The company will continue to focus on further improving cost efficiency in all areas of operation. The rapid advancement of technology and the increasing convergence of communications and media offer new challenges as well as opportunities for innovative services. The company is well placed to drive revenue growth by continually enriching customers' mobile lifestyles and addressing all their communication needs. SmarTone is in a strong financial position to pursue this strategy and to compete vigorously in the market.

The Group is confident in the company's prospects and will maintain its interest as long-term strategic investment.



*World-class data centre facilities and services offered by SUNeVision subsidiary iAdvantage.*

## Information Technology

**SUNeVision** continued to be profitable during the year, recording a profit attributable to equity holders of the company of HK\$204 million. Revenue increased by 17% over the last financial year. Factors contributing to the increase included higher revenues from the company's data centre and last-mile connectivity businesses.

iAdvantage continued to strengthen its leadership position in carrier-neutral data centre facilities and services in Hong Kong and the Mainland during the year. The business continued to meet the needs of global financial services firms, telecommunications providers, IT service providers, multinational corporations, and government authorities with its world-class facilities and services. Overall data centre occupancy was approximately 82 per cent, an improvement over that in the last financial year.

The company's consumer enabling and property-related technology businesses in Hong Kong and the mainland continued to deliver value-added services to their customers. Productivity improved and the parent company's strong brand name and property heritage continued to provide valuable leverage.



*Staff of Transport International are committed to premium service.*

## Franchised Bus Operation

Transport International Holdings Limited (TIH) is a publicly-listed company engaged primarily in franchised public bus operations in Hong Kong. It has faced a challenging operating environment in Hong Kong with wage increases, higher fuel prices and intense competition from railways exerting pressure on franchised bus operations, and its mainland joint ventures have also been affected by fuel prices and rising operating costs. On a positive note, revenue and earnings from its non-franchised transport operations in Hong Kong have shown healthy growth, and good sales of the Manhattan Hill residential development in West Kowloon have enhanced the company's financial position. The Group owns 33.3 per cent of TIH.

TIH also owns 73 per cent of RoadShow Holdings Limited, which is mainly engaged in the media sales business in Hong Kong and on the mainland.



*Route 3 (CPS) has the most advanced monitoring system to ensure smooth traffic flow.*

## Toll Road

The Group has a 70 per cent interest in the Route 3 (CPS) Company Limited, which operates the north-south expressway between Yuen Long and Ting Kau under a 30-year build-operate-transfer franchise running from 1995 to 2025.

The dual three-lane expressway consists of the 3.8-kilometre Tai Lam Tunnel and 6.3-kilometre Tsing Long Highway. It provides a direct link from Lok Ma Chau and northwest New Territories to the container ports in Kwai Chung, Hong Kong International Airport, Disney theme park and the urban areas. The route reduces congestion on Tuen Mun Road and the Tolo Highway and offers a faster, safer and more convenient link for commuters.

The traffic flow remained steady during the year. Revenue has increased slightly after the toll increase in August 2007.

## Transport Infrastructure Management

The **Wilson Group** is a wholly-owned subsidiary of the Group engaged in the parking, tunnel, bridge and toll road management business. It is recognized for superb service and was named an Outstanding Transport Infrastructure Services Provider in Hong Kong by Capital magazine this year.

Its subsidiary Wilson Parking continued to lead the local car parking industry with value-added solutions and an extensive branding campaign. It secured major contracts with the Hong Kong International Airport, Link REIT, Hong Kong Housing Authority and Hong Kong Housing Society, and now manages 274 car parks with 87,000 bays. The company developed the AutoPark payment-on-the-go system with Autotoll, which is 50 per cent owned by Wilson, and its operations support centre continues to enhance productivity. Autotoll started its Autotoll Club customer loyalty initiative during the year, and it won a government tender to develop a truck location tracking system for the logistics industry.

The Wilson Group supplies a full range of leading-edge equipment for the parking industry through Parking Systems and SkiData Parking Systems. Business continued to grow during the year with the use of new technology enhancing safety, security and convenience. Tsing Ma Management, another subsidiary of the Wilson Group, secured its third successive management, operation and maintenance contract for the Tsing Ma Control Area, which links the city and the airport. Other key toll ways administered by the Wilson Group include the Tai Lam Tunnel and Tsing Long Highway (under Wilson Tunnel Management), which form the 10.1 km Route 3 Country Park Section connecting the northwest New Territories with the downtown area.

The Wilson Group extended the geographical scope of its business during the year, when it was awarded car park management and related contracts for the Venetian Macao Resort in Macau. It also has a mainland presence, supplying the latest car parking systems in Beijing, Guangzhou and Shenzhen.

## Port Business

The Group owns 50 per cent of the River Trade Terminal Company Limited. The facility occupies a 65-hectare site in Tuen Mun with 3,000 metres of quay front, and provides container handling, storage and other port-related services. It handled over two million TEUs in 2006. The company has been steadily expanding its market share, and has become an important hub for river trade vessels in the region.

The Group increased its stakes in the Hoi Kong Container Services Company Limited and Faith and Safe Transportation Company Limited to 100 per cent in the year under review. The two companies provide comprehensive midstream and related container terminal handling service, and handled over one million TEUs in 2006. They are among the major midstream operators in Hong Kong.



*Wilson Group is the industry leader with state-of-the art equipment to manage its transport infrastructural business.*



# Transportation, Infrastructure and Logistics



*The Hong Kong Business Aviation Centre opened a second hangar in September 2007 to meet the increasing demand from private aviation.*



*The revenue of the Airport Freight Forwarding increased during the Year.*

## Air Transport & Logistics Business

The Airport Freight Forwarding Centre Company Limited operates a world-class air freight facility at Hong Kong International Airport with over 1.3 million square feet of warehouse space for tenants. Its prime location near the two air cargo terminals attracts leading freight forwarders and logistics companies. The company recorded growth in both rental and profitability during the year.

Sun Hung Kai Logistics Holdings Limited and Expresslink Logistics Limited are Group subsidiaries offering comprehensive air cargo support services like storage, loading and unloading, collection and delivery, palletization and containerization.

The Hong Kong Business Aviation Centre Limited holds the franchise to serve private aircraft flying in or out of Hong Kong. The use of private aircraft has been increasing, and the centre handled over 2,800 flights last year. It opened a second hangar in September 2007 to meet the rising demand. The Group owns 35 per cent of the company.

## Waste Management

The Group is committed to protecting the environment through its 20 per cent ownership in both Green Valley Landfill Limited and South China Transfer Limited, which are actively working to accomplish a better and greener environment.

Green Valley operates the 100-hectare South East New Territories Landfill in Tseung Kwan O with a capacity to handle 43 million tonnes of waste. It signed a deal with the Hong Kong China Gas Company in March 2007 to explore the use of landfill gas generated through waste decomposition for energy, thus reducing the landfill gas flared on site. It is expected that the project will be commissioned in 2011. South China operates the West Kowloon Transfer Station in the reclaimed area adjacent to Stonecutters Island. It is currently processing 2,600 tonnes of waste per day, making it Hong Kong's largest transfer station in terms of capacity.

## Other Investment Holdings

The Group has a 14.6 per cent interest in USI Holdings Limited, a publicly-listed company in the property and apparel businesses. The company's net profit achieved a record high of HK\$738.3 million in 2006. The strong results were mainly derived from the company's property business, including HK\$212.7 million in revaluation gains on investment properties.



Vice Chairman & Managing Director Raymond Kwok (seventh left) and Sun Hung Kai Properties (Financial Services) Executive Director Amy Kwok (sixth left) at the loan signing ceremony.

The Group's financial position remains strong, with low gearing and high interest coverage reflecting its abundant cash flows from both property sales and rental income. Its net debt to shareholders' funds ratio remained low at 14 per cent.

The Group had a very positive response to its self-arranged HK\$15,250 million six-year, fully-revolving syndicated credit facility in June 2007, which was three times over-subscribed by a consortium of 26 leading local and international financial institutions. The proceeds will be used for general working capital and to refinance some short-term borrowings. The Group also issued a ten-year US\$300 million bond at favourable terms under its Euro Medium Term Note Programme in March 2007. These deals are in line with the Group's policy of lengthening its debt maturity profile and procuring substantial committed facilities for future business expansion in Hong Kong and on the mainland.

The vast majority of the Group's borrowings are denominated in Hong Kong dollars, with the balance in US dollars, Renminbi or Singapore dollars, mainly to fund projects on the mainland and in Singapore. The Group's foreign exchange risk is minimal, given that its assets and operational cash flows are valued primarily in Hong Kong dollars. The Group has not entered into any transactions of speculative derivatives or structured products including collateralized debt obligations.

The Group has the highest credit ratings among Hong Kong developers from both Moody's and Standard and Poor's, reflecting its financial health and leading market position.

## Credit Ratings

	Foreign currency	Local currency	Outlook
Moody's	A1	A1	Stable
Standard & Poor's	A	A	Stable

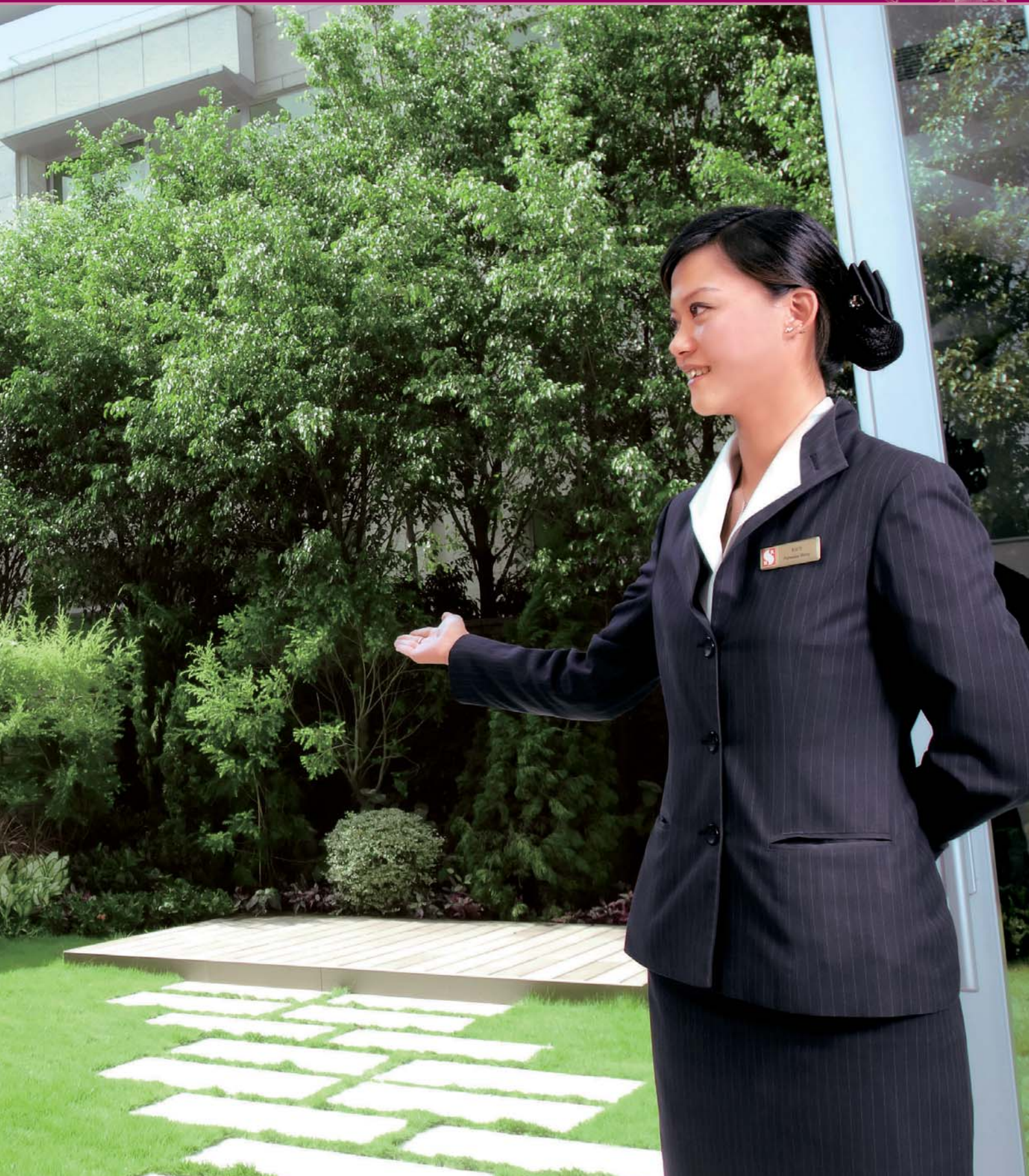


## Customer Service

The Group's first-class customer service comes from a commitment to offering residents the ultimate in comfort and convenience, and its efforts to create a green environment in Hong Kong are widely praised.









## Customer Service



The Group's top management regularly visits residents at home to understand their needs. Here, Vice Chairman & Managing Director Thomas Kwok (left) listens attentively.

Delivering premium customer service is a top priority for the Group. It pays attention to customers' views, and its commitment to ever-improving service has earned an enviable reputation among homebuyers and in the industry.

The Group tracks customers' evolving demands so that it can offer the high-quality products and service that people want. The Group listens to what people say and acts upon suggestions to continually improve. Members of senior management regularly visit residents in their homes to hear their views. The Group has earned high praise from customers for these efforts to set new standards for service excellence in its developments.



The SHKP Club offers its 260,000 members various benefits such as exclusive previews of the Group's new developments and other property-related advantages.

The Group's careful monitoring of property quality starts in the planning stage and carries on after completion to ensure the very best. An inter-departmental team oversees the handover of new developments, testing over 100 items in new flats against standards for installation and workmanship to ensure that everything is up to scratch before buyers take possession. Buyers then have ample time to inspect their units. The Group's reputation as a quality developer was confirmed when The Vineyard in Yuen Long, Noble Hill in Sheung Shui and Harbour Green in West Kowloon took the top three spots in a handover quality inspection conducted by a local media organization.

Homebuyers take reassurance from the quality of the Group's properties. The Group led the industry in Hong Kong when it introduced a one-year guarantee on new residential estates ten years ago, and in 2007 it again took the lead by extending this guarantee to two years. The new guarantee covers all developments completed from this year and onward, starting with Harbour Green in West Kowloon. The move shows the developer's confidence in the quality of its products and its commitment to offering homebuyers the very best.

The Group's property management subsidiaries Hong Yip and Kai Shing follow the same customer-orientated approach to service, and its management and staff also make a point of visiting residents. These efforts help track customers' needs and provide superior service. The two companies earned many accolades for service during the year, including a Customer Relationship Excellence award for People Development, Excellent Services Brand award - Property Management and Hong Kong Leaders Choice - Excellent Brand of Properties Management award for Hong Yip, while Kai Shing won Excellent Creative Services and Hong Kong Business Superbrand awards.

The SHKP Club was established to improve two-way communication with the public. The Club celebrated its 11th anniversary in 2007 and its membership exceeds 260,000, making it the biggest membership club in Hong Kong and an effective link between the Group and the market. The Club offers members property-related privileges and information, and promotes family harmony with various activities and talks. Star membership was introduced to reward the Group's loyal buyers and tenants, and this has been very popular, with Star membership surpassing 60,000 in two years. The SHKP Club VISA card combines credit, building access and membership cards in one, offering cardholders premium services and unrivalled privileges. The Club will continue to improve relationships with members, offering the finest service as it enters a new era.

The Group places great importance on customers' views. Opinions expressed through various channels are regularly catalogued and disseminated to various departments. There is also a special team responding to customers' questions and complaints, ensuring quality service in every aspect of operations and customer satisfaction.



*Friendly Customer Care Ambassadors offer the finest service in the Group's shopping malls.*



*A special handover team helps owners inspect their units, earning high praise for exceptional service.*



*Dedicated property management staff help residents with their everyday needs.*





Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting its business in an open and responsible manner and following good corporate governance practices serves its long-term interests and those of its shareholders by maximizing returns. Details of the Group's investor relations initiatives and the recognition it has received for good management can be found under Investor Relations on pages 80 and 81.

## Corporate Governance Practices

Rigorous standards of corporate governance enhance the Group's accountability and transparency, earning the confidence of shareholders and the public. The Group complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year under review, except there is no separation of the roles of Chairman and Chief Executive. The Board of Directors continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance.

## Board of Directors

### Composition

The Board has 17 Directors including eight Executive Directors, five Non-Executive Directors and four Independent Non-Executive Directors. Further details of the composition of the Board can be found on page 4. All Directors give sufficient time and attention to the Group's affairs. The Board believes that the balance between Executive and Non-Executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group.

Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account.

In compliance with rule 3.10 of the Listing Rules, the Group has four Independent Non-Executive Directors, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Group has received from each Independent Non-Executive Director an annual confirmation of his independence, and the Group considers such Directors to be independent in accordance with each and every guideline set out in rule 3.13 of the Listing Rules. No Independent Non-Executive Director has served the Group for more than nine years.

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors.

Messrs. Kwok Ping-sheung, Walter (Chairman), Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond (Vice Chairmen and Managing Directors) are brothers. Besides this, there are no family or other material relationships among members of the Board.

### Board Meetings

The full Board met in person on four regular occasions during the year under review. At the meetings the Directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters. Daily operational matters are delegated to management.

At least 14 days notice of all Board meetings was given to all Directors, and all Directors were given the opportunity to include matters for discussion in the agenda. An agenda and accompanying board papers are sent in full to all Directors at least three days in advance of every Board meeting or committee meeting.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed. He also keeps detailed minutes of each meeting, which are available to all Directors.

The attendance record of the Board meetings held in the year ended 30 June 2007 is set out below:

Director	Meetings attended/ Total
<b>Executive Directors</b>	
Kwok Ping-sheung, Walter	4/4
Kwok Ping-kwong, Thomas	4/4
Kwok Ping-luen, Raymond	4/4
Chan Kai-ming	4/4
Chan Kui-yuen, Thomas	4/4
Kwong Chun	4/4
Wong Yick-kam, Michael	4/4
Wong Chik-wing, Mike	4/4
<b>Non-Executive Directors</b>	
Lee Shau-kee	4/4
Woo Po-shing	4/4
Li Ka-cheung, Eric	3/4
Kwan Cheuk-yin, William	4/4
Lo Chiu-chun, Clement	2/4
Law King-wan (retired on 7 December 2006)	1/1
<b>Independent Non-Executive Directors</b>	
Chung Sze-yuen	4/4
Fung Kwok-king, Victor	2/4
Yip Dicky Peter	4/4
Wong Yue-chim, Richard	3/4

All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible.

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in an actual meeting, as opposed to being dealt with by written resolution. Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues. Board committees, including the Audit, Remuneration and Nomination Committees, all follow the applicable practices and procedures used in Board meetings for committee meetings.

### Group Chairman

Mr. Kwok Ping-sheung, Walter is the Group's Chairman and Chief Executive. This is at variance with paragraph A.2.1 of the Code, which suggests that the roles of Chairman and Chief Executive Officer should be separate and not performed by the same individual. Although the Group's Chairman and Chief Executive is the same individual, power and authority are not concentrated as responsibilities are also shared with the two Vice-Chairmen and all major decisions are made in consultation with members of the Board and appropriate Board committees, as well as top management. There are four Independent Non-Executive Directors on the Board offering independent and different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings.

### Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. The Group provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

### Compliance with Model Code

The Group follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for Directors in their dealings in Group securities. Having made specific enquiry with Directors, all Directors confirmed that they have fully complied with the Model Code during the year ended 30 June 2007.

### Remuneration Committee

The Remuneration Committee was established in June 2005. The chairman is Sir Chung Sze-yuen, an Independent Non-Executive Director of the Company, and the other members are Mr. Lo Chiu-chun, Clement and Professor Wong Yue-chim, Richard. All members are Non-Executive Directors of the Company, with the majority of members being Independent Non-Executive Directors.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the Board, determining the remuneration of Executive Directors and members of senior management and reviewing and making recommendations on compensation-related issues. The Committee consults with the Chairman on its proposals and recommendations, and also has access to professional advice if deemed necessary. The Committee is also provided with other resources enabling it to discharge its duties. The Remuneration Committee's specific terms of reference are posted on the Group's website.

The Remuneration Committee held one meeting during the year ended 30 June 2007. The attendance record of each member appears below:

Committee member	Meetings attended/
	Total
Chung Sze-yuen	1/1
Lo Chiu-chun, Clement	0/1
Wong Yue-chim, Richard	1/1

The Remuneration Committee reviewed matters relating to remuneration for Directors and senior management, as well as discussed the Group's remuneration policy.

# Corporate Governance

## Nomination Committee and Appointment of Directors

The Nomination Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director of the Company. Other members of the Committee are Messrs. Kwan Cheuk-yin, William and Yip Dicky Peter. All members are Non-Executive Directors of the Company with the majority being Independent Non-Executive Directors.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and will consider different criteria including appropriate professional knowledge and industry experience, as well as consult external recruitment professionals when required. The Committee also reviews the size, structure and composition of the Board and assesses the independence of Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to discharge its duties. The Nomination Committee's specific terms of reference are posted on the Group's website.

The Nomination Committee held one meeting during the year ended 30 June 2007. The attendance record of each member appears below:

Committee member	Meetings attended/
	Total
Wong Yue-chim, Richard	1/1
Kwan Cheuk-yin, William	1/1
Yip Dicky Peter	1/1

The Nomination Committee discussed and reviewed the Board composition of the Company as well as other related matters. Mr. Law King-wan retired as a Director of the Company at the annual general meeting ("AGM") of the Company held on 7 December 2006. There was no nomination of Directors for the year ended 30 June 2007.

Non-Executive Directors are appointed for a specific term of two or three years. All Directors retire from office by rotation and are subject to re-election at an annual general meeting at least once every three years.

## Audit Committee and Accountability

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. It is also responsible for preparing the accounts that give a true and fair view of the Group's financial position on a going-concern basis and other price-sensitive announcements and other financial disclosures. Management provides all relevant information and records to the Board, giving it the relevant information it needs to discharge these responsibilities.

In compliance with rule 3.21 of the Listing Rules, an Audit Committee was established in 1999. Its chairman is Sir Chung Sze-yuen, an Independent Non-Executive Director, and the other members are Mr. Yip Dicky Peter and Dr. Li Ka-cheung, Eric. The majority of the Committee members are Independent Non-Executive Directors.

No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The duties of the Audit Committee include:

- reviewing the Group's financial control, internal control and risk management systems;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control system;
- considering findings of major investigations of internal control matters;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter and questions raised by the auditor to management, and management's response to such questions;
- reporting to the Board on matters relating to the Code;
- meeting with the external auditor to discuss issues regarding audit if considered necessary (and in the absence of management if appropriate).

The Audit Committee is provided with sufficient resources enabling it to discharge its duties. The Audit Committee's specific terms of reference are posted on the Group's website.

The Audit Committee held two meetings during the year ended 30 June 2007. The attendance record of each member appears below:

Committee member	Meetings attended/
	Total
Chung Sze-yuen	2/2
Yip Dicky Peter	1/2
Li Ka-cheung, Eric	2/2

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee reviewed the interim and final results of the Group as well as discussed and approved financial and other reports for the year under review. The Committee also reviewed the Group's internal audit activities and discussed audit plans for the upcoming year.



The Audit Committee monitors the audit and non-audit service rendered to the Group by its external auditors and ensures their engagement in other non-audit services will not impair their audit independence or objectivity. An independence confirmation has been obtained from Deloitte Touche Tohmatsu which confirms for the year ended 30 June 2007 and thereafter to the date of this Annual Report, the Group's external auditors are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by external auditors for the year ended 30 June 2007 amounted to HK\$12 million and HK\$5 million respectively. The non-audit services mainly consist of taxation, review and other reporting services.

## Internal Control

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of these systems. The Board conducts regular reviews of the Group's internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

The Board conducted a review of the Group's internal control system for the year ended 30 June 2007, including financial, operational and compliance control, and risk management functions. The Board assesses the effectiveness of internal control by considering reviews performed by the Audit Committee, executive management and both internal and external auditors.

The Internal Audit Department follows a risk-and-control-based approach. Different audit areas are assigned risk ratings and an audit plan is formulated in a risk-weighted manner so that priorities and appropriate audit frequency is given to areas with higher risks. The department performs regular financial and operational reviews on the Group. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The Internal Audit Department monitors the follow-up actions agreed upon in response to its recommendations.

The Board monitored the Group's progress on corporate governance practices throughout the year under review. Periodic meetings were held, and circulars or guidance notes were issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

## Delegation by the Board

The Board formulates overall Group strategy. Given the diversity and volume of the Group's business, responsibility for execution and daily operations is delegated to management. The Board gave clear directions as to the powers of management, and periodically reviews all delegations to management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

All committees have specific terms of reference clearly defining their powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

## Shareholder Relations

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. The Company's AGM allows the Directors to meet and communicate with shareholders. The Chairman is actively involved in organizing the AGM and personally chairs it, to ensure that shareholders' views are communicated to the Board. The Chairman proposes separate resolutions for each issue to be considered. In addition to the Chairman, members of the Audit, Remuneration and Nomination Committees also attend the AGM to answer questions from shareholders.

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The procedures for demanding and conducting a poll are explained at the beginning of the meeting, and (except where a poll is required) the number of proxies for and against received in respect of each resolution is revealed where appropriate. Vote results are posted on the Company's website on the day of the AGM.

# Investor Relations



Vice Chairman & Managing Director Raymond Kwok (right) accepts Best Property Developer in Hong Kong and Asia awards from Euromoney Associate Publisher Mike Carrodus.

The Group is committed to maintaining a high standard of transparency through effective investor relations, ensuring that adequate resources are devoted to providing the investment community with accurate and timely information.

Corporate information is disseminated on a timely basis through different channels including annual and interim reports, regular press releases and periodicals, all of which are available on the Group's Internet site [www.shkp.com](http://www.shkp.com). Post-result conferences and analysts' meetings are convened shortly after results are announced, with directors and senior management available to answer questions. The briefings can also be viewed over the Internet for added convenience and transparency.

The Group is proactive in its approach to communicating with investors. Senior management meet with analysts and investors on a regular basis to offer updates on the latest news concerning the Group, and special visits are organized to let analysts see first hand the progress and quality of the Group's new developments. The Group also reaches out to overseas investors by participating in international conferences and staging roadshows.

The Group's seasoned management, good corporate governance and effective investor relations over the years have earned various awards from leading financial magazines. The Group will continue to explore new ways of enhancing investor relations in future.



Executive Director Michael Wong (left) accepts the Asiamoney Best Corporate Governance in Hong Kong and Asia award.

## Awards

### 2007

- Top developer in the Global, Asia, Hong Kong and Korea categories in the *Euromoney* Liquid Real Estate awards, with more than double the points of any other entrant in the Asian category.
- Best Corporate Governance in Asia award from *Corporate Governance Asia* magazine.
- Ranked number one for Best Managed Company, Best Corporate Governance and Best Investor Relations in Hong Kong by *FinanceAsia* magazine.
- The only property developer in Hong Kong to win a Best Corporate Governance award from *The Asset* magazine.
- Platinum in the *Reader's Digest* Trusted Brand Awards - Property Developer category for the second year in a row, outscoring its nearest rival threefold.

### 2006

- Best Overall Investor Relations by a Hong Kong company - large cap from *IR* magazine.
- Ranked number one for Best Corporate Governance in Hong Kong and Asia (for Disclosure and Transparency, Responsibilities of Management and Board of Directors, Shareholders' Rights and Equitable Treatment and Investor Relations) by *Asiamoney* magazine.
- Ranked number one Best Property Company, Most Accessible Senior Management and Most Useful, Informative Web Site in Asia - also number one for Best Company, Most Convincing, Coherent Strategy and Most Transparent Accounts in Hong Kong, by *Euromoney* magazine.

## Major Investor Relations Events in Financial Year 2006/07

Date	Event
<b>2006</b>	
September	<ul style="list-style-type: none"> <li>2005/06 annual results announcement               <ul style="list-style-type: none"> <li>Press conference</li> <li>Analysts briefing</li> <li>Post-results meetings with fund managers</li> </ul> </li> </ul>
October	<ul style="list-style-type: none"> <li>Investors' conference in Hong Kong</li> <li>Europe &amp; US roadshow</li> </ul>
November	<ul style="list-style-type: none"> <li>Investors' conference in Singapore</li> <li>Visits to Severn 8 for analysts and fund managers</li> </ul>
<b>2007</b>	
January	<ul style="list-style-type: none"> <li>Investors' conference in Shanghai</li> </ul>
March	<ul style="list-style-type: none"> <li>2006/07 interim results announcement               <ul style="list-style-type: none"> <li>Press conference</li> <li>Analysts briefing</li> <li>Post-results meetings with fund managers</li> </ul> </li> <li>Investors' conference in Hong Kong</li> <li>Visits to The Vineyard show flats for analysts and fund managers</li> </ul>
April	<ul style="list-style-type: none"> <li>Visits to Harbour Green and Manhattan Hill for analysts and fund managers</li> </ul>
May	<ul style="list-style-type: none"> <li>Investors' corporate day for property sector in Hong Kong</li> </ul>
June	<ul style="list-style-type: none"> <li>Investors' corporate day for property sector in Hong Kong</li> </ul>

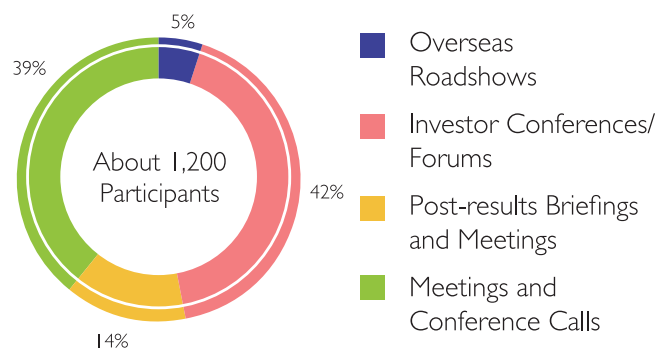


Top management keeps the investment community informed about the Group's latest plans with frequent participation in international forums.



Post-result briefings give management a chance to respond to analysts' questions.

## Communications with the Investment Community in Financial Year 2006/07







Former Head of Corporate Communications May Lau accepts a 2007 Eco-Business Prime award in recognition of the Group's dedicated efforts in environmental protection.

The Group cares about the community and the environment, and it promotes the conservation of energy and natural resources in all aspects of its operations from project planning, design and material sourcing to construction, landscaping and property management. Its clear environmental policies and concerted efforts in the area have won wide recognition from various organizations.

Reducing the environmental impact of construction is a priority. The Group employs a series of measures to ensure effective waste management, sewerage discharge and site safety. During the year, Millennium City 6 won a 2006 Considerate Contractors Site award from the then Environment, Transport and Works Bureau, and the Group was awarded a 2007 Eco-Business Prime award. The indoor air quality in Sun Hung Kai Centre has been certified as 'excellent', and was awarded an "Excellent" Indoor Air Quality certificate from the Environmental Protection Department.



The Group's Ma Wan Park is an ideal place to commune with nature.

Property management companies Hong Yip and Kai Shing have won numerous awards for their efforts to conserve energy and recycle waste in housing estates, malls and offices under their management. Some housing estates have reward schemes to encourage residents to donate used furniture, clothes and toys to charity groups for recycling. The Group offers residents of its developments comfortable environments with extensive green space planted with trees and shrubbery grown on its own farms. Specialized property management staff receive extensive training in horticulture and landscaping, to keep estates lush and green all year round.



Staff are encouraged to participate in environmental activities.

The Group is also working to keep Hong Kong green. Ma Wan Park Nature Garden, operated and funded by the Group, opened in July 2007. This is a new tourist attraction and an interactive outdoor educational centre that combines conservation, education and art in a natural setting. The garden teaches visitors about the environment and conservation, for example using solar, wind and hydro to generate power for the lights, heating and cooling systems and other park facilities. The Group has preserved historic artifacts discovered in the island and has them on display, to teach people about the history of Ma Wan.

The Group also organized various educational activities in its shopping malls to promote green living, such as the organic farming exhibition held in East Point City. The Group also worked closely with green groups to enhance public awareness of environmental protection. It was a sponsor of the 2007 Ngong Ping Charity Walk organized by the Hong Kong Youth Hostels Association, and the SHKP Volunteer Team took part in a tree planting day in the Tai Lam Country Park. The Group encouraged staff to take part in the Green Power Hike to raise funds for green education, and it sponsored an international conference to show Hong Kong's support for global environmental protection.



Property management companies organize family conservation events to bring young children closer to nature.



Group events to promote environmental awareness are well received by the general public.



The Group's special landscaping team works to ensure lush green environments for residents.



## Corporate Social Responsibility – The Group and the Community



The SHKP-Kwoks' Foundation helps train talented people in China. CPC Central Committee Member Liu Yandong thanks Chairman & Chief Executive Walter Kwok for the Group's generosity.

A long-standing belief in community involvement lies at the core of the Group's business philosophy. As part of its commitment to good corporate citizenship, the Group sponsors a wide range of charitable initiatives to assist the less fortunate in society and promote education in Hong Kong and the mainland, and it mounted a variety of long-term community initiatives to promote domestic harmony, encourage reading, advance mental wellness and encourage staff to serve the community.

With Hong Kong marking the tenth anniversary of reunification with the mainland this year, the Group underwrote the production of a souvenir DVD explaining the history of Hong Kong and China's development. A total of 80,000 copies were distributed free to schools, libraries and the general public. The Group was title sponsor of an equestrian eventing competition held this year in preparation for the 2008 Beijing Olympics, when Hong Kong will host the equestrian events. This support helps promote equestrian sport in the territory and boosts Hong Kong's reputation as an international metropolis.



The SHKP Book Club encourages reading and participated in the Hong Kong Book Fair for the first time to promote seven newly-published young authors.

One aspect of the Group's 'Building Homes with Heart' message is promoting a caring society through the SHKP Club, whose various activities to encourage domestic harmony has drawn encouraging response from the public. During this year, the SHKP Club organized an 'I do it for my family' competition that invited people to promise to do something nice for a family member. The competition was very popular with Club members and the general public, and a review of the entries provided an insight into the depth of family ties in Hong Kong.

The SHKP Book Club was established in 2005 to promote reading in Hong Kong. The Book Club publishes a free literary magazine on reading and has organized book review competitions, put on seminars and participated in book fairs, with considerable success. A writing competition for young authors was held during the year, and in July the seven winners had their first books published with the Group's assistance for debut at the Hong Kong book fair in July. It was the first time for the Group to join the book fair and its commitment in promoting art and reading was highly praised by the public. Again, the Group and The Chinese University of Hong Kong invited a number of Nobel Prize winners to lecture in Hong Kong on a variety of topics, sharing their globally-savvy insights with the public.



The Group wants the public to embrace the right perspective about mental health. During the year, the Group has organized seminars and large-scale exhibitions, as well as published a free magazine dealing with mental health issues. These efforts, which have proven to be effective, continue to promote a positive attitude towards mental health through ongoing publicity and education.

The Group supports programmes to help train talented people in China. Its SHKP-Kwoks' Foundation sponsors the Cambridge China Development Trust, which brought 50 top executives from major mainland corporations to Cambridge University where they had a chance to learn from business and political leaders from around the world. The Foundation also provided ten million renminbi sponsorships so that 40 top mainland academics could undertake doctoral studies and other courses at prestigious universities throughout the world. Since its establishment in 2002, the Foundation has also sponsored top mainland scholars to study in Hong Kong and administers scholarships in over ten mainland universities that have helped over 1,000 students. The Group also ran an academic excellence reward programme at Beijing's Tsinghua University that has benefited numerous outstanding scholars over the past ten years. In Hong Kong, the Group is supporting numerous educational initiatives and training projects for young people, such as the New Territories West Elite Student and Modern Apprenticeship programmes, which help young people's personal growth and development.



Students in the Group's ongoing New Territories West Elite Students programme have achieved outstanding results in local examinations, earning the praise of Vice Chairman & Managing Director Thomas Kwok (back, fifth left).



The Group promotes mental wellness to the general public through various channels.



The SHKP Club believes in Building Homes with Heart and promoting loving homes. It staged an 'I do it for my family' that drew several thousand entries.



## Corporate Social Responsibility – The Group and the Community

The Group is active in supporting charitable and voluntary organizations that help the less fortunate, and it encourages its staff to become involved in community work. The 1,200-member SHKP Volunteer Team is in its fourth year of helping the under-privileged in the community by collaborating with charitable organizations. The SHKP Fund for the Elderly continued providing grants to improve the quality of living for elderly people.

The year under review saw the Group honoured for Outstanding Service to the Community in the Excellent Services Brand Award on corporate branding among major companies in Hong Kong. The Group was the only company to earn this distinction. It also received Top Donor Award and President's Award from Community Chest, in recognition of its contributions to charity.



*The SHKP Volunteer Team put in substantially more hours of community service this year than last.*



*The equestrian eventing competition sponsored by the Group helped boost Hong Kong's international reputation.*



*Staff are enthusiastic about helping the community.*



*The Group hosted a shopping mall exhibition of works by disabled artists to raise public awareness of the handicapped.*



*The Group stages frequent seminars for staff training and personal growth.*

The Group recognizes that its valued staff is one of the keys to its success, and it provides a wide range of structured training programmes to realize the full potential of people at all levels within the organization. Courses during the year under review covered many different aspects of professional development, and there were also a variety of talks and activities to help staff balance their personal and professional lives. The Group employs over 27,000 people, who filled 10,000 places at the various courses on offer.

Managerial staff attend seminars and workshops on people management, leadership, business strategy and communication presented by leading experts and overseas academics, to strengthen effectiveness and teamwork. Selected managers are eligible for top-level training programmes at overseas universities to broaden their horizons. The Group developed a service enhancement programme for its property-management staff, and this has been expanded to include mall Customer Care Ambassadors, taking customer service to new levels.

The Group's management trainee and engineering/surveying/architectural trainee programmes continue to recruit high-caliber graduates from leading local, mainland and overseas universities. Staff with recognized potential have many opportunities to advance, with support such as professional coaching sessions and special work assignments, which help to hone their professional skills and strengthen the Group's workforce.



*Special activities help employees lead balanced lives.*

As the Group expands its mainland operations, it is putting on seminars for Hong Kong staff to explain mainland socio-economic development, law and business practices. Local employees are rotated to mainland offices and vice versa with their counterparts to the north, to facilitate mutual cooperation and understanding. There are also corporate orientation programmes to enable mainland staff to better understand the Group's culture.

The Group encourages life-long learning and offers sponsorship for job-related external courses and seminars. It provides various platforms for independent learning, including materials in the training library, e-learning programmes on the Internet and archives of past seminars that can be reviewed on the Group's intranet. It also puts on regular seminars on current affairs and encourages staff to serve on the SHKP Volunteer Team for the benefit of the community.

In addition to paying attention to employment-related matters, the Group is also concerned about the general well-being of its staff. It has a Staff Caring section looking after their needs and it funds a special hotline manned by professional counsellors for staff and members of their families. The Group also presents talks on interpersonal relationships and mental health issues, and it organizes special interest classes, sports events and recreational activities to help staff balance work and leisure.





## Review of Results

Profit attributable to Company's shareholders for the year ended 30 June 2007 was HK\$21,226 million, an increase of HK\$1,376 million or 6.9% compared with HK\$19,850 million for the previous year. The reported profit has included an increase in fair value of investment properties net of related deferred taxation of HK\$9,778 million for the current year and HK\$9,400 million for the previous year. Underlying profit attributable to Company's shareholders which excluded the effect of fair value changes on investment properties increased by HK\$1,027 million or 9.8% to HK\$11,495 million compared with the previous year of HK\$10,468 million, driven mainly by higher profit contributions from property sales and rental income. Profit from property sales and net rental income for the year amounted to HK\$7,698 million and HK\$5,245 million, representing an increase of 9.2% and 13.7%, as compared to HK\$7,049 million and HK\$4,615 million, respectively, for the last year.

## Financial Resources and Liquidity

### (a) Net debt and gearing

The Company's shareholders' funds as at 30 June 2007 increased to HK\$185,476 million or HK\$74.4 per share from HK\$167,529 million or HK\$67.3 per share at the previous year end.

The Group's financial position remains strong with a low debt leverage and high interest cover. Gearing ratio as at 30 June 2007, calculated on the basis of net debt to shareholders' funds, increased moderately to 14% from 13.4% at 30 June 2006. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 9.2 times compared with 9.9 times for the previous year.

As at 30 June 2007, the Group's gross borrowings totalled HK\$33,332 million. All borrowings of the Group are unsecured except for HK\$1,449 million related to the bank borrowings of the Group's subsidiary, Route 3 (CPS) Company Limited, which were secured by way of charges over its assets. Net debt, after deducting cash and bank deposits of HK\$7,364 million, amounted to HK\$25,968 million. The maturity profile of the Group's gross borrowings is set out below:

	30 June 2007 HK\$ Million	30 June 2006 HK\$ Million
Repayable :		
Within one year	773	2,950
After one year but within two years	5,429	1,815
After two years but within five years	21,585	22,902
After five years	5,545	2,570
Total borrowings	33,332	30,237
Cash and bank deposits	7,364	7,806
Net debt	25,968	22,431

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.

## Financial Resources and Liquidity (cont'd)

### (b) Treasury policies

The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2007, about 92% of the Group's borrowings were raised through its wholly-owned finance subsidiaries and the remaining 8% through operating subsidiaries.

The Group's foreign exchange exposure was minimal given its large asset base and operational cash flow primarily denominated in Hong Kong dollars. As at 30 June 2007, about 85% of the Group's borrowings were denominated in Hong Kong dollars, 9% in US dollars, 4% in Singapore dollars and 2% in other currencies. 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. The use of financial derivative instruments is strictly controlled and solely for management of the Group's underlying exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

As at 30 June 2007, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate amount of HK\$2,900 million and a currency swap (to hedge principal repayment of USD debt) in the amount of HK\$234 million.

## Charges of assets

As at 30 June 2007, certain bank deposits of the Group's subsidiary, SmarTone, in the aggregate amount of HK\$324 million, were pledged for securing performance bonds related to 3G licence and some other guarantees issued by the banks. Additionally, the assets of the Group's subsidiary, Route 3 (CPS) Company Limited, with an aggregate net book value of HK\$4,656 million, have been charged as collateral securities for its bank borrowings. Except for the above two charges, all the Group's assets are free from any encumbrances.

## Contingent liabilities

As at 30 June 2007, 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\$3,402 million (2006 : HK\$5,302 million).

# Group Financial Summary



(Restated)

## Key Financial Information and Ratios

Financial year	2003	2004	2005	2006	2007
	HK\$	HK\$	HK\$	HK\$	HK\$
Reported earnings/(loss) per share	(0.57)	6.81	7.45	8.23	8.52
Underlying earnings per share	2.57	2.86	4.27	4.34	4.61
Dividends per share	1.60	1.65	2.20	2.20	2.30
Shareholders' funds at book value per share	46.61	51.85	59.94	67.25	74.43
Net debt to shareholders' funds (%)					
Net debt	11.8	10.2	11.5	13.4	14.0
Shareholders' funds					
Interest cover (times)					
Operating profit before change in fair value of investment properties	13.0	29.1	20.1	9.9	9.2
Net interest expenses before capitalization					

## Key Profit and Loss Account Items

For the year ended 30th June	2003	2004	2005	2006	2007
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Revenue	22,945	21,764	22,945	25,598	30,994
Operating profit before change in fair value of investment properties	5,937	7,518	8,209	12,314	11,562
Operating profit/(loss) after change in fair value of investment properties	(1,922)	18,074	16,348	21,424	20,466
Profit/(loss) attributable to Company's shareholders	(1,377)	16,351	17,900	19,850	21,226
Underlying profit attributable to Company's shareholders	6,164	6,859	10,262	10,468	11,495

## Key Balance Sheet Items

As at 30th June	2003	2004	2005	2006	2007
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Investment properties and fixed assets	83,882	95,962	116,222	133,906	156,619
Associates and jointly controlled entities	22,382	20,774	20,939	24,046	23,098
Long-term investments and loans	6,716	8,162	7,549	4,776	7,417
Intangible asset	589	650	643	632	634
Net current assets	31,121	30,395	34,237	48,854	50,667
Non-current liabilities	(28,765)	(28,534)	(33,500)	(41,667)	(49,940)
Net assets	115,925	127,409	146,090	170,547	188,495
Share capital	1,201	1,201	1,201	1,246	1,246
Share premium and reserves	110,715	123,292	142,722	166,283	184,230
Shareholders' funds	111,916	124,493	143,923	167,529	185,476
Minority interests	4,009	2,916	2,167	3,018	3,019
Total Equity	115,925	127,409	146,090	170,547	188,495

Note: With effect from 1 July 2005, the Group has adopted the new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants which are effective for accounting periods beginning on or after 1 January 2005. Figures for the years 2003 to 2005 have been restated for comparison purposes. Underlying profit attributable to Company's shareholders excluded the effect of fair value change on investment properties.



# Directors' Report



The Directors present their report for the year ended 30 June 2007:

## Principal Activities

The principal activity of the Company continues to be holding investments in various subsidiaries.

The principal activities of the Group continue to be the development of and investment in properties for sale and rent. Ancillary and supporting businesses, which are described under subsidiaries on pages 167 to 170, are integrated with the main business of the Group. Revenue and contributions to operating profit from overseas activities are immaterial. A segmented analysis of revenue and contributions to operating profit after change on fair value of investment properties for the Group (excluding jointly controlled entities and associates) is set out below:

	Revenue		Operating Profit	
	2007 (HK\$M)	2006 (HK\$M)	2007 (HK\$M)	2006 (HK\$M)
Property				
Property sales	14,242	10,890	5,739	6,885
Rental income	6,078	5,659	4,384	4,101
	20,320	16,549	10,123	10,986
Hotel operation	799	734	232	223
Telecommunications	4,039	3,779	183	118
Other businesses	5,836	4,536	1,189	1,077
	30,994	25,598	11,727	12,404
Other income			516	535
Unallocated administrative expenses			(681)	(625)
Operating profit before change in fair value of investment properties			11,562	12,314
Increase in fair value of investment properties			8,904	9,110
Operating profit after change in fair value of investment properties			20,466	21,424

## Group Profits

Profit after taxation, including shares of profit from jointly controlled entities and associates, amounted to HK\$21,414 million (2006: HK\$20,038 million). After taking minority interests into account, profit attributable to Company's shareholders was HK\$21,226 million (2006: HK\$19,850 million).

## Dividends

An interim dividend of HK\$0.70 per share (2006: HK\$0.70 per share) was paid on 2 April 2007. The Directors recommend a final dividend of HK\$1.60 per share (2006: HK\$1.50 per share), making a total dividend of HK\$2.30 per share for the full year ended 30 June 2007 (2006: HK\$2.20).

## Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its ordinary shares during the year. In addition, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares during the year.

# Directors' Report

## Share Capital

Details of the share capital of the Company are shown in note 31 to the financial statements.

## Share Premium and Reserves

Movements in the share premium and reserves of the Company and the Group during the year are shown in note 33 to the financial statements and on page 128 respectively.

## Fixed Assets

Movements of fixed assets during the year are shown in notes 13 and 14 to the financial statements.

## Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 90.

## Properties

Particulars of major investment properties held by the Group are set out on pages 44 and 45.

## Directors

The list of Directors is set out on page 4 of the report and their particulars are set out on pages 108 to 113. All Directors held office for the whole year. Mr. Law King-wan retired as a Director at the annual general meeting held on 7 December 2006. In accordance with Article 104(A) of the Company's Articles of Association, Dr. Fung Kwok-king, Victor; Mr. Yip Dicky Peter; Professor Wong Yue-chim, Richard; Dr. Li Ka-cheung, Eric; Mr. Chan Kui-yuen, Thomas and Mr. Kwong Chun will retire by rotation at the forthcoming annual general meeting (the "Annual General Meeting"). Dr. Fung Kwok-king, Victor will not offer himself for re-election whereas the other five retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting. None of the Directors proposed for re-election has a service agreement with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

The Company has received from each Independent Non-Executive Director an annual confirmation of his independence pursuant to the independence guidelines under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and that the Company still considers the Independent Non-Executive Directors to be independent.

## Directors' and Chief Executive's Interests

As at 30 June 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

### I. Long positions in shares and underlying shares of the Company

Name of Director	Number of shares held				Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-sheung, Walter	75,000	—	—	1,084,972,522 <sup>1</sup>	1,085,047,522	—	1,085,047,522	43.54
Lee Shau-kee	486,340	—	343,000 <sup>2</sup>	—	829,340	—	829,340	0.03
Kwok Ping-kwong, Thomas	1,976,281	304,065	—	1,083,022,214 <sup>1</sup>	1,085,302,560	—	1,085,302,560	43.55
Kwok Ping-luen, Raymond	75,000	—	—	1,086,165,895 <sup>1</sup>	1,086,240,895	—	1,086,240,895	43.59
Wong Yue-chim, Richard	—	1,000	—	—	1,000	—	1,000	0
Woo Po-shing	—	—	—	—	—	236,800 <sup>3</sup>	236,800	0
Li Ka-cheung, Eric	—	—	18,000 <sup>4</sup>	—	18,000	—	18,000	0
Lo Chiu-chun, Clement	90,000	—	—	—	90,000	—	90,000	0
Chan Kai-ming	41,186	—	—	—	41,186	—	41,186	0
Chan Kui-yuen, Thomas	—	66,000	126,500 <sup>5</sup>	—	192,500	—	192,500	0
Kwong Chun	777,722	339,358	—	—	1,117,080	—	1,117,080	0.04
Wong Yick-kam, Michael	145,904	—	—	—	145,904	—	145,904	0
Wong Chik-wing, Mike	195,999	—	—	—	195,999	—	195,999	0
Woo Ka-biu, Jackson (Alternate Director to Woo Po-shing)	—	1,000	—	—	1,000	—	1,000	0

Notes:

- Of these shares in the Company, Messrs. Kwok Ping-sheung, Walter; Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were deemed to be interested in 1,062,988,347 shares by virtue of being beneficiaries of certain discretionary trusts, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO.
- Dr. Lee Shau-kee was deemed to be interested in the 343,000 shares in the Company held through Superfun Enterprises Limited ("Superfun"). This corporation was wholly-owned by The Hong Kong and China Gas Company Limited ("HK China Gas") which was 38.55% held by Henderson Investment Limited ("Henderson Investment") of which 67.94% was held by Kingslee S.A. ("Kingslee"), a wholly-owned subsidiary of Henderson Land Development Company Limited ("Henderson Land Development"). Henderson Land Development was 57.80% held by Henderson Development Limited ("Henderson Development"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of Henderson Development. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau-kee. He was taken to be interested in the 343,000 shares in the Company held by Superfun by virtue of the SFO.
- These underlying shares were derived from unlisted and physically settled equity link note held by Sir Po-shing Woo as beneficial owner.
- These shares were held by a company in which Dr. Li Ka-cheung, Eric owned 12.20% of its issued share capital.
- These shares were held by a company which obliged to act in accordance with the instructions of Mr. Chan Kui-yuen, Thomas.



# Directors' Report

## 2. Long positions in shares and underlying shares of associated corporations of the Company

### (a) SUNeVision Holdings Ltd. ("SUNeVision")

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Personal Interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-sheung, Walter	—	1,070,000 <sup>1</sup>	1,070,000	—	1,070,000	0.05
Kwok Ping-kwong, Thomas	—	1,070,000 <sup>1</sup>	1,070,000	—	1,070,000	0.05
Kwok Ping-luen, Raymond	—	1,742,500 <sup>1</sup>	1,742,500	—	1,742,500	0.08
Kwong Chun	300,000	—	300,000	—	300,000	0.01
Wong Yick-kam, Michael	100,000	—	100,000	—	100,000	0
Wong Chik-wing, Mike	109,000	—	109,000	—	109,000	0

Note:

1. Of these shares in SUNeVision, Messrs. Kwok Ping-sheung, Walter; Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were deemed to be interested in 1,070,000 shares by virtue of being beneficiaries of certain discretionary trusts, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO.

### (b) SmarTone Telecommunications Holdings Limited ("SmarTone")

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Other interests	Total			
Kwok Ping-luen, Raymond	2,237,767 <sup>1</sup>	2,237,767	—	2,237,767	0.38

Note:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares by virtue of being beneficiary of certain discretionary trust(s) for the purpose of the SFO.

### (c) Transport International Holdings Limited

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Personal interests (held as beneficial owner)	Total			
Kwok Ping-sheung, Walter	61,522	61,522	—	61,522	0.01
Kwok Ping-luen, Raymond	393,350	393,350	—	393,350	0.09
Chung Sze-yuen	18,821	18,821	—	18,821	0

## (d) USI Holdings Limited

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Family interests (interests of spouse or child under 18)	Total			
Fung Kwok-king, Victor	3,985,272	3,985,272	—	3,985,272	0.76

## (e) Each of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond had the following interests in shares of the following associated corporations:

Name of Associated Corporation	Attributable holding through corporation	Attributable % of shares in issue through corporation	Actual holding through corporation	Actual % interests in issued shares
Splendid Kai Limited	2,500	25	1,500 <sup>1</sup>	15
Hung Carom Company Limited	25	25	15 <sup>1</sup>	15
Tinyau Company Limited	1	50	1 <sup>1</sup>	50
Open Step Limited	8	80	4 <sup>1</sup>	40

Note:

1. Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were deemed to be interested in these shares, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO. Those shares were held by corporations in which they were entitled to control the exercise of one-third or more of the voting rights in the general meetings of those corporations.

# Directors' Report

- (f) Dr. Lee Shau-kee had corporate interests in shares of the following associated corporations:

Name of Associated Corporation	Total number of shares held	% of shares in issue
Anbok Limited	2 <sup>2</sup>	50
Billion Ventures Limited	1 <sup>3</sup>	50
Central Waterfront Construction Company Limited	1 <sup>4</sup>	50
Central Waterfront Property Holdings Limited	100 <sup>5</sup>	100
Central Waterfront Property Investment Holdings Limited	50 <sup>6</sup>	50
CWP Limited	1 <sup>7</sup>	50
Daily Win Development Limited	100 <sup>8</sup>	25
E Man – Sanfield JV Construction Company Limited	1 <sup>4</sup>	50
Everise (H.K.) Limited	1 <sup>9</sup>	50
Fullwise Finance Limited	2 <sup>2</sup>	50
Gold Sky Limited	1 <sup>10</sup>	50
Jade Land Resources Limited	1 <sup>11</sup>	25
Joy Wave Development Limited	1 <sup>4</sup>	50
Karnold Way Limited	2,459 <sup>12</sup>	24.59
Maxfine Development Limited	3,050 <sup>13</sup>	33.33
New Treasure Development Limited	1 <sup>11</sup>	25
Royal Peninsula Management Service Company Limited	1 <sup>14</sup>	50
Special Concept Development Limited	1 <sup>11</sup>	25
Star Play Development Limited	1 <sup>15</sup>	33.33
Teamfield Property Limited	4,918 <sup>16</sup>	49.18
Topcycle Construction Company Limited	1 <sup>4</sup>	50
Topcycle Development Limited	1 <sup>17</sup>	50
Topcycle Project Management Limited	1 <sup>17</sup>	50
World Space Investment Limited	4,918 <sup>16</sup>	49.18

Notes:

1. Dr. Lee Shau-kee was deemed to be interested in the 343,000 shares in the Company held through Superfun. This corporation was wholly-owned by HK China Gas which was 38.55% held by Henderson Investment of which 67.94% was held by Kingslee, a wholly-owned subsidiary of Henderson Land Development. Henderson Land Development was 57.80% held by Henderson Development. Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of Henderson Development. Rimmer and Riddick as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau-kee. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development. He was taken to be interested in the 343,000 shares in the Company held by Superfun by virtue of the SFO.
2. Dr. Lee Shau-kee was deemed to be interested in the two shares held through Everise (H.K.) Limited. This corporation was 50% held by Masterland Limited, a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
3. Dr. Lee Shau-kee was deemed to be interested in the one share held through Chico Investment Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
4. Dr. Lee Shau-kee was deemed to be interested in the one share held through E Man Construction Company Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
5. Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Central Waterfront Property Investment Holdings Limited. This corporation was 34.21% held by Starland International Limited ("Starland"), a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.



6. Dr. Lee Shau-kee was deemed to be interested in a total of 50 shares of which 34.21 shares were held through Starland and 15.79 shares were held through Prominence Properties Limited ("Prominence"). Starland was wholly-owned by Henderson Land Development. Prominence was wholly-owned by HK China Gas which was 38.55% held by Henderson Investment of which 67.94% was held by Kingslee, a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
7. Dr. Lee Shau-kee was deemed to be interested in the one share held through Starland. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
8. Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Citiright Development Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
9. Dr. Lee Shau-kee was deemed to be interested in the one share held through Masterland Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
10. Dr. Lee Shau-kee was deemed to be interested in the one share held through Atex Resources Limited. This corporation was wholly-owned by Mightymark Investment Limited, a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
11. Dr. Lee Shau-kee was deemed to be interested in the one share held through Citiplus Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
12. Dr. Lee Shau-kee was deemed to be interested in the 2,459 shares held through Chico Investment Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
13. Dr. Lee Shau-kee was deemed to be interested in the 3,050 shares held through Quickcentre Properties Limited. This corporation was 50% held by Henderson (China) Investment Company Limited of which 100% was held by Andcoe Limited, a wholly-owned subsidiary of Henderson China Holdings Limited. This corporation was 100% held by Brightland Enterprises Limited, a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
14. Dr. Lee Shau-kee was deemed to be interested in the one share held through Well Born Real Estate Management Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
15. Dr. Lee Shau-kee was deemed to be interested in the one share held through Henderson Investment. This corporation was 67.94% held by Kingslee, a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
16. Dr. Lee Shau-kee was deemed to be interested in the 4,918 shares held through Billion Ventures Limited. This corporation was 50% held by Chico Investment Limited, a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.
17. Dr. Lee Shau-kee was deemed to be interested in the one share held through Dandy Investments Limited. This corporation was a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.

The interests of the Directors and the chief executive in the share options (being regarded for the time being as unlisted physically settled equity derivatives) of the Company and its associated corporations are stated in detail in the section headed "Share Option Schemes" below.

Save as disclosed above, as at 30 June 2007, none of the Directors and the chief executive of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# Directors' Report

## Share Option Schemes

### I. Share Option Schemes of the Company

The Company once adopted a share option scheme on 20 November 1997 (the "Old Scheme"). Since its adoption, the Company had granted two lots of share options on 15 February 2000 and 16 July 2001 respectively. The first lot and the second lot of share options all expired on 14 February 2005 and 15 July 2006 respectively.

The Company by ordinary resolutions passed at its extraordinary general meeting held on 5 December 2002 adopted a new share option scheme (the "New Scheme") and terminated the Old Scheme in order to comply with the new requirements under the then revised Chapter 17 of the Listing Rules. No further options may be offered under the Old Scheme. However, the outstanding options granted under the Old Scheme mentioned in the following paragraphs shall continue to be subject to the provisions of the Old Scheme and the revised provisions of Chapter 17 of the Listing Rules. No option shares have been granted under the New Scheme to any person since its adoption.

The outstanding positions of the Directors and the chief executive of the Company as at 30 June 2007 with respect to their share options granted under the Old Scheme are as follows:

Name of Director	Date of grant	Exercise price (HK\$)	Number of share options				Balance as at 30.6.2007	Weighted average closing price <sup>1</sup> (HK\$)
			Balance as at 1.7.2006	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
Kwok Ping-sheung, Walter	16.7.2001	70.00	75,000	—	75,000	—	—	78.80
Kwok Ping-kwong, Thomas	16.7.2001	70.00	75,000	—	75,000	—	—	78.80
Kwok Ping-luen, Raymond	16.7.2001	70.00	75,000	—	75,000	—	—	78.80
Chan Kai-ming	16.7.2001	70.00	75,000	—	75,000	—	—	78.95
Chan Kui-yuen, Thomas	16.7.2001	70.00	75,000	—	75,000	—	—	78.80
Kwong Chun	16.7.2001	70.00	75,000	—	75,000	—	—	78.80
Wong Yick-kam, Michael	16.7.2001	70.00	75,000	—	75,000	—	—	78.80
Wong Chik-wing, Mike	16.7.2001	70.00	75,000	—	75,000	—	—	78.80

Note:

1. This refers to the weighted average closing price of the shares of the Company immediately before the dates on which share options were exercised.

The movements during the year 30 June 2007 of the share options granted under the Old Scheme to the employees of the Company working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and the chief executive of the Company as disclosed above, are summarised as follows:

Date of grant	Exercise price (HK\$)	Number of share options				Balance as at 30.6.2007	Weighted average closing price <sup>1</sup> (HK\$)
		Balance as at 1.7.2006	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
16.7.2001	70.00	210,000	—	174,000	36,000	—	79.04

Note:

1. This refers to the weighted average closing price of the shares of the Company immediately before the dates on which share options were exercised.

Other than the participants as stated above, the Company had not granted since the adoption of the Old Scheme any share options to any other persons as required to be disclosed under Listing Rule 17.07.

During the year ended 30 June 2007, no share option was granted under the Old Scheme and the New Scheme.

### Major terms of share option schemes of the Company

The major terms of the Old Scheme and the New Scheme (collectively the "Schemes"), in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The purposes of the Schemes are to provide incentives to the participants.
2. The participants of the Schemes are employees including the Executive Directors of the Company and its subsidiaries.
3. The total number of shares which may be issued upon exercise of all options to be granted under the Schemes must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the New Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be granted must not exceed 30% of the issued share capital of the Company from time to time. As at 13 September 2007, the number of shares available for issue in respect thereof is 249,183,336 shares of the Company, representing 10% of the issued shares of the Company.

4. No participant shall be granted an option which, if exercised in full, would result in such participant's maximum entitlement to exceed 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Old Scheme.

Pursuant to the New Scheme, the total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

5. The exercise period of any option granted under the Old Scheme must not be more than 5 years commencing on the date of grant. The exercise period of any option granted under the New Scheme shall be determined by the Board of Directors (the "Board") but such period must not exceed 10 years from the date of grant of the relevant option.
6. No option can be exercised during the first year of the exercise period under the Old Scheme. Pursuant to the New Scheme, the Board has the authority to determine the minimum period for which an option must be held before it can vest. The New Scheme itself does not specify any minimum holding period.
7. Pursuant to the Schemes, the acceptance of an offer of the grant of the respective options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from each grantee.
8. The exercise price of an option to subscribe for shares granted pursuant to the Schemes shall be the highest of:
  - the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date on which an offer is made to a participant, which must be a business day;
  - the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
  - the nominal value of the shares of the Company.
9. The New Scheme shall be valid and effective till 4 December 2012.



# Directors' Report

## 2. Share Option Schemes of the Subsidiaries

### (a) SUNeVision

SUNeVision had adopted a share option scheme (the "SUNeVision Old Scheme"), the principal terms of which were summarized in the section headed "Statutory and General Information Share Option Schemes" in Appendix 5 to SUNeVision's prospectus dated 6 March 2000. By ordinary shareholders' resolutions of SUNeVision passed at its annual general meeting held on 3 December 2002, SUNeVision had adopted another share option scheme (the "SUNeVision New Scheme") and terminated the SUNeVision Old Scheme. These have become effective on 5 December 2002 as a result of the passing of ordinary resolutions approving the same by the shareholders of the Company at its extraordinary general meeting held on the same day.

### (i) SUNeVision Old Scheme

Since the adoption of the SUNeVision Old Scheme, SUNeVision had granted four lots of share options, of which the options at the exercise price of HK\$10.38 per share had expired at the close of business on 30 December 2005. No further options may be offered under the SUNeVision Old Scheme. However, the outstanding options granted under the SUNeVision Old Scheme shall continue to be subject to the provisions of the SUNeVision Old Scheme and the provisions of Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange (the "GEM Listing Rules").

The options at the exercise price of HK\$3.885 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (a) one-third of the options within three years commencing on 15 November 2001;
- (b) a further one-third of the options within three years commencing on 15 November 2002; and
- (c) the remaining one-third of the options within three years commencing on 15 November 2003.

The options expired at the close of business on 14 November 2006.

The options at the exercise price of HK\$2.34 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (a) one-third of the options within three years commencing on 20 March 2002;
- (b) a further one-third of the options within three years commencing on 20 March 2003; and
- (c) the remaining one-third of the options within three years commencing on 20 March 2004.

The options expired at the close of business on 19 March 2007.

The options at the exercise price of HK\$1.43 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (a) one-third of the options within three years commencing on 8 July 2003;
- (b) a further one-third of the options within three years commencing on 8 July 2004; and
- (c) the remaining one-third of the options within three years commencing on 8 July 2005.

The options will expire at the close of business on 7 July 2008.

During the year ended 30 June 2007, no share option was granted under the SUNeVision Old Scheme.

### (ii) SUNeVision New Scheme

SUNeVision had granted two lots of share options under the SUNeVision New Scheme since its adoption.

The options at the exercise price of HK\$1.59 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (a) an amount up to one-third of the grant within three years commencing on 29 November 2004;
- (b) the remaining amount but up to two-thirds of the grant within three years commencing on 29 November 2005; and
- (c) the remaining amount within three years commencing on 29 November 2006.

The options will expire at the close of business on 28 November 2009.

The options at the exercise price of HK\$1.41 per share may be exercised in accordance with the terms of the relevant scheme in full at any time within three years from 10 November 2005 and the options will expire at the close of business on 9 November 2008.

During the year ended 30 June 2007, no share option was granted under the SUNeVision New Scheme.

The outstanding positions of the Directors and chief executive of the Company as at 30 June 2007 with respect to their share options granted under the SUNeVision Old Scheme and the SUNeVision New Scheme are as follows:

Name of Director	Date of grant	Exercise price (HK\$)	Number of share options				
			Balance as at 1.7.2006	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.6.2007
Kwok Ping-sheung, Walter	7.4.2001	2.34	60,000	—	—	60,000	—
Kwok Ping-kwong, Thomas	7.4.2001	2.34	60,000	—	—	60,000	—
Kwok Ping-luen, Raymond	7.4.2001	2.34	116,666	—	—	116,666	—
Chan Kui-yuen, Thomas	7.4.2001	2.34	60,000	—	—	60,000	—
Wong Yick-kam, Michael	7.4.2001	2.34	60,000	—	—	60,000	—

The movements during the year ended 30 June 2007 of the share options granted under the SUNeVision Old Scheme and the SUNeVision New Scheme to the employees of the Company working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company as disclosed above, are summarized as follows:

Date of grant	Exercise price (HK\$)	Number of share options					Weighted average closing price <sup>1</sup> (HK\$)
		Balance as at 1.7.2006	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.6.2007	
30.11.2000	3.885	295,833	—	—	295,833	—	N/A
7.4.2001	2.340	330,000	—	—	330,000	—	N/A
8.7.2002	1.430	550,000	—	366,667	183,333	—	1.88
29.11.2003	1.590	1,700,000	—	1,129,667	66,667	503,666	1.89
10.11.2005	1.410	1,570,000	—	1,570,000	—	—	1.88

Note:

1. This refers to the weighted average closing price of the shares of SUNeVision immediately before the dates on which share options were exercised.

Other than the participants as stated above, SUNeVision had not granted since the adoption of the SUNeVision Old Scheme and the SUNeVision New Scheme any options to any other persons as required to be disclosed under Listing Rule 17.07.

**(b) iAdvantage Limited ("iAdvantage")**

SUNeVision group operates another share option scheme which was approved for iAdvantage (the "iAdvantage Scheme"), a subsidiary of SUNeVision. No option shares for iAdvantage have been granted to any person since its adoption as required to be disclosed under the Listing Rules.

# Directors' Report

(c) **SmarTone**

Pursuant to the terms of the share option scheme of SmarTone (the "SmarTone Scheme") adopted on 15 November 2002, SmarTone may grant options to the participants, including directors and employees of SmarTone group, to subscribe for shares of SmarTone. No option shares for SmarTone have been granted to any Director or employee of the Company since its adoption as required to be disclosed under the Listing Rules.

(d) **Major terms of share option schemes of the subsidiaries**

(i) **SUNeVision Old Scheme, SUNeVision New Scheme and iAdvantage Scheme**

The major terms of the SUNeVision Old Scheme, the SUNeVision New Scheme and the iAdvantage Scheme (collectively "the SUNeVision Schemes"), are summarized as follows:

1. The purposes of the SUNeVision Schemes are to provide incentives to their respective participants.
2. The participants of the SUNeVision New Scheme include (i) executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the SUNeVision group; (ii) any consultants, professional and other advisers to each member of the SUNeVision group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of SUNeVision; (iv) any associates of a director, chief executive or substantial shareholder of SUNeVision; and (v) any employees of substantial shareholder of SUNeVision, as absolutely determined by the board of directors of SUNeVision.

The participants of the SUNeVision Old Scheme include full-time employees of SUNeVision or its subsidiaries including executive directors of SUNeVision or its subsidiaries.

The participants of the iAdvantage Scheme include full-time employees of iAdvantage or its subsidiaries including executive directors of iAdvantage or its subsidiaries.

3. The total number of shares which may be issued upon exercise of all options to be granted under the SUNeVision Old Scheme and the SUNeVision New Scheme shall not in aggregate exceed 10% of the total number of shares in issue of SUNeVision as at the date of the approval of the SUNeVision New Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders of SUNeVision. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SUNeVision Old Scheme and the SUNeVision New Scheme must not exceed 30% of the issued share capital of SUNeVision from time to time (or such higher percentage as may be allowed under the GEM Listing Rules). As at 13 September 2007, the number of shares of SUNeVision available for issue in respect thereof was 195,939,750 shares of SUNeVision, representing approximately 9.645% of the issued shares of SUNeVision.

The maximum number of shares in respect of which options may be granted under the iAdvantage Scheme must not exceed 10% of the total number of shares in issue of iAdvantage from time to time. The issued share capital of iAdvantage as at 13 September 2007 is HK\$4.00. No share options have been granted to any person under the iAdvantage Scheme since its adoption.

4. Pursuant to the SUNeVision New Scheme, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue of SUNeVision. As at 13 September 2007, the total number of shares in issue of SUNeVision was 2,031,148,383.

Pursuant to the SUNeVision Old Option Scheme and the iAdvantage Scheme, no participant shall be granted an option which, if exercised in full, would result in such participants' maximum entitlement to exceed 25% of the aggregate number of the shares for the time being issued and issuable under the respective schemes.



5. An option granted under the SUNeVision New Scheme may be exercised at any time during the option period after the option has been granted by the board of SUNeVision. An option period is a period to be determined by the board of SUNeVision at its absolute discretion and notified by the board to each grantee as being the period during which an option may be exercised, such period shall not be longer than 10 years after the grant date of the option.

The exercise period of any option granted under the SUNeVision Old Scheme must not be less than three years to be notified by the board of SUNeVision to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the board of SUNeVision or 28 February 2010, whichever is the earlier; and subject to the provisions for early termination contained in the scheme.

The exercise period of any option granted under the iAdvantage Scheme must not be less than three years to be notified by the board of iAdvantage to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the board of iAdvantage or 28 February 2010, whichever is the earlier; and subject to the provisions for early termination contained in the scheme.

6. Pursuant to the SUNeVision New Scheme, there is neither any performance targets that need to be achieved by the grantee before an option can be exercised nor any minimum period for which an option must be held before the option can be exercised.

Pursuant to each of the SUNeVision Old Scheme and the iAdvantage Scheme, an option may be exercised in accordance with the terms of the respective schemes at any time during a period to be notified by the respective boards to each grantee.

7. Pursuant to the SUNeVision Schemes, the acceptance of an offer of the grant of the respective options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
8. The exercise price of an option to subscribe for shares granted pursuant to each of the SUNeVision New Scheme and the SUNeVision Old Scheme shall be the highest of:
  - the closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;
  - the average of the closing prices of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
  - the nominal value of the shares of SUNeVision.

The exercise price of an option to subscribe for shares granted pursuant to the iAdvantage Scheme shall be determined by the board of SUNeVision and notified to the grantee and shall not be less than the nominal value of the shares of iAdvantage provided that in the case of a grantee which is a director of any holding company of iAdvantage which is also listed on the GEM or the Main Board of the Stock Exchange or his or her associate, the subscription price shall be determined on a fair and reasonable basis and shall not be less than the latest audited net tangible assets per share of iAdvantage.

9. The SUNeVision New Scheme shall be valid and effective till 3 December 2012. Both the SUNeVision Old Scheme and the iAdvantage Scheme shall be valid and effective till 28 February 2010.

# Directors' Report

## (ii) SmarTone Scheme

The major terms of the SmarTone Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The purpose of the SmarTone Scheme is to reward participants who have made a valuable contribution to the growth of the SmarTone group and to enable the SmarTone group to recruit and/or to retain employees who are regarded as valuable to the SmarTone group or are expected to be able to contribute to the business development of the SmarTone group.
2. Any employee, agent, consultant or representative of SmarTone or any of its subsidiaries, including any director of SmarTone or any of its subsidiaries who has made valuable contribution to the growth of the SmarTone group based on his work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the SmarTone Scheme at the invitation of the directors of SmarTone.
3. SmarTone can issue option so that the total number of shares that may be issued upon exercise of all options to be granted under all the share option schemes does not in aggregate exceed 10% of the shares in issue on the date of adoption of the SmarTone Scheme. SmarTone may renew this limit at any time, subject to its shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes does not exceed 30% of the shares of SmarTone in issue from time to time. At 13 September 2007, the number of shares available for issue in respect thereof is 56,041,134 shares which represents approximately 9.67 % of the issued ordinary shares of SmarTone.
4. The maximum entitlement for any participant is that the total number of shares of SmarTone issued and to be issued upon exercise of options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the relevant class of shares of SmarTone in issue.
5. No option may be exercised later than 10 years after it has been granted and no option may be granted more than 10 years after the date on which the SmarTone Scheme is adopted by SmarTone in general meeting.
6. The SmarTone Scheme does not specify any minimum holding period before the option can be exercised but the board of SmarTone has the authority to determine the minimum holding period when the options are granted.
7. Acceptance of offer to grant an option shall be sent in writing together with a remittance in favour of SmarTone of HK\$1.00 by way of consideration for the grant and must be received by the secretary of SmarTone within 28 days from the date of the making of such offer.
8. The option price per share payable upon the exercise of any option will be determined by the directors of SmarTone upon the grant of such option. It will be at least the higher of (i) the average closing price of a share of SmarTone as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such option; (ii) the closing price of a share of SmarTone as stated in the Stock Exchange's daily quotations sheet on the day of offer of such option, which must be a business day; and (iii) the nominal value of a share of SmarTone.
9. The SmarTone Scheme shall be valid and effective for a period of 10 years commencing from the adoption of the SmarTone Scheme on 15 November 2002.

## Arrangement to Purchase Shares or Debentures

Other than the share option schemes as mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company to acquire benefits by means of the acquisition of shares in or debenture of the Company or of any other body corporate.

## Interests of Substantial Shareholders

As at 30 June 2007, the long positions of every person, other than a Director or the chief executive of the Company, who had interest or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	As Trustee	Corporate interest	Beneficial owner	Others	Total number of shares	% of shares in issue
HSBC International Trustee Limited ("HITL")	1,087,523,359	—	—	—	1,087,523,359 <sup>1</sup>	43.64
Cerberus Group Limited ("CGL")	—	1,056,638,347	—	—	1,056,638,347 <sup>1</sup>	42.42
Vantage Captain Limited ("VCL")	—	75,830,929	980,807,418	—	1,056,638,347 <sup>1</sup>	42.42

Note:

1. The shares in which VCL was interested were the same shares in which CGL was interested; the shares in which CGL was interested formed part of the shares in which HITL was interested. As at 30 June 2007, the actual duplicate interests held by VCL, CGL and HITL in the Company were 1,062,988,347 shares which were also the same shares referred to in Note 1 of sub-section 1 under the section headed "Directors and Chief Executive's Interests".

## Interests of Other Persons

During the year, other than the interests in shares and underlying shares of the Company and its associated corporations held by the Directors, the chief executive and substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register required to be kept under section 336 of the SFO.

## Emolument Policy and Long Term Incentive Schemes of the Group

At at 30 June 2007, the Group employed more than 27,000 employees. 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".

## 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.

## Bank and Other Borrowings

Details of bank borrowings are set out in notes 26 and 28 to the financial statements on pages 155 and 156.

## Interest Capitalized

Interest capitalized during the year amounted to HK\$624 million (2006: HK\$389 million).

## Charitable Donations

HK\$49.3 million was donated during the year (2006: HK\$65.5 million).



# Directors' Report

## Directors' Interests in Competing Businesses

The interests of Directors of the Company in competing businesses that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are brothers (collectively the "Kwok Brothers") within a family whose businesses consist of property development and investment in Hong Kong through companies in which they have maintained certain personal and deemed interests. As such, they are regarded as being interested in such competing businesses (the "Excluded Businesses") with the Group. However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. Since the Group does not have property developments and investments in locations other than in Hong Kong and Mainland China and the Kwok family does not have such business in the Mainland, the Kwok Brothers are therefore not regarded to be interested in such Excluded Businesses of the Group in the Mainland.

Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond are non-executive directors of Transport International Holdings Limited in which the Group has a substantial interest, which businesses consist of property development and investment. In this regard, each of them is regarded to be interested in such Excluded Businesses with the Group.

Dr. Lee Shau-kee is the chairman and managing director of Henderson Land Development and Henderson Investment. He is also chairman of The Miramar Hotel and Investment Co. Limited and HK China Gas, director of certain subsidiaries of the aforementioned listed companies. In addition to his being a director, Dr. Lee has maintained certain personal and deemed interests in some of these companies, which businesses consist of property development and investment, property management, infrastructure, internet and telecommunication services, which constitute Excluded Businesses of the Group. Dr. Lee is a Non-Executive Director of the Company, who is not involved in the daily management of the Group.

Messrs. Kwok Ping-luen, Raymond and Wong Yick-kam, Michael are non-executive directors of USI Holdings Limited and Mr. Wong also acts as alternate director to Mr. Kwok Ping-luen, Raymond. The Group has a substantial interest in the company, which businesses consist of property development and investment, and therefore each of them is regarded to be interested in such Excluded Businesses with the Group.

Other than the family businesses of the Kwok Brothers, the above-mentioned Excluded Businesses are managed by separate publicly listed companies with independent management and administration. In this respect, coupled with diligence of its independent Non-Executive Directors and the Audit Committee, the Group is capable of carrying on its businesses independent of, and at arms length from, the Excluded Businesses mentioned above.

## Connected Transactions

During the year, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

## Financial Assistance and Guarantees to Affiliated Companies

The Group has provided financial assistance to and guarantees for facilities granted to certain associated companies and jointly controlled entities (collectively the "Affiliated Companies" within the definition under Chapter 13 of the Listing Rules) which together in aggregate exceeds the relevant percentage ratios of 8% under the Listing Rules. In accordance with the continuing disclosure requirements under Listing Rule 13.22, a proforma combined balance sheet of the Affiliated Companies and the Group's attributable interest in the Affiliated Companies as at 30 June 2007 are presented below:

	Proforma combined balance sheet (HK\$M)	The Group's attributable interest (HK\$M)
Non-current assets	39,320	17,052
Current assets	19,116	7,704
Current liabilities	(3,318)	(1,253)
Non-current liabilities	(50,836)	(21,971)
	4,282	1,532

## Interest in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at any time during the year.

## Major Customers and Suppliers

During the year, less than 30 per cent of the Group's sales and less than 30 per cent of the Group's purchases were attributable to the Group's five largest customers combined and five largest suppliers combined respectively.

## Auditors

The retiring auditors, Messrs. Deloitte Touche Tohmatsu, have signified their willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint them and to authorize the Directors to fix their remuneration.

## Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management regarding auditing, internal control and financial reporting matters including the review of the Company's audited results for the year ended 30 June 2007.

## Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 76 to 79.

## Sufficiency of Public Float

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing Rules.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board.

**Kwok Ping-sheung, Walter**  
Chairman & Chief Executive

Hong Kong, 13 September 2007

# Directors and Organization



## **KWOK Ping-sheung, Walter**

Msc (Lond), DIC, MICE, JP

*Chairman & Chief Executive (Age: 56)*

Mr. Kwok has been with the Group for 33 years. He holds a Master of Science degree in Civil Engineering from Imperial College of Science and Technology, University of London, and is a Member of the Institution of Civil Engineers, U.K. and a Member of the Hong Kong Institution of Engineers. He is an Executive Director of SUNeVision Holdings Ltd., a Non-Executive Director of Transport International Holdings Limited and Director of Wilson Parking (Holdings) Limited and Hung Cheong Import & Export Co., Ltd.

He is also a Director of The Real Estate Developers Association of Hong Kong and Tsimshatsui East Property Developers' Association Ltd. and Honorary Treasurer of the Federation of Hong Kong Hotel Owners. On the community front, he is the Member of the Former Directors Committee of the Hong Kong Community Chest. He is also a Member of MBA Programmes Committee of The Chinese University of Hong Kong and an Honorary Member of The Court of The Hong Kong University of Science & Technology.

Mr. Kwok is an Honorary Citizen of Beijing & Guangzhou and a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Kwok is the elder brother of Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond.

## **Dr. the Hon LEE Shau-kee**

GBM, DBA(Hon), DSSc(Hon), LLD(Hon)

*Non-Executive Director*

*Vice Chairman (Age: 78)*

Dr. Lee has been a Non-Executive Director of the Company for the last 35 years. He is the Founder and Chairman and Managing Director of Henderson Land Development Company Limited and Henderson Investment Limited. He has been engaged in property development in Hong Kong for more than 50 years. He is also Chairman of The Hong Kong and China Gas Company Ltd. and Miramar Hotel and Investment Company, Ltd. as well as a Director of Hong Kong Ferry (Holdings) Company Ltd. and The Bank of East Asia, Limited. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Dr. Lee the Grand Bauhinia Medal for his distinguished community service.

## **KWOK Ping-kwong, Thomas**

MSc (Bus Adm), BSc (Eng), FCPA, SBS, JP

*Vice Chairman & Managing Director (Age: 55)*

Mr. Kwok is Vice Chairman & Managing Director of the Company, and has been with the Group for 30 years. He is also Chairman of Route 3 (CPS) Company Limited, Joint Chairman of IFC Development Limited, an Executive Director of SUNeVision Holdings Ltd. and an Independent Non-Executive Director of The Bank of East Asia, Limited. Mr. Kwok holds a Master degree in Business Administration from The London Business School, University of London and a Bachelor degree in Civil Engineering from Imperial College, University of London.

He is Chairman of the Board of Directors of the Faculty of Business and Economics of The University of Hong Kong and Executive Vice President of The Real Estate Developers Association of Hong Kong. He also serves as a government appointed Member of the Exchange Fund Advisory Committee, Construction Industry Council, the Council for Sustainable Development, Business Facilitation Advisory Committee and the Commission on Strategic Development. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Mr. Kwok the Silver Bauhinia Star for his distinguished community service.



In the past he served as a Member of the Economic and Employment Council, the Business Advisory Group, the Land & Building Advisory Committee, the Registered Contractors' Disciplinary Board and the General Chamber of Commerce Industrial Affairs Committee. He was also Chairman of the Property Management Committee of the Building Contractors' Association and a Council Member of the Hong Kong Construction Association.

He previously served as a Board member of the Community Chest of Hong Kong and as a member of the Social Welfare Policies & Services Committee, and on the Council of The Open University of Hong Kong.

Mr. Kwok is an Honorary Citizen of Guangzhou and a Standing Committee Member of the Ninth Chinese People's Political Consultative Conference Shanghai Committee.

Mr. Kwok is the younger brother of Mr. Kwok Ping-sheung, Walter and the elder brother of Mr. Kwok Ping-luen, Raymond.

### **KWOK Ping-luen, Raymond**

MA (Cantab), MBA, Hon DBA, Hon LLD, JP  
*Vice Chairman & Managing Director (Age: 54)*

Mr. Kwok has been with the Group for 29 years. He holds a Master of Arts degree in Law from Cambridge University, a Master degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. He is Chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited, a Non-Executive Director of Transport International Holdings Limited and USI Holdings Limited, and an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited.

In civic activities, Mr. Kwok is a Director of The Real Estate Developers Association of Hong Kong, a Member of the General Committee of The Hong Kong General Chamber of Commerce, a Member of the Hong Kong Port Development Council and Vice-Chairman of the Council of The Chinese University of Hong Kong. Mr. Kwok is the younger brother of Mr. Kwok Ping-sheung, Walter and Mr. Kwok Ping-kwong, Thomas.

### **The Hon Sir Sze-yuen CHUNG**

GBM, GBE, PhD, FREng, JP  
*Independent Non-Executive Director (Age: 89)*

Sir Sze-yuen Chung has been an Independent Non-Executive Director of the Company since March 2001. Sir Sze-yuen is Chairman and Independent Non-Executive Director of Transport International Holdings Limited. He is also Independent Non-Executive Director of CLP Holdings Limited and Pro-Chancellor of The Hong Kong University of Science & Technology. He has contributed significantly in Hong Kong's political, industrial and tertiary education fields for over four decades. He was Senior Member of Hong Kong Legislative Council (1974-78), Executive Council (1980-88), and Convenor of HKSAR Executive Council (1997-99). He was Chairman of Federation of Hong Kong Industries (1966-70), and Hong Kong Productivity Council (1974-78); and President of Engineering Society of Hong Kong (1960-61) and Hong Kong Academy of Engineering Sciences (1994-97). He established Hong Kong Polytechnic in 1972, City Polytechnic in 1984, The Hong Kong University of Science & Technology in 1991 and Hospital Authority in 1990. He was deeply involved in the Sino-British Negotiation on Hong Kong's future (1982-85) and the establishment of the Hong Kong Special Administrative Region (1993-97).

# Directors and Organization

## **Dr. FUNG Kwok-king, Victor**

BSc, MSc, PhD

*Independent Non-Executive Director (Age: 61)*

Dr. Victor Fung has been an Independent Non-Executive Director of the Company since May 1999. Dr. Fung holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology and a Doctorate in Business Economics from Harvard University. He is Chairman of the Li & Fung Group of companies including the publicly listed Li & Fung Limited, Integrated Distribution Services Group Limited and Convenience Retail Asia Limited. He is also an Independent Non-Executive Director of Bank of China (Hong Kong) Limited, Orient Overseas (International) Limited, CapitaLand Limited in Singapore and Baosteel Group Corporation in the People's Republic of China. Dr. Fung became a Non-Executive Director of Hup Soon Global Corporation Limited in Singapore in May 2007. In public service, Dr. Fung is Vice-Chairman of International Chamber of Commerce, and Chairman of the Hong Kong Airport Authority, the Hong Kong University Council, the Greater Pearl River Delta Business Council and the Hong Kong – Japan Business Co-operation Committee. He is also a member of Chinese People's Political Consultative Conference and a member of the Executive Committee of the Commission on Strategic Development of the Hong Kong Government. From 1991 to 2000, Dr. Fung was Chairman of the Hong Kong Trade Development Council and from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council. In 2003, the Government of the Hong Kong Special Administrative Region awarded Dr. Fung the Gold Bauhinia Star for distinguished service to the community.

## **YIP Dicky Peter**

BBS, MBA, MBE, JP

*Independent Non-Executive Director (Age: 60)*

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in London, China and San Francisco. Mr. Yip worked in a number of departments of HSBC, which include trade services, corporate banking, group consultancy service and regional training. His previous assignment prior to becoming CEO China had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. From January 2003 to April 2005, Mr. Yip was appointed Chief Executive China Business, based in Shanghai; meanwhile, he was also a director of Bank of Shanghai, Ping An Insurance and Ping An Bank in China. Since April 2005, Mr. Yip has become a General Manager of HSBC. He has also been appointed Executive Vice President of Bank of Communications since 1 May 2005.

Mr. Yip is an elected associated member of the Chartered Institute of Bankers, London and was educated in Hong Kong with an MBA from The University of Hong Kong. He received the Ten Outstanding Young Persons Award in 1984 for his contribution to the banking industry and the community in Hong Kong. Mr. Yip was awarded the MBE by the British Government in 1984. In 1999, he was appointed Unofficial Justice of Peace in Hong Kong. In 2000, he was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In addition, he is now an examiner of China Banking Regulatory Commission's Recruitment Committee, an advisor for the Beijing Financial Development Advisory Group and the Honorary Chairman of Hong Kong Chamber of Commerce in China. He is also a director of the European Union Chamber of Commerce in China.

Mr. Yip is active in community and youth activities in Hong Kong and is a member of a number of service organisations such as Hong Kong Committee for United Nations Children Fund and the 8th National Council of Red Cross Society of China.

**Professor WONG Yue-chim, Richard**

SBS, JP

*Independent Non-Executive Director (Age: 55)*

Professor Richard Wong has been an Independent Non-Executive Director of the Company since May 2005. He currently serves as Deputy Vice-Chancellor and Provost of The University of Hong Kong. Professor Wong has been active in advancing economic research on policy issues in Hong Kong and Mainland China through his work as founding Director of both the Hong Kong Centre for Economic Research and Hong Kong Institute of Economics and Business Strategy. Professor Wong was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing industry and technology development. In addition, he was appointed Justice of the Peace in July 2000. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy.

**Sir Po-shing WOO**

Hon.LLD., FCI Arb, F.I.Mgt., FlntD

*Non-Executive Director (Age: 78)*

Sir Po-shing Woo has been a Non-Executive Director of the Company since August 1972. He is a Director of Henderson Development Limited, Non-Executive Director of Henderson Land Development Company Limited and Henderson Investment Limited and a Consultant of Jackson Woo & Associates. He was admitted to practise as solicitor in England and Hong Kong and is also a Fellow of The Hong Kong Management Association, The Chartered Institute of Arbitrators, The Institute of Management and The Institute of Directors of England. He was awarded an Hon.LLD. by The City University of Hong Kong and is a Fellow of King's College of London as well as Honorary Professor of Nankai University of Tianjin. He is also the Founder of the Woo Po Shing Medal in Law and the Woo Po Shing Overseas Summer School Travelling Scholarship, both at The University of Hong Kong, and the Woo Po Shing Professor (Chair) of Chinese and Comparative Law at City University.

**Dr. LI Ka-cheung, Eric**

GBS, OBE, JP, LLD, DSocSc., B.A.

*Non-Executive Director (Age: 54)*

Dr. Eric Li has been a Non-Executive Director of the Company since May 2005. Dr. Li is the Senior Partner of Li, Tang, Chen & Co., Certified Public Accountants. He is also an Independent Non-Executive Director of Transport International Holdings Limited, Wong's International (Holdings) Ltd, CATIC International Holdings Limited, Hang Seng Bank Limited, China Resources Enterprise, Limited, Roadshow Holdings Limited, SmarTone Telecommunications Holdings Limited, Bank of Communications Co., Ltd and Meadville Holdings Limited. Dr. Li is a member of The 10th National Committee of Chinese People's Political Consultative Conference, a convenor cum member of the Financial Reporting Review Panel, a member of the Commission on Strategic Development, a former member of the Legislative Council of Hong Kong and Chairman of its Public Accounts Committee. He was also a past president of the Hong Kong Institute of Certified Public Accountants (formerly Hong Kong Society of Accountants).



# Directors and Organization

## **KWAN Cheuk-yin, William**

LLB

*Non-Executive Director (Age: 73)*

Mr. William Kwan has been a Non-Executive Director of the Company since July 1999. As a Managing Partner with the Solicitors firm of Woo, Kwan, Lee & Lo, Mr. Kwan has 45 years of experience in legal practice. He is a former Director and Advisor and currently a voting member of the Tung Wah Group of Hospitals, a past member of the Stamp Advisory Committee, Vice Chairman of the Hong Kong Scout Foundation, President of the Hong Kong Branch of the King's College London Association, President of the Hong Kong Philatelic Society, Vice Chairman of the Federation of Inter-Asia Philately, a permanent advisor of Wah Yan (Hong Kong) Past Students Association, a Legal Advisor of the South China Athletic Association and an Honorary Legal Advisor of the Hong Kong Society for Reproductive Society.

Mr. Kwan was Commissioner General and Vice Chairman of the Organizing Committees of the Hong Kong 1994, 1997, 2001 and 2004 Stamp Exhibitions. He served on the Hong Kong Golf Club General Committee on several occasions in various capacities. He graduated from King's College, London University and is a Fellow of King's College London, the Institute of Arbitrators and the Royal Philatelic Society, London.

## **LO Chiu-chun, Clement**

*Non-Executive Director (Age: 77)*

Mr. Lo was an Executive Director and the Company Secretary of the Company for 28 years before he resigned from both positions in February 1998. He has been in the property development industry since 1960s.

## **CHAN Kai-ming**

CEng, FStructE, MICE

*Executive Director (Age: 75)*

Mr. Chan has been an Executive Director of the Company since January 1981. He also served as an appointed Member of the District Board of Shatin for three years from 1985.

## **CHAN Kui-yuen, Thomas**

B Comm

*Executive Director (Age: 61)*

Mr. Chan has been an Executive Director of the Company since September 1987. He graduated from the United College, The Chinese University of Hong Kong. He joined the Group in 1973 and is now responsible for land acquisitions and project planning matters. Mr. Chan is also an Executive Director of SUNeVision Holdings Ltd..

**KWONG Chun**

*Executive Director (Age: 78)*

Mr. Kwong has been an Executive Director of the Company since October 1992. He graduated from the Zhong Nan Finance & Economics College of Wuhan in China. He worked for the Guangzhou office of the People's Bank of China before coming to Hong Kong in 1962 to work for Eternal Enterprises Limited. He was transferred to Sun Hung Kai Enterprises Limited in 1963. In 1972, the Company became a listed company and he has worked for it ever since.

**WONG Yick-kam, Michael**

BBA, MBA

*Executive Director (Age: 55)*

Mr. Wong has been with the Group for 26 years. He obtained his Bachelor of Business Administration and Master of Business Administration degrees from The Chinese University of Hong Kong. He was appointed an Executive Director of the Company in 1996 and is currently responsible for the Group's strategic planning, corporate development, infrastructure projects, financial investments and investor relations.

Mr. Wong is Deputy Chairman of RoadShow Holdings Limited, an Executive Director of SUNeVision Holdings Ltd. and a Non-Executive Director of SmarTone Telecommunications Holdings Limited and USI Holdings Limited.

In community service, Mr. Wong is Chairman of the Hong Kong Youth Hostels Association. He is a member of the Steering Committee on Promotion of Volunteer Service of the Social Welfare Department and also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong.

**WONG Chik-wing, Mike**

MSc(IRE), FHKIS, Registered Professional Surveyor (BS)

*Executive Director (Age: 51)*

Mr. Wong graduated from the Hong Kong Polytechnic University with distinction and holds a Master degree in International Real Estate. He is a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor. He joined the Group in 1981 and was appointed an Executive Director of the Company in January 1996. He is currently responsible for project management matters of the Group's development projects.

**WOO Ka-biu, Jackson**

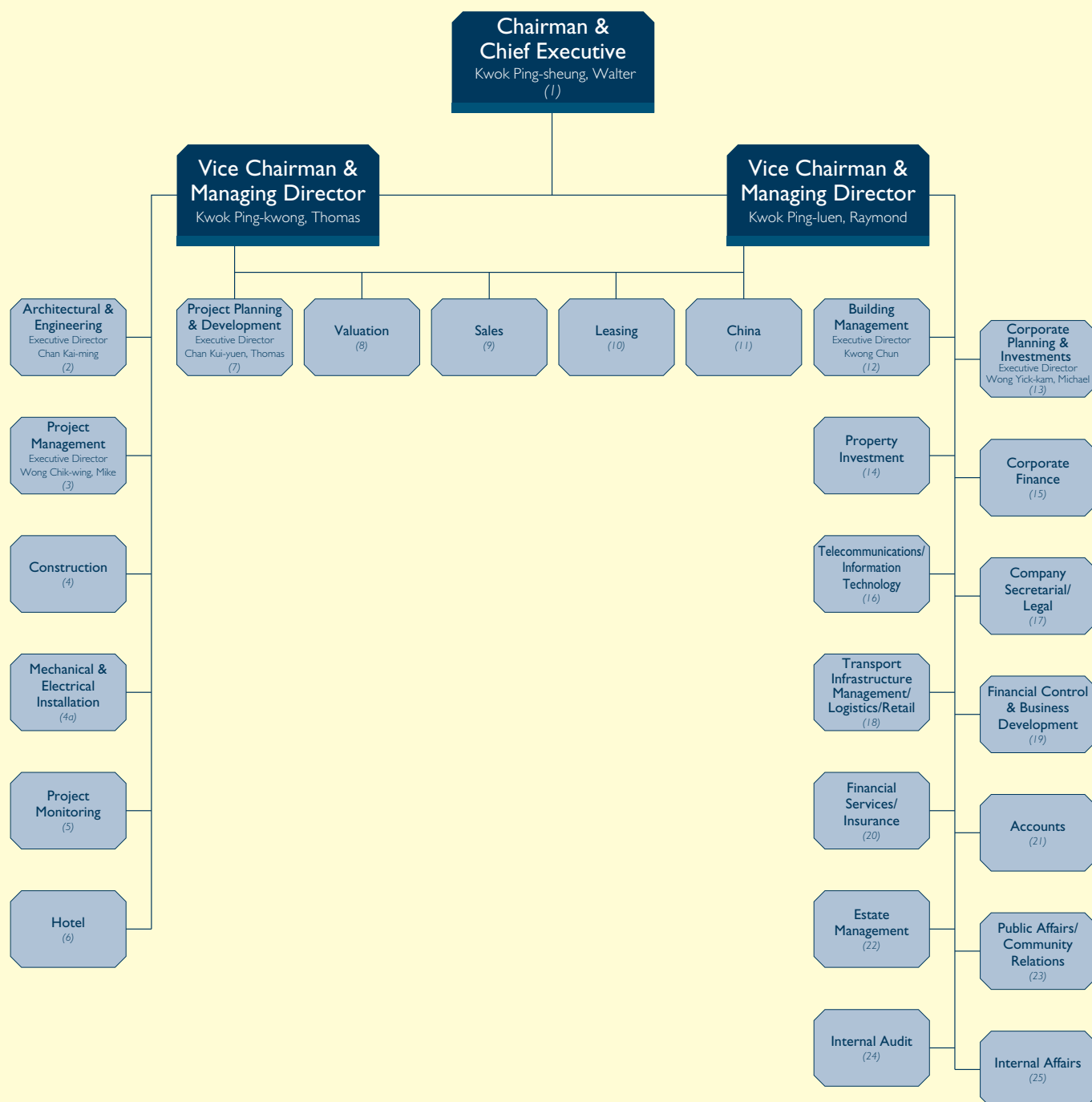
MA (Oxon)

*Alternate Director to Sir Po-shing Woo (Age: 45)*

Mr. Woo was appointed as an Alternate Director to Sir Po-shing Woo in October 2002. Mr. Woo is a Director of Kailey Group of Companies. He holds a Master's degree in Jurisprudence from Oxford University and is qualified as a solicitor in Hong Kong, Australia, England and Wales. Mr. Woo is currently a partner of Jackson Woo & Associates and was a director of N. M. Rothschild & Sons (Hong Kong) Limited. Prior to that he was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. Mr. Woo is also an Alternate Director to Sir Po-shing Woo, a Non-Executive Director of Henderson Land Development Company Limited and Henderson Investment Limited. Mr. Woo is the son of Sir Po-shing Woo.

# Directors and Organization

## Organization Chart and Senior Executives





**(1) Executive Committee****Kwok Ping-sheung, Walter**

MSc(Lond), DIC, MICE, JP  
Chairman and Chief Executive

**Kwok Ping-kwong, Thomas**

MSc(Bus Adm), BSc(Eng), FCPA, JP  
Vice Chairman and Managing Director

**Kwok Ping-luen, Raymond**

MA(Cantab), MBA, Hon DBA, Hon LLD, JP  
Vice Chairman and Managing Director

**Chan Kai-ming**

CEng, FIStructE, MICE  
Executive Director (Architectural & Engineering)

**Chan Kui-yuen, Thomas**

B Comm  
Executive Director  
(Project Planning & Development)

**Kwong Chun**

Executive Director (Building Management)

**Wong Yick-kam, Michael**

BBA, MBA  
Executive Director  
(Corporate Planning & Investments)

**Wong Chik-wing, Mike**

MSc(IRE), FHKIS, RPS(BS)  
Authorized Person  
Executive Director (Project Management)

**(1a) Chairman's Office****Yung Wing-chung**

Corporate Advisor

**Chien Yuan-hwei, George**

BSc(Eng), MSc, DIC, CEng, PEng, FICE, FITE  
Transportation Advisor

**So Sing-tak, Andrew**

BA, MBA  
Special Assistant to Vice Chairman  
& Managing Director

**Chin Ping-fai, Johnny**

MA  
Manager

**Lui Wai-tat, Andy**

BA(Hons), MBA, FRICS  
Manager

**Overton, Thomas Mc Donald**

Manager

**Lee Chak-cheong, Roger**

BSc, MSc, CEng, MICE, MIHT, MILT  
Deputy Manager (Transport)

**Ho Tak-ming, Benny**

BSc, MSc, CFA, CAIA, FRM  
Deputy Manager

**Ng Shing-yin, Eric**

BSc, LLB, MBA, MRICS,  
AMHKIE, MCIQB, MHKICM  
Special Assistant to Chairman & Chief Executive

**(2) Architectural and Engineering****Chan Kai-ming**

CEng, FIStructE, MICE  
Executive Director

**Sitt Nam-hoi**

BA(Hons), BArch(Distinction), HKIA  
Registered Architect  
Authorized Person  
Chief Architect

**Yu Chung-yeung**

CEng, FIStructE, FHKIE, MICE, RSE, RPE  
Consultant

**Li Kwong-hing**

BSc(Eng), MSc, DIC, CEng,  
MIMechE, FCIBSE, MHKIE, RPE  
Chief Building Services Engineer

**Lau Chi-kin**

MSc, CEng, FIStructE, FHKIE,  
MICE, RSE, RPE, IRSE-PRC  
Authorized Person  
Chief Structural Engineer

**Ng Tze-kwan, Jeff**

BArch, MAIBC, MRAIC, HKIA  
Registered Architect  
Authorized Person  
Deputy Chief Architect

**Choi Siu-chuen**

MHKIE  
Deputy Chief Building Services Engineer

**Leung Yuen-dick, Dick**

BArch, MA Arb, HKIA  
Registered Architect  
Authorized Person  
PRC Class I Registered Architect Qualification  
Senior Architect

**Lau Kay-shui**

MSc, CEng, MIStructE, MHKIE, RPE, RSE  
Senior Structural Engineer

**Li Ka-wing**

Deputy Manager

**Chan Wai-hing, Clara**

Deputy Manager

**Chiu Wai-kuen, Stephen**

BSc(Eng)  
Senior Structural Engineer

**Tang Wai-man, Tony**

BA(AS), BArch, HKIA  
Registered Architect  
Authorized Person  
PRC Class I Registered Architect Qualification  
Senior Architect

**Yen Koon-wai, Michael**

BA(AS)Hons, MArch, HKIA  
Registered Architect  
Authorized Person  
Senior Architect

**Ng Hin, Felix**

BA(AS), MArch, HKIA  
Registered Architect  
Authorized Person  
Senior Architect

**Yuen Chung-ah, Michael**

BA(Hons), BArch, RIBA, HKIA  
Registered Architect  
Design Architect

**Leung Chi-keung, Barry**

BA(AS), BArch, HKIA  
Registered Architect  
PRC Class I Registered Architect Qualification  
Senior Architect

**Fung Siu-man, Shirley**

BA(AS), MArch, HKIA  
Registered Architect  
Authorized Person  
Senior Architect

**Toh Suan-sim**

BArchSt, BArch(Hons)  
Registered Architect (Singapore)  
Assistant Manager

**King Jun-pin, Christopher**

BA(Arch), MArch, HKIA  
Registered Architect  
Authorized Person  
PRC Class I Registered Architect Qualification  
Senior Architect

**Lau Chun-lun, Arcturus**

Assistant Manager

**Leung Hok-man, Ricky**

BEng(Hons), CEng, MIStructE, MHKIE, MIEAust,  
CPEng, RPE  
Senior Structural Engineer

**Sin Wai-man, Abby**

BLA(Hons), OALA, CSLA  
Assistant Manager

**Wu Chi-wing**

BEng(Hons)  
Senior Structural Engineer

# Directors and Organization

## (3) Project Management

### Wong Chik-wing, Mike

MSc(IRE), FHKIS, RPS(BS)  
Authorized Person  
Executive Director

### Tung Chi-ho, Eric

BA(AS)Hons, BArch, HKIA  
Registered Architect  
Authorized Person  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd

### Tam Tin-fong, Martin

BArch, RIBA, FHKIA  
Registered Architect  
Authorized Person  
PRC Class I Registered Architect Qualification  
Manager

### Sitt Nam-hoi

BA(Hons), BArch(Distinction), HKIA  
Registered Architect  
Authorized Person  
Manager

### Au Yeung Shiu-keung

BSc(Eng), CEng, FHKIE, FCIBSE, FIEE, FIEAust  
Manager

### Lee Tit-sun, Augustine

BArch, FHKIA  
Registered Architect  
Authorized Person  
Manager

### Chu Kwok-kit, Ringo

BA(AS), BArch, RIBA, HKIA, ARAIA  
Registered Architect  
Authorized Person  
Manager

### Au Ho-cheung, David

BSc(Arch), MArch, HKIA  
Registered Architect  
Authorized Person  
PRC Class I Registered Architect Qualification  
Manager

### Ng Chak-kin, Clarence

BA(AS), BArch, RIBA, HKIA, ARAIA  
Registered Architect  
Authorized Person  
Deputy Manager

### Cheung Kai-wah, Gabriel

MConstMgt, FHKIS, FRICS,  
FCIOB, MCIArb, MACostE, FHKICM, RPS(QS)  
Deputy Manager

### Woo Yan-fan, Stella

BA(AS), MArch, MBA, HKIA  
Registered Architect  
Authorized Person  
Deputy Manager

### Tung Jing-kong, Jeff

BA(AS)Hons, BArch, RIBA, FHKIA  
Registered Architect  
Authorized Person  
Deputy Manager

### Chan Hong-ki, Robert

BSc, MRICS, MHKIS, RPS(BS)  
Authorized Person  
Deputy Manager

### Chan Lai-man, Raymond

BSc(Eng), MBA, MRICS, MHKIS,  
MHKIE, MCIOB, MHKICM  
Deputy Manager

### Chung Wing-tim, Alain

BA(AS)Hons, BArch, HKIA  
Registered Architect  
Authorized Person  
Deputy Manager

### Cheung Wai-tak, Vitus

BSc(Eng), MHKIE, MCIBSE, MIEAust, MIEE  
Deputy Manager

### So Wai-lik, Johnson

BSc, MBA, FRICS, FHKIS, FSZCEA,  
ACIArb, AHKIArb, RPS(QS)  
Deputy Manager

### Tsang Wai-ming, Thomas

BArch, MCIArb, AHKIArb, RIBA,  
HKIA, RAIA, MAIB  
Registered Architect  
Authorized Person  
Deputy Manager

### Chiu Hon-hang, Elvin

BES, BEDS, BArch, HKIA, PFM  
Registered Architect  
Authorized Person  
Assistant Manager

### Cheung Chin-hung, Sunny

BEng(Hons), CEng, MHKIE, MICE,  
MGSHK, EUR, ING, RPE  
Assistant Manager

### Frank Leung

BArch(Hons), HKIA  
Registered Architect  
Authorized Person  
Assistant Manager

### Chiu Tai-shing, Joseph

BASc, MSc, PEng, MHKIE  
Assistant Manager

### Ng Chau-ming, Nelson

BEng, CEng, MStructE, MHKIE, RPE  
Assistant Manager

### Tsang Chun-wing, Donald

MSc(Eng), CEng, MStructE, MHKIE, RPE  
Assistant Manager

### Cheung Chi-ping, Ricardo

BSc, MRICS, MHKIS, MACostE, AAIQS, RPS(QS)  
Assistant Manager

### Yuen Yiu-ming, Kelvin

BSc(Hons), MRE, MAIBS, MRICS, MHKIS  
Assistant Manager

### Pau Wai-keung

MEEM, MEM, CEng, CFM, MHKIE, MCIBSE,  
MIEE, MASHRAE, MHKCS, RPE  
Assistant Manager

### Ng Muk-kwai, Rayson

MBA, CEng, MIMechE, MCIBSE, MHKIE, RPE  
Assistant Manager

### Tse Pak-wing

Assistant Manager

### Mak Mang-tim, Timothy

BA(Hons), BArch, HKIA  
Registered Architect  
Authorized Person  
Assistant Manager

### Kung Chi-ming, Keith

BA(AS), MArch, MSc, HKIA  
Registered Architect  
Assistant Manager

### Chan Shing-kwong, David

BA(AS), BArch, RIBA, HKIA  
Registered Architect  
Assistant Manager

### Law Wei-man, Sabrina

BA(Hons), DipArch, HKIA  
Registered Architect  
PRC Class I Registered Architect Qualification  
Assistant Manager

### Ng Chun-wai, David

BArch  
Assistant Manager

### Cheung Kam-cheung, Angus

BA(AS), MArch, MCIArb, HKIA  
Registered Architect  
Authorized Person  
Assistant Manager

### Kwok Wing-kwong

MSc(Eng), PhD, CEng, MIMechE, MHKIE, MCIBSE,  
MIFireE  
Assistant Manager

### Tie Teh-lee

BArch, BPD  
Registered Architect  
Assistant Manager

**(4) Construction****Wong Chik-wing, Mike**

MSc(IRE), FHKIS, RPS(BS)

Authorized Person

Executive Director

**Kwok Leung Kit-kan, Ingrid**

MSc(Bus Adm), BSc(Hons), CEng,

MBCS, MHKIE, CIP

Manager

**Tsoi Siu-ho, Robert**

BSc, MSc, DipCon, FCPA, ARCS, DIC

Manager (Central Functions)

**Lee Bing-shu**

Consultant (Construction Management)

**Mo Kon-fei, Kenneth**

LLB, MSc(Eng), MBA, MHKIE, MICE,

RSE, IRSE-PRC

Authorized Person

Manager (Construction Management)

**Tsoi Yuk-man, Desmond**

MA, MSc, FCIArb, MRICS, MHKIS, MCIQB

Manager (Construction Management)

**Chan Hon-ye**

ACMA, CPA

Deputy Manager (Construction Management)

**Hui Lin-sing, Roger**

BSc(Eng), CEng, MICE, MStructE,

MHKIE, RSE, RPE

Deputy Manager (Construction Management)

**Wong Leung Kit-wah, Linda**

Deputy Manager (Purchasing)

**Fung Chi-on, Ricky**

Deputy Manager (Purchasing)

**Lau Wai-keung, Dennis**

MRICS, MHKIS

Deputy Manager (Contract Subletting)

**Chan Kin-wah, Jonathan**

MEM, TechRICS, TAHKIS

Deputy Manager (Contract Subletting)

**Lam Fuk-wing**

BSc(Civil Eng)

Deputy Manager (Construction Management)

**Lee Kwok-wa, Chris**

Deputy Manager (Construction Management)

**Cheung Kam-fan**

Deputy Manager (Construction Management)

**Tse Kam-hon, Sidney**

Consultant (Construction Management)

**Ng Kwok-cheung, Barry**

BSc(Hons), MBA

Assistant Manager (Information Technology)

**Chong Mo, Simon**

BSc, MSc

Assistant Manager (Information Technology)

**Lai Wai-ching, Phoebe**

MSc, FCCA, CPA

Assistant Manager (Accounting)

**Chan Ying-kuen, David**

Assistant Manager (Accounting)

**Lai Siu-ki, Pele**

MBA, MIHRM(HK), MHKMA,

Certified HR Professional - PRC

Assistant Manager

(Human Resources &amp; Administration)

**Mak Kwok-leung**

BSc, MBA, CEng, MIMechE, MHKIE, RPE

Assistant Manager (Plant &amp; Machinery)

**Kong Chi-keung, Danie**

Assistant Manager (Purchasing)

**Yu Shui-kee, Quincy**

MRICS, MHKIS

Assistant Manager (Quantity Surveying)

**Fan Chun-fai, Francis**

BSc, MRICS, MHKIS, MACostE, MInstCES

Assistant Manager (Quantity Surveying)

**Mak Tak-yin, Jay**

BSc, MSc, MRICS, MHKIS, MCIArb, RPS(QS)

Assistant Manager (Quantity Surveying)

**Hui Chi-kin, Ronnie**

BEng, CEng, MIMechE, MHKIE, MCIBSE,

MIEAust, MASME, MASHRAE, RPE

Assistant Manager (Mechanical &amp; Electrical)

**Lee Kam-shing**

BSc, MSc, CFOSH, CSP, FIIRSM, RSO(HK),

RSO(Singapore), DipIISec

Chartered Safety and Health Practitioner

Assistant Manager (Safety &amp; Security)

**(4a) Mechanical and Electrical Installation****Yu Yiu-wing**

Consultant

**Tsoi Siu-ho, Robert**

BSc, MSc, DipCon, FCPA, ARCS, DIC

Manager

**Lam Chung-mo, Moses**

BEng(Hons), CEng, MIEE, MHKIE, RPE

Deputy Manager

**Sin Hung-fai**

Assistant Manager (Fire Services)

**Tam Ping-ip**

DMS, MIEEE

Assistant Manager (Electrical Services)

**Ng Chung-ming**

Assistant Manager (Fire Services)

**Chan Chor-tat, Gilbert**

Assistant Manager (Fire Services)

**Pang Ki-kai**

AIIIM

Assistant Manager (Electrical Services)

**(5) Project Monitoring****Luk Wang-kwong, John**

BSc(Eng), LLB, MSc(Eng), MBA, PDCE, PhD,

CEng, FICE, FISTructE, FHKIE, FCIArb

Project Advisor

**Wong Wai-tung**

MA Arb, DipArb, FHKIE, FCIOB, FCIArb, RPE

Deputy Manager

**Tsang Wai-keung, Savio**

MBA, MRICS, MHKIS, MCIQB, MCIArb, MASI

Deputy Manager

**(6) Hotel****Rudolf Greiner**

President, Hotel Division

**Chow Yum-chong, Francis**

FCCA, FCPA

Vice President (Finance), Hotel Division

**Chan Tin-yeu, Keven**

CHSP

Deputy Vice President (Operations),

Hotel Division

**a. The Royal Garden****Chan Tin-yeu, Keven**

CHSP

General Manager

**Lai Che-wah, Johnny**

Executive Assistant Manager

**Cheung Kin-man, Ricky**

B Comm, CPA, CPA(Aust)

Financial Controller

**b. Royal Park Hotel****Cheung Cheuk-man, Carman**

General Manager



# Directors and Organization

**Tam Kam-ming, Andrew**  
Financial Controller

## c. Royal Plaza Hotel

**Wong Chak-fung, Peter**  
CHA, FHKIoD, FCMI, FIH, MIMC,  
MBCS, MTMA, CPM, ACEA  
General Manager

**Lee Chi-wah, Howard**  
Executive Assistant Manager

**Lee Chi-keung, Marvey**  
Financial Controller

## d. Royal View Hotel

**Lui Wai-yip, Anthony**  
General Manager

**Yeung Hung-hong, Raymond**  
Financial Controller

## (7) Project Planning and Development

**Chan Kui-yuen, Thomas**  
B Comm  
Executive Director

**Wong Chik-wing, Mike**  
MSc(IRE), FHKIS, RPS(BS)  
Authorized Person  
Executive Director

**Chu Kwok-kit, Ringo**  
BA(AS), BArch, RIBA, HKIA, ARAIA  
Registered Architect  
Authorized Person  
Manager

**Lu Chee-yuen, Spencer**  
BEng, MEng, CEng, MStructE, MHKIE, RPE  
Authorized Person  
Manager

**Fung Man-lok, Ronnie**  
MHKIS, RPS(GP)  
Manager

**Chan Po-ling, Margaret**  
BES(Hons), MSc(GIS), MHKIP, MCIP, RPP  
Deputy Manager

## (8) Valuation

**Fung Chu-hee, Andrew**  
MSc(IRE), MRICS, MHKIS, RPS(GP)  
Chartered Valuation Surveyor  
Manager

## (9) Sales

a. **Lui Ting, Victor**  
BBA  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd

b. **Chow Kwok-yin, Eric**  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd

**Yim Dao-kit**  
Deputy Manager

**Lau Man-kwan, Julia**  
BArch, HKIA, Assoc AIA  
Registered Architect  
Authorized Person  
Deputy Manager

**Yang Joe-tsi, Edgar**  
MA  
Deputy Manager

**Cheuk Sau-mun, Amy**  
BSc  
Deputy Manager

**Ip Hoi-leung, Dolphin**  
MEM  
Assistant Manager

c. **Chan Sau-yin, Anita Teresa**  
MSc, MRICS, MHKIS, RPS  
Deputy Manager

## (10) Leasing

### Retail

a. **Chan Kai-ming**  
CEng, FStructE, MICE  
Executive Director

**Lam Ka-keung, Henry**  
BSc(Hons), MSc(Const & Real Est)  
Manager

**Yau Hin-chung, William**  
BA(AS)  
Deputy Manager

**Chow Shuk-man, Judy**  
BA, BSc  
Assistant Manager

b. **Fung Sau-yim, Maureen**  
BSc(Hons)Est. Mgt., MHousMan(Distinction),  
MBA, FSCM, FIIM, MHIREA  
Manager

**Lee Pik-kee, Michelle**  
BA(Hons), MBA, MISCIM  
Assistant Manager

c. **Chung Sau-lin, Fiona**  
BBA, MBA, MRICS, MHKIS  
Deputy Manager

d. **El-Azar, Karim Naji**  
Assistant Manager

**Ma Hing-kwun, Brian**  
BSc, MRICS, MHKIS, MCI Arb  
Assistant Manager

e. **Ho Lick-tin**  
Manager

**Fung Yick-lam, Cris**  
Deputy Manager

### Office

**Wong Chin-wah, Jimmy**  
BSc(Est Mgt), Cert Ed, MSISV, MHKIS,  
MAPFM, FHIREA, RPS, RPHM  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd

**Lo King-wai**  
MBA, MRICS, MCIOB, MHKIS, RPS  
Deputy Manager

**Lau Lai-ching, Elijah**  
Dip.BS(Mktg), MHIREA, MCIH,  
MHKIH, FSCM  
Deputy Manager

**Man Chi-fung, Rick**  
BA, PDip(Real Estate)  
Assistant Manager

**Leung Ka-po, Filipe**  
MEng(Hons), MPhil, AdvDip(PropDev),  
ACGI, PDQM, PDEC  
Assistant Manager

**Lau Yee-tong, Yvonne**  
MSc(Real Estate), PDip(Real Estate)  
Assistant Manager

### Residential (Signature Homes)

**Kang Min, Mavis**  
BSoc.Sc(Hons), DipSurv  
Assistant Manager

### Industrial

**Yau Man-fat, Kelvin**  
BSc(Hons), MBA, MHousMan, DipHousMan,  
FHKIH, MCIH, MIFMA, MIMgt, RPHM  
Deputy Manager

## (11) China

**Kwong Chun**  
Executive Director

**Chan Kui-yuen, Thomas**  
B Comm  
Executive Director

**So Chung-keung, Alfred**

Executive Director  
Sun Hung Kai Real Estate Agency Ltd

**Zhou Yimin, Andrew**

MBA, PhD, CMgr  
Manager

**Lim Yoke-tuan, Michael**

LLB(Hons), MBA, FCPA, FCMA, CA(M)  
Manager

**Chau Sai-yim, Stephen**

Deputy Manager

**Tang Wai-chung, Ted**

Deputy Manager

**Leung Yuen-dick, Dick**

BArch, MA Arb, HKIA  
Registered Architect  
Authorized Person  
PRC Class I Registered Architect Qualification  
Deputy Manager

**Huang Shaomei, Echo**

Deputy Manager

**Ching Wai-chuen, Antonio**

BA(AS), BArch, RIBA, HKIA, RAIA  
Registered Architect  
Authorized Person  
Deputy Manager

**Tseung Sik-yin, Stephen**

HKIA  
Registered Architect  
Authorized Person  
Deputy Manager

**Choy Chi-keung, Ian**

BA, MHousMan  
Deputy Manager

**Ong Kim-leang, Jasmine**

BSc(Est Mgt)  
Deputy Manager

**Poon Chi-choi, Anthony**

BA(AS), BArch, RIBA, HKIA  
Registered Architect  
Authorized Person  
PRC Class I Registered Architect Qualification  
Deputy Manager

**Fok Yau-kit**

FCEA, DMS, MBIM  
Assistant Manager

**Lam Kam-wing, Stafen**

MSc, MCIM  
Assistant Manager

**Leung Chi-keung, Barry**

BA(AS), BArch, HKIA  
Registered Architect  
PRC Class I Registered Architect Qualification  
Assistant Manager

**King Jun-pin, Christopher**

BA(Arch), MArch, HKIA  
Registered Architect  
Authorized Person  
PRC Class I Registered Architect Qualification  
Assistant Manager

**Lee Wai-kam, Hyman**

BA, MCF, FCCA, FCPA, ACA, AHKRF  
Assistant Manager

**(12) Building Management****Kwong Chun**

Executive Director

**Kwong Ching-wai, Alkin**

BSc(Eng), PgDIT, CEng, MStructE,  
MHKIE, RPE, RSE  
Authorized Person  
Manager

**Mok Chi-hung**

FCIH, FHKIH, MHIREA, RPHM  
Manager

**Kwok Chan-fai**

MCIH, MHKIH, RPHM, EHKIM  
Deputy Manager

**Wong Kei-on**

BA, MHKIH, MCIH, RPHM  
Deputy Manager

**Lee Tze-leung, Adrian**

BBA, MBA, FCCA, CPA, HKRFP  
Assistant Manager

**Leung Nai-yin, Arthur**

BBus, FCCA, FCPA, ACIB, AHKIB,  
CGA, CPA(Aust)  
Assistant Manager

**Kwan Yu-kuen, Ricky**

Assistant Manager

**Cheung Tam Ka-wood, Rebecca**

FHKIH, MCIH, RPHM  
Assistant Manager

**Choi Ming-chi**

Assistant Manager

**(13) Corporate Planning and Investments****Wong Yick-kam, Michael**

BBA, MBA  
Executive Director

**Hong Pak-cheung, William**

BSc  
Manager (Investments)

**Mak Nak-keung**

BSoc.Sc, MPhil  
Manager (Economic Research)

**Hui Wan-han, Emily**

MA, Hon Dip (Distinction)  
Manager (Corporate Communications)

**Tse Man-kuen, Winnie**

Deputy Manager

**Wong On-ning, Orlena**

BBA, M Comm, CA  
Deputy Manager (Corporate Planning)

**Cheong Suk-ying, Linda**

BSoc.Sc, MBA, CFA  
Assistant Manager

**Poon Chun-wing, Johnny**

BSoc.Sc, MBA, FCCA, CFA  
Assistant Manager

**Luk Ka-fat, Roger**

BA, MBA, MAcc, CPA, CFA  
Assistant Manager

**(14) Property Investment****Lui Ting, Victor**

BBA  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd

**Chan Kwok-kin, Slayman**

MSc, MRICS, MHKIS, RPS, RPHM  
Assistant Manager

**(15) Corporate Finance****Au Man-to**

LLB, FCIS, ACIB  
Manager

**Kwok Yue-yee, Amy**

B Comm  
Manager

**Ho Ka-wai, Josephine**

MBA  
Assistant Manager

**(16) Telecommunications/  
Information Technology**

SmarTone Telecommunications  
Holdings Limited

**Li, Douglas**

Chief Executive Officer

# Directors and Organization

## SUNeVision Holdings Limited

### So Sing-tak, Andrew

BA, MBA  
Chief Executive Officer

## (17) Company Secretarial/Legal

### Company Secretarial

#### Lai Ho-kai, Ernest

FCIS  
Company Secretary

#### Wong Siu-mun, Katherine

ACIS, ACS  
Deputy Company Secretary

### Legal

#### Yung Sheung-tat, Sandy

BA(Law)Hons  
Manager

#### Tse Kar-lun, Frankie

LLB(Hons)  
Deputy Manager

#### Kwok, Helen

LLB(London)Hons  
Legal Advisor

#### Yeung Ming-yip, Jason

LLB(Hons)  
Assistant Manager

#### Lai Man-shek

BA(Law)Hons  
Assistant Manager

#### Chong Tin-cho

BSoc.Sc, LLB(Hons), LL.M, LL.D  
Assistant Manager

#### Chan Miu-yin, Alice

LLB(Hons)  
Assistant Manager

#### Chan Kin-chu, Harry

LLM  
Assistant Manager

#### Tso Hon-yuk, Monica

LLB, LL.M, MBA  
Assistant Manager

## (18) Transport Infrastructure Management/Logistics/Retail

### Wilson Group

#### Koch, Gary Alfred

Vice Chairman and Executive Director

### Siu Hon-wah, Thomas

Managing Director

#### Cheng Siu-hung, Paul

Chief Executive Officer  
Autotoll Limited

#### Fong Ping, Vincent

Director of Tollways

#### Lui Sung-ye, Alan

Director of Corporate Affairs

#### Ip Kam-shing, Jacky

Director of Parking

#### Wong Yuk-lan, Nancy

Director of Finance & Administration

#### Wu Tung-chai, Peter

Director of Equipment & Services

### Logistics Services

#### Wong Hok-leung, Paul

BSc, FCCA  
Chairman  
Sun Hung Kai Logistics Holdings Limited

#### Leung Lai-chi, Michelle

MMgt  
Chief Operating Officer  
Sun Hung Kai Logistics Holdings Limited

#### Pang Tai-hing, Peter

Operations Director  
Airport Freight Forwarding Centre  
Company Limited

#### Yu Wai-ye, Fione

BA(Hons), FCCA  
Financial Controller  
Airport Freight Forwarding Centre  
Company Limited

### Seiyu (Shatin) Department Store

#### Hui Hing-sang, Sam

Dip.BS  
Senior General Manager  
(Store Operations & Merchandising)

#### Au Sin-lun, Catherine

BA  
Senior General Manager  
(Concession Administration & Merchandising)

#### Cheung Kai-leung, Raymond

B Comm, MBA, CPA, CPA(Aust)  
General Manager (Finance & Administration)

## (19) Financial Control and Business Development

#### Wong Hok-leung, Paul

BSc, FCCA  
Manager

#### Leung Yu-kai, David

ACA, FCCA, FCPA  
Manager (Finance and Administration)

#### Chan Kei-yan, Paul

BA, MBA  
Deputy Manager (Business Development)

#### So Wai-kei, Godwin

BA(Hons), ACCA, CPA, ACIS, ACIB  
Deputy Manager (Financial Control)

#### Loh Cheuk-hin, Edward

BBA, MBA, FCCA, CPA  
Assistant Manager (Financial Control)

## (20) Financial Services/Insurance

### Financial Services

#### Yung Wing-chung

Consultant

#### Au Mo-cheung, Alex

EMBA(Distinction), PDipCD, MHKSI, FHKIoD  
Manager

#### Chan Pang-chi

Assistant Manager

#### Ng Yu-po, Frederick

B Comm, MBA  
Assistant Manager

### Insurance

#### Chow Ka-yin

Manager

#### Wong Kwai-chuen, Andrew

BBA, MBA, ACII  
Chartered Insurer  
Deputy Manager

#### Yim Ka-yan, Amy

MBA, ANZIIIF (Snr Assoc)  
Deputy Manager

#### Pun Wing-sze, Doris

BSc, MPA, CPA, CPA(Aust)  
Assistant Manager



**(21) Accounts****Pun Wing-mou, Bernard**

MSc, FCA, FCPA  
Chief Accountant

**Wu Tze-cheung, Philip**

BA(Hons), FCPA, MIHRM(HK)  
Manager

**Li Ching-kam, Frederick**

FCCA, CPA  
Deputy Chief Accountant

**Lee Hung-chak, Maurice**

BBA(Hons), FCCA, CPA  
Deputy Manager

**Fok Yat-cheong, Edward**

MSc(Eng), AHKIB, MHKCS  
Deputy Manager (Information Technology)

**Kwok Tai-wai, David**

Deputy Manager (Information Technology)

**Chow Cheuk-wing, Eric**

FCPA  
Senior Accountant

**Leung Cheuk-ming, Eric**

MSc, CISSP, MHKCS  
Assistant Manager (Information Technology)

**Ko Ping-yin, Albert**

Chief Cashier

**Wong Mei-ki, Maggie**

MA, FCCA, CPA, ACIS  
Assistant Manager

**Chan Chi-wai, Richie**

MBA, CPA  
Assistant Manager

**Pang Chung-leung**

CPA  
Assistant Manager

**(22) Estate Management****Wong Chin-wah, Jimmy**

BSc(Est Mgt), Cert Ed, MSISV, MHKIS,  
MAPFM, FHIREA, RPS, RPHM  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd

**Chan Kam-fai**

MCIH  
Manager

**Lam Man-pak, Patrick**

BA(Hons), MCIH, RPHM  
Deputy Manager

**Lee Cheung-yiu, Gordon**

BSc(Hons), MSc(Building Services Eng),  
MSc(Fire & Safety Eng), MRICS, MCIOB,  
MHKIS, MSOE, MIPlantE, MASHRAE, RPS(BS)  
Deputy Manager

**Sham Sik-shing, Simon**

BTech(Hons), MCIH  
Assistant Manager

**Chan Shing-wai**

Dip.BA, MCIH, RPHM  
Assistant Manager

**Hon Shuk-ching, Irene**

Assistant Manager

**Shiu Wai-ching, Teresa**

BA(Hons), MHKIH, RPHM, FISC  
Assistant Manager

**(23) Public Affairs/  
Community Relations****Public Affairs****Lee Luen-fai**

BA, Cert Ed  
Manager

**Community Relations****Lee Kam-chung**

Manager

**Law Wan-fat, Joe**

Assistant Manager

**(24) Internal Audit****Chiu Yue-ming, Daniel**

MAcc, FCCA, FCPA, FCIS, ACMA, FCPA(Aust)  
Manager

**Wong Chung-wai, Barry**

BA(Hons), MBA, FCCA, CPA  
Deputy Manager

**Hui Sui-tak, Andrew**

MBA, FCCA, CPA  
Deputy Manager

**Cheng Wai-ming, Vincent**

BA(Hons), MSc, MPA, FCCA, FCPA, CIA  
Assistant Manager

**(25) Internal Affairs****Tang Chak-hin**

BBA, MBA  
Manager

**Chan Choi-yin, Clara**

MIHRM(HK)  
Deputy Manager  
(Human Resources Management)

**Ho Kui-yuen, Kenneth**

BSoc.Sc, MBA, DTM  
Deputy Manager (Training & Development)

**Chow Chiu-mei, Grace**

BBA, MA, MIHRM(HK)  
Deputy Manager (Human Resources)

**Wong Ho-keung, Jimmy**

Assistant Manager (Office Management)

**Cheung Pui-ha, Ivy**

BA, MBA, MSc, DTM  
Assistant Manager (Human Resources Services)



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## Deloitte. 德勤

### TO THE MEMBERS OF SUN HUNG KAI PROPERTIES LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Sun Hung Kai Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 124 to 172, which comprise the consolidated and Company balance sheets as at 30 June 2007, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

#### **DELOITTE TOUCHE TOHMATSU**

*Certified Public Accountants*

Hong Kong

13 September 2007



# Consolidated Profit and Loss Account



For the year ended 30 June 2007  
(Expressed in millions of Hong Kong dollars)

	Notes	2007	2006
<b>Revenue</b>	4(i)(a)	30,994	25,598
Cost of sales		(17,387)	(11,512)
Gross profit		13,607	14,086
Other income		516	535
Selling and marketing expenses		(1,374)	(1,176)
Administrative expenses		(1,187)	(1,131)
<b>Operating profit before change in fair value of investment properties</b>	4(i)(a)	11,562	12,314
Increase in fair value of investment properties		8,904	9,110
<b>Operating profit after change in fair value of investment properties</b>		20,466	21,424
Finance costs		(907)	(1,066)
Finance income		272	207
Net finance costs	5	(635)	(859)
Profit on disposal of long-term investments less impairment loss, net	6	36	176
Share of results of associates		1,610	177
Share of results of jointly controlled entities		1,006	470
Share of increase in fair value of investment properties net of deferred tax held by associates and jointly controlled entities		3,384	2,305
	4(i)(b)	6,000	2,952
<b>Profit before taxation</b>	4(i)(c) & 7	25,867	23,693
Taxation	10	(4,453)	(3,655)
<b>Profit for the year</b>		21,414	20,038
<b>Attributable to:</b>			
Company's shareholders		21,226	19,850
Minority interests		188	188
		21,414	20,038
<b>Dividends</b>	11		
Interim dividend paid		1,744	1,681
Final dividend proposed		3,987	3,737
		5,731	5,418
(Expressed in Hong Kong Dollars)			
<b>Earnings per share for profit attributable to Company's shareholders</b>	12(a)		
Basic		\$8.52	\$8.23
Diluted		\$8.52	\$8.23
<b>Earnings per share excluding changes in fair value of investment properties net of deferred tax</b>	12(b)		
Basic		\$4.61	\$4.34
Diluted		\$4.61	\$4.34

# Consolidated Balance Sheet



As at 30 June 2007

(Expressed in millions of Hong Kong dollars)

	Notes	2007	2006
<b>Non-current assets</b>			
Investment properties	13	135,143	116,733
Fixed assets	14	21,476	17,173
Associates	16	3,414	2,102
Jointly controlled entities	17	19,684	21,944
Long-term investments	18	6,297	3,379
Loan receivables	19	1,120	1,397
Intangible asset	20	634	632
		<b>187,768</b>	<b>163,360</b>
<b>Current assets</b>			
Properties for sale	21	48,796	44,815
Debtors, prepayment and others	22	12,525	13,464
Short-term investments	24	841	1,353
Bank balances and deposits	25	7,364	7,806
		<b>69,526</b>	<b>67,438</b>
<b>Current liabilities</b>			
Bank and other borrowings	26	(773)	(2,950)
Trade and other payables	27	(14,136)	(12,116)
Deposits received on sales of properties		(6)	(19)
Taxation		(3,944)	(3,499)
		<b>(18,859)</b>	<b>(18,584)</b>
<b>Net current assets</b>		<b>50,667</b>	<b>48,854</b>
<b>Total assets less current liabilities</b>		<b>238,435</b>	<b>212,214</b>
<b>Non-current liabilities</b>			
Bank and other borrowings	28	(32,559)	(27,287)
Deferred taxation	29	(16,684)	(13,769)
Other long-term liabilities	30	(697)	(611)
		<b>(49,940)</b>	<b>(41,667)</b>
<b>NET ASSETS</b>		<b>188,495</b>	<b>170,547</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	31	1,246	1,246
Share premium and reserves		184,230	166,283
<b>Shareholders' funds</b>		<b>185,476</b>	<b>167,529</b>
<b>Minority interests</b>		<b>3,019</b>	<b>3,018</b>
<b>TOTAL EQUITY</b>		<b>188,495</b>	<b>170,547</b>

Directors:

Kwok Ping-sheung, Walter

Kwok Ping-luen, Raymond

# Parent Company Balance Sheet



As at 30 June 2007

(Expressed in millions of Hong Kong dollars)

	Notes	2007	2006
<b>Non-current assets</b>			
Subsidiaries	15	30,074	30,074
<b>Current assets</b>			
Debtors, prepayment and others	22	7	9
Amounts due from a subsidiary	23	66,989	66,347
Bank balances	25	—	3
		66,996	66,359
<b>Current liabilities</b>			
Bank and other borrowings	26	(4)	—
Trade and other payables	27	(20)	(20)
		(24)	(20)
<b>Net current assets</b>		66,972	66,339
<b>NET ASSETS</b>		97,046	96,413
<b>CAPITAL AND RESERVES</b>			
Share capital	31	1,246	1,246
Share premium and reserves	33	95,800	95,167
<b>SHAREHOLDERS' FUNDS</b>		97,046	96,413



# Consolidated Cash Flow Statement

For the year ended 30 June 2007  
(Expressed in millions of Hong Kong dollars)

	Notes	2007	2006
<b>Operating activities</b>			
Cash generated from/(used in) operations	34a	4,420	(945)
Hong Kong profits tax paid		(1,141)	(1,176)
Outside Hong Kong tax paid		(23)	(5)
<b>Net cash from/(used in) operating activities</b>		<b>3,256</b>	<b>(2,126)</b>
<b>Investing activities</b>			
Purchase of subsidiaries	34b	(85)	(2,385)
Purchase of additional interest in subsidiaries		(27)	(136)
Purchase of jointly controlled entities		–	(207)
Purchase of long-term investments		(1,820)	(938)
Net repayments from/(advances to) associates, jointly controlled entities and investee companies		5,897	(2,392)
Additions to fixed assets		(4,429)	(1,839)
Additions to investment properties		(1,883)	(3,612)
Payment of mobile licence fees		(52)	(50)
Proceeds from disposal of investment properties		71	14
Proceeds from disposal of jointly controlled entities		–	193
Proceeds from disposal of long-term investments		875	5,663
Proceeds from disposal of other fixed assets		6	9
Interest received from investments		107	242
Dividends received from listed investments		111	93
Dividends received from unlisted investments		2	23
Dividends received from associates and jointly controlled entities		1,062	1,145
Loans and advances repaid		292	194
<b>Net cash from/(used in) investing activities</b>		<b>127</b>	<b>(3,983)</b>
<b>Financing activities</b>			
Bank and other borrowings raised		6,474	15,317
Repayment of bank and other borrowings		(3,480)	(9,372)
(Increase)/decrease in pledged bank deposits		(4)	8
Interest paid		(1,371)	(1,318)
Interest received		275	202
Proceeds from issue of shares by subsidiaries		7	–
Proceeds from issue of shares		54	7,909
Payment for repurchase of shares by a subsidiary		(22)	–
(Decrease)/increase in fundings from minority shareholders		(13)	7
Dividends paid to shareholders		(5,481)	(5,283)
Dividends paid to minority shareholders		(274)	(94)
<b>Net cash (used in)/from financing activities</b>		<b>(3,835)</b>	<b>7,376</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(452)</b>	<b>1,267</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>7,406</b>	<b>6,132</b>
<b>Effect of foreign exchange rates changes</b>		<b>21</b>	<b>7</b>
<b>Cash and cash equivalents at end of year</b>	34c	<b>6,975</b>	<b>7,406</b>

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2007  
(Expressed in millions of Hong Kong dollars)

	Attributable to Company's shareholders							Total	Minority interests	Total
	Share Capital	Share Premium	Capital reserves	Investment revaluation reserve	Exchange reserve	Employee Share-based compensation reserve	Retained profits			
At 1 July 2005	1,201	17,009	747	904	6	6	124,975	144,848	2,167	147,015
Exchange difference arising on translation of financial statements of										
– subsidiaries	–	–	–	–	135	–	–	135	(4)	131
– Associates and jointly controlled entities	–	–	–	–	11	–	–	11	–	11
Fair value gains on available-for-sale investments	–	–	–	149	–	–	–	149	–	149
Net income recognized directly in equity	–	–	–	149	146	–	–	295	(4)	291
Fair value gains released on sale of available-for-sale investments	–	–	–	(94)	–	–	–	(94)	–	(94)
Profit for the year	–	–	–	–	–	–	19,850	19,850	188	20,038
Total recognized income for the year	–	–	–	55	146	–	19,850	20,051	184	20,235
Private placement, net of expenses	44	7,793	–	–	–	–	–	7,837	–	7,837
Share issued on exercise of share options	1	71	–	–	–	–	–	72	–	72
Recognition of share-based payment	–	–	–	–	–	4	–	4	–	4
Interim dividend paid	–	–	–	–	–	–	(1,681)	(1,681)	–	(1,681)
Final dividend paid	–	–	–	–	–	–	(3,602)	(3,602)	–	(3,602)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	817	817
Capital contribution from minority interests	–	–	–	–	–	–	–	–	2	2
Repayment of capital contribution to minority interests	–	–	–	–	–	–	–	–	(58)	(58)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(94)	(94)
At 30 June 2006 and 1 July 2006	1,246	24,873	747	959	152	10	139,542	167,529	3,018	170,547
Exchange difference arising on translation of financial statements of										
– subsidiaries	–	–	–	–	774	–	–	774	81	855
– Associates and jointly controlled entities	–	–	–	–	57	–	–	57	–	57
Fair value gains on available-for-sale investments	–	–	–	1,348	–	–	–	1,348	13	1,361
Net income recognized directly in equity	–	–	–	1,348	831	–	–	2,179	94	2,273
Fair value gains released on sale of available-for-sale investments	–	–	–	(31)	–	–	–	(31)	–	(31)
Profit for the year	–	–	–	–	–	–	21,226	21,226	188	21,414
Total recognized income for the year	–	–	–	1,317	831	–	21,226	23,374	282	23,656
Share issued on exercise of share options	–	54	–	–	–	(1)	–	53	–	53
Recognition of share-based payment	–	–	–	–	–	1	–	1	–	1
Interim dividend paid	–	–	–	–	–	–	(1,744)	(1,744)	–	(1,744)
Final dividend paid	–	–	–	–	–	–	(3,737)	(3,737)	–	(3,737)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(40)	(40)
Capital contribution from minority interests	–	–	–	–	–	–	–	–	36	36
Repayment of capital contribution to minority interests	–	–	–	–	–	–	–	–	(3)	(3)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(274)	(274)
At 30 June 2007	1,246	24,927	747	2,276	983	10	155,287	185,476	3,019	188,495

# Notes to the Financial Statements



(Expressed in millions of Hong Kong dollars)

## I. PRINCIPAL ACCOUNTING POLICIES

### a. Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include the Hong Kong Financial Reporting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and Rules governing the listing of securities on the Stock Exchange of Hong Kong Limited. The financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value, as explained in the principal accounting policies set out below.

The HKICPA has issued a number of new and revised HKFRSs which are effective for the year ended 30 June 2007. The adoption of these HKFRSs has no significant impact on the Group's results and financial position.

The Group has not early adopted the new and revised HKFRSs which have been issued but are not yet effective. The Group has commenced an assessment of the impact of these HKFRSs on the Group's financial statements.

### b. Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 30 June each year and include the Group's interests in associates and jointly controlled entities on the basis set out in note 1(f) and note 1(g) below, respectively. The financial statements of the associates and jointly controlled entities used for this purpose are either coterminous with the financial statements of the Company or cover a year ended not more than three months before the Company's year-end. The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated profit and loss account from the effective dates of acquisition or to the effective dates of disposal. All material intra-group transactions and balances are eliminated on consolidation. Unrealized profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity.

Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

### c. Revenue

Revenue derived from the Group's principal activities comprises proceeds from sale of properties (excluding proceeds on development properties sold prior to their completion which are included in deposits received on sale of properties under current liabilities), gross rental income from properties letting under operating leases, revenue from hotel operation and revenue derived from other business activities including property management, car parking and transport infrastructure management, toll road fees, logistics business, construction, financial services, telecommunications, internet infrastructure, enabling services, department store and container and cargo handling services. It does not include the revenue of associates and jointly controlled entities.

### d. Revenue recognition

Revenue of a transaction is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and these benefits can be measured reliably, on the following basis:

#### (i) Property sales

Profit from sale of completed properties is recognized upon execution of the sale agreements.

When a development property is sold in advance of completion, profit is only recognized upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

Where properties are sold under deferred terms with part of the sale proceeds being receivable after an interest-free period, that portions of the differences between the sale prices with and without such terms representing finance income are allocated to the profit and loss account on a basis that takes into account the effective yields on the amounts of the sale proceeds receivable over the interest-free period.



# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## I. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### d. Revenue recognition (cont'd)

#### (ii) Rental income

Rental income from properties letting under operating leases is recognized on a straight line basis over the lease terms.

#### (iii) Hotel operation

Revenue from hotel operation is recognized upon provision of services.

#### (iv) Interest income

Interest income is accrued on a time proportion basis that takes into account the effective yields on the carrying amount of assets.

#### (v) Construction

Revenue in respect of building construction job is recognized on the percentage of completion method measured by reference to the proportion that costs incurred to date bear to estimated total costs for the contract.

#### (vi) Dividend income

Dividend income from investments is recognized when the right to receive payment is established.

#### (vii) Use of internet services centre facilities

Revenue from customer use of internet services centre facilities is recognized ratably over the term of the agreement.

#### (viii) Telecommunications

Revenue from telecommunication is recognized when the service is rendered.

#### (ix) Toll income

Toll income is recognized upon the passage of vehicles through tunnel.

#### (x) Department store

Revenue from sale of own-bought goods and commission income from concession and consignment sales is recognized upon the transfer of risks and rewards of ownership of the goods.

#### (xi) Provision of container and cargo handling service

Revenue from the provision of container and cargo handling service is recognized when the service is rendered.

#### (xii) Other income

Other income including property management service fee, car parking management fee and insurance income are recognized when the services are rendered.

### e. Subsidiaries

A subsidiary is a company in which the Company directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors. Investments in subsidiaries are carried in the balance sheet of the Company at cost less impairment loss.

### f. Associates

Associates are those in which the Group is in a position to exercise significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions.

Results of associates are incorporated in the consolidated profit and loss account to the extent of the Group's share of post-acquisition profits less losses.

Interests in associates are accounted for in the consolidated balance sheet under the equity method and are carried at cost as adjusted for post acquisition changes in the Group's share of their results and reserves less any identified impairment loss.

## I. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### g. Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

#### (i) Jointly controlled entities

Jointly controlled entities involve the establishment of a separate entity in which the Group has a long-term interest and over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements.

Results of jointly controlled entities are incorporated in the consolidated profit and loss account to the extent of the Group's share of post-acquisition profits less losses whereas accounted for in the profit and loss account of the Company only to the extent of dividend income.

Interests in jointly controlled entities are accounted for in the consolidated balance sheet under the equity method and are carried at cost as adjusted for post acquisition changes in the Group's share of their results and reserves less any identified impairment loss whereas in the balance sheet of the Company at cost less impairment loss.

#### (ii) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the balance sheets and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognized in the profit and loss account when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

### h. Goodwill

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries, associates and jointly controlled entities at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment loss and carried at cost less accumulated impairment losses. Goodwill on acquisition of associates and jointly controlled entities is included in investments in associates and jointly controlled entities respectively.

Any excess of the Group's interest in fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognized immediately in the profit and loss account.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### i. Financial assets, financial liability and equity

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired and is reviewed by the management at every reporting date.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are marketable securities held for trading. At each balance sheet date subsequent to initial recognition, these investments are measured at fair value. Changes in fair value are recognized in profit or loss.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## I. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### i. Financial assets, financial liability and equity (cont'd)

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortized cost using the effective interest method less impairment loss.

#### (iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized in the balance sheet at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any identified impairment loss. Any impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired.

#### (iv) *Available-for-sale investments*

Available-for-sale investments are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value by reference to market prices. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment loss on available-for-sale investments are recognized in profit or loss. Impairment loss on available-for-sale investments will not reverse through profit and loss account in subsequent periods.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment loss at each balance sheet date subsequent to initial recognition. Any impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. Such impairment loss will not reverse in subsequent periods.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument. Financial liabilities are measured at amortized cost, using the effective interest method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### j. Derivative financial instruments and hedging

The Group only enters into derivative financial instruments in order to hedge its underlying exposures. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognizing the resulting gain or loss depends on the nature of the item being hedged. The Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability.

For fair value hedges that qualify for hedge accounting, gains or losses arising on changes in fair values of hedging instruments are recognized immediately in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.



## I. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### k. Properties

#### (i) *Investment properties*

Investment properties are land and/or buildings held under a leasehold interest to earn long-term rental income and/or for capital appreciation. These include completed properties and land under development for future use as investment properties.

Investment properties are stated in the balance sheet at fair value and are valued at least annually by independent valuer. Increase or decrease in fair value of investment properties is recognized in the profit and loss account. Upon disposal of an investment property, any gain or loss on disposal is recognized in the profit and loss account.

#### (ii) *Hotel properties*

Hotel properties and their integral fixed plant used in the operation of hotel are included in fixed assets at cost less accumulated depreciation and accumulated impairment losses, if any. Upon disposal of a hotel property, any gain or loss on disposal is recognized in the profit and loss account.

#### (iii) *Properties pending/under development for sale*

Properties pending/under development for sale are included in stocks at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized and the anticipated costs to completion.

#### (iv) *Stocks of completed properties*

Completed properties remaining unsold at year end are stated at the lower of cost and net realizable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Net realizable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions.

#### (v) *Other properties*

Other properties are properties held for production or administrative purposes and are included in fixed assets at cost less accumulated depreciation and accumulated impairment losses, if any. Upon disposal of other properties, any gain or loss on disposal is recognized in the profit and loss account.

### l. Depreciation

#### (i) *Hotel properties*

Depreciation is provided on hotel property or on its integral fixed plant and calculated on a straight line basis to write off their costs less accumulated impairment losses over their estimated useful lives at rates ranging from 0.68 per cent to 20 per cent per annum.

#### (ii) *Properties under development*

No depreciation is provided on properties under development.

#### (iii) *Network equipment*

Network equipment including assets and equipment of the digital mobile radio telephone and local multipoint distribution services networks are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight line basis to write off their costs over their estimated useful lives at rates ranging from ten per cent to 50 per cent per annum. No depreciation is provided on network equipment under construction.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## I. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### l. Depreciation (cont'd)

#### (iv) Toll road

Toll road including the cost of tunnel, approach road and buildings, electrical and mechanical systems are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight line basis to write off their costs less accumulated impairment losses over the term of franchise at rate 3.7 per cent per annum.

#### (v) Other properties

The cost of leasehold land and construction cost of buildings thereon are depreciated on a straight line basis over the term of the lease.

#### (vi) Other fixed assets

Other fixed assets including equipment, furniture, fixtures and vehicles are stated at cost less accumulated depreciation calculated on a straight line method to write off the assets over their estimated useful lives at rates ranging from 6.67 per cent to 33.3 per cent per annum.

### m. Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred, and are subsequently measured either at amortized cost, using the effective interest method or at fair value when accounting for fair value hedges set out in note 1(j) applies.

Borrowing costs are expensed as incurred, except to the extent that they are capitalized as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale.

### n. Intangible asset – telecommunication licence

A mobile carrier licence, which is a right to establish and maintain a telecommunication network and to provide mobile services in Hong Kong, is recorded as an intangible asset. Upon the issue of the third generation licence ("3G Licence"), renewal of the Global System for Mobile communications licence ("GSM Licence") and Personal Communications Services Licence (the "PCS Licence") the cost thereof, which is the discounted value of the minimum annual fees payable over the licence period of 15 years and directly attributable costs of preparing the asset for its intended use, is recorded together with the related obligations. Amortization is provided on the straight line basis over the remaining licence period from the date when the asset is ready for its intended use.

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing and, accordingly, for the period prior to the asset being ready for its intended use, is capitalized as part of the intangible asset. Subsequent to the date when the asset is ready for its intended use, such finance costs will be charged to the consolidated profit and loss account in the year in which they are incurred.

Variable annual payments on top of the minimum annual payments, if any, are recognized in the consolidated profit and loss account as incurred.

### o. Materials

Materials comprising mainly building materials, hotel stocks, handsets and consumable goods are valued at the lower of cost, calculated on a weighted average cost basis, and net realizable value.

## I. PRINCIPAL ACCOUNTING POLICIES (cont'd)

**p. Translation of foreign currencies**

Foreign currency transactions during the year are converted into Hong Kong dollars at the market rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at closing rates of exchange ruling at the date of the balance sheet. Exchange differences arising in these cases are dealt with in the profit and loss account.

The assets and liabilities of overseas subsidiaries, associates and jointly controlled entities expressed in functional currencies are translated into Hong Kong dollars at the closing rates of exchange ruling at the date of balance sheet whereas the profit and loss accounts are translated at average exchange rates for the year. Exchange differences arising on translation are dealt with as a movement in reserves.

**q. Deferred taxation**

Deferred tax liabilities are provided in full, using the liability method, on all temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax bases used in the computation of taxable profits, while deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

**r. Provision**

Provisions are recognized when it is probable that an outflow of economic benefits will be required to settle a present obligation and the amount of obligation can be reliably estimated.

**s. Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be represented as the primary reporting format.

**t. Retirement benefits**

The retirement benefit costs charged to the profit and loss account represent the contributions payable in respect of the current year to the Group's defined contribution schemes and Mandatory Provident Fund Schemes.

**u. Share-based payment**

The fair value at grant date of share options granted to directors and employees is expensed on a straight line basis over the relevant vesting periods to the profit and loss account with a corresponding increase in employee share-based compensation reserve. At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in the profit and loss account with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited or lapsed, the amount previously recognized in employee share-based compensation reserve will be transferred to retained profits.



# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and carrying amounts of assets and liabilities including those related to valuation of derivative financial instruments, impairment loss of assets and income taxes. The estimates and assumptions concerning the future are believed to be reasonable under the circumstance. Actual results may differ from these estimates.

## 3. FINANCIAL RISK MANAGEMENT

The Group's policy dealing with the risks associated with its financial assets and financial liabilities is described below.

### a. Currency risk

The Group aims to minimize its currency risk using forward contracts where feasible and cost effective. Most of the Group's assets and operational cash flow and the majority of the Group's borrowings are denominated in Hong Kong dollars. For investments in foreign subsidiaries and joint ventures, where the currency concerned is anticipated to be volatile and where the exposure of the Group is material, assets are partially hedged for management of balance sheet translation risk.

### b. Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly, at times of interest rate uncertainty, through the use of interest rate swaps.

The Group's borrowings are predominantly on a floating rate basis. When raising funds at fixed rates, the Group enters into fixed-to-floating interest rate swaps to convert the rates to a floating basis. When appropriate, interest rate swaps are used in the Group's management of its long-term interest rate exposure. Speculative derivative transactions are strictly prohibited.

### c. Liquidity risk

The Group takes liquidity risk into consideration when deciding its sources of finances and their respective tenors. The Group aims to diversify its funding sources and minimize its refinancing risk by preventing substantial refinancing in any one period. The Group also maintains substantial committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

### d. Price risk

The Group is exposed to equity securities price risk through the Group's long term investments that are classified as available-for-sale investments. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

### e. Credit risk

The Group's trade debtors mainly arise from sale of properties developed by the Group and rent receivables from tenants. Occasionally, long term loans are provided to purchasers of the Group's properties and carry interest at rates with reference to banks' lending rates. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment loss is made for irrecoverable amounts.

Counterparty exposure from derivatives is managed, together with that from deposits and bank account balances, with credit limit that reflect published credit ratings and monitored on a regular basis to ensure there is no significant risk to any individual counterparty. Investments in securities are generally limited to issuers of sound credit and rating.

The Group has no significant concentration of credit risk.

## 4 SEGMENT INFORMATION

### (i) Segment Results

#### (a) The Company and its subsidiaries

The Group's revenue and results by business segments are analysed as follows:

	Revenue		Profit after Taxation	
	2007	2006	2007	2006
Property				
Property sales	14,242	10,890	5,739	6,885
Rental income	6,078	5,659	4,384	4,101
	20,320	16,549	10,123	10,986
Hotel operation	799	734	232	223
Telecommunications	4,039	3,779	183	118
Other businesses	5,836	4,536	1,189	1,077
	30,994	25,598	11,727	12,404
Other income			516	535
Unallocated administrative expenses			(681)	(625)
Operating profit before change in fair value of investment properties			11,562	12,314
Increase in fair value of investment properties			8,904	9,110
Operating profit after change in fair value of investment properties			20,466	21,424
Net finance costs – Group			(635)	(859)
Profit on disposal of long-term investments less impairment loss, net			36	176
Profit before taxation			19,867	20,741
Taxation			(4,453)	(3,655)
Profit after taxation			15,414	17,086

Revenue from properties sales includes HK\$71 million (2006: HK\$14 million) from sale of investment properties.

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

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

Less than ten per cent of the operations of the Group in terms of revenue and operating results were carried on outside Hong Kong. Accordingly, no geographical segment information is presented.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 4 SEGMENT INFORMATION (cont'd)

### (i) Segment Results (cont'd)

#### (b) Associates and jointly controlled entities

The Group's share of results of associates and jointly controlled entities by business segments is analysed as follows:

	Share of Results	
	2007	2006
Property		
Property sales	1,959	164
Rental income	861	514
	2,820	678
Hotel operation	117	18
Other businesses	199	293
Operating profit	3,136	989
Finance costs	(279)	(214)
Profit before taxation and share of increase in fair value of investment properties	2,857	775
Share of increase in fair value of investment properties held by associates and jointly controlled entities	4,114	2,798
Profit before taxation	6,971	3,573
Taxation	(971)	(621)
Profit after taxation	6,000	2,952



## 4 SEGMENT INFORMATION (cont'd)

### (i) Segment Results (cont'd)

(c) Combined results of the Group and its share of results of associates and jointly controlled entities by business segments

	Attributable Profit	
	2007	2006
Property		
Property sales	7,698	7,049
Rental income	5,245	4,615
	12,943	11,664
Hotel operation	349	241
Telecommunications	183	118
Other businesses	1,388	1,370
Other income	516	535
Unallocated administrative expenses	(681)	(625)
Operating profit	14,698	13,303
Increase in fair value of investment properties		
– Group	8,904	9,110
– Associates and jointly controlled entities	4,114	2,798
Net finance costs		
– Group	(635)	(859)
– Associates and jointly controlled entities	(279)	(214)
Profit on disposal of long-term investments less impairment loss, net	36	176
Profit before taxation	26,838	24,314
Taxation		
– Group	(4,453)	(3,655)
– Associates and jointly controlled entities	(971)	(621)
Profit for the year	21,414	20,038

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 4 SEGMENT INFORMATION (cont'd)

### (ii) Assets and Liabilities

The Group's assets and liabilities by business segments are analysed as follows:

	The Company and Subsidiaries	Associates and Jointly Controlled Entities	Total Assets	Total Liabilities
At 30 June 2007				
Property				
Development	56,868	5,491	62,359	(6,146)
Investment	147,066	13,908	160,974	(2,409)
	203,934	19,399	223,333	(8,555)
Hotel operation	2,836	1,450	4,286	(98)
Telecommunications	2,960	—	2,960	(1,741)
Other businesses	9,127	2,249	11,376	(2,945)
	218,857	23,098	241,955	(13,339)
Long-term investments			6,297	—
Short-term investments			841	—
Bank balances and deposits			7,364	—
Bank and other borrowings			—	(33,332)
Unallocated corporate assets/(liabilities)			837	(1,500)
Taxation			—	(3,944)
Deferred taxation			—	(16,684)
Total assets/(liabilities)			257,294	(68,799)
At 30 June 2006				
Property				
Development	54,802	4,803	59,605	(5,172)
Investment	124,344	15,099	139,443	(1,645)
	179,146	19,902	199,048	(6,817)
Hotel operation	2,175	1,516	3,691	(73)
Telecommunications	3,029	—	3,029	(1,623)
Other businesses	9,480	2,628	12,108	(2,775)
	193,830	24,046	217,876	(11,288)
Long-term investments			3,379	—
Short-term investments			1,353	—
Bank balances and deposits			7,806	—
Bank and other borrowings			—	(30,237)
Unallocated corporate assets/(liabilities)			384	(1,458)
Taxation			—	(3,499)
Deferred taxation			—	(13,769)
Total assets/(liabilities)			230,798	(60,251)

Less than ten per cent of the Group's assets are situated outside Hong Kong.

## 4 SEGMENT INFORMATION (cont'd)

### (ii) Assets and Liabilities (cont'd)

The Group's depreciation and amortization and capital expenditure by business segments are analysed as follows:

	Depreciation and Amortization		Capital Expenditure	
	2007	2006	2007	2006
Property				
Development	5	2	11,658	13,509
Investment	6	5	6,134	5,324
	11	7	17,792	18,833
Hotel operation	65	57	182	49
Telecommunications	533	542	390	360
Other businesses	448	425	355	74
Unallocated corporate assets	4	4	5	4
	1,061	1,035	18,724	19,320

In addition to the above capital expenditure, the Group also acquired interest in subsidiaries as explained in note 34 (b).

## 5 NET FINANCE COSTS

	2007	2006
Interest expenses on		
Bank loans and overdrafts	1,184	1,149
Other loans wholly repayable within five years	137	185
Other loans not wholly repayable within five years	134	54
	1,455	1,388
Notional non-cash interest accretion	76	67
Less : Portion capitalized	(624)	(389)
	907	1,066
Interest income on bank deposits	(272)	(207)
	635	859

Interest is capitalized at an average annual rate of approximately 4.37 per cent (2006: 4.28 per cent).

Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of asset retirement obligations and contractual obligations of telecommunications licence recognized in the balance sheet to the present value of the estimated future cash flows expected to be required for their settlement in the future.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 6 PROFIT ON DISPOSAL OF LONG-TERM INVESTMENTS LESS IMPAIRMENT LOSS, NET

	2007	2006
Profit on disposal of interests in jointly controlled entities	–	132
Profit on disposal of available-for-sale investments	60	57
Impairment of available-for-sale investments	(24)	(13)
	36	176

## 7 PROFIT BEFORE TAXATION

	2007	2006
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	7,250	3,291
Cost of other inventories sold	881	886
Depreciation and amortization of hotel properties	59	54
Depreciation of other properties, plant and equipment	938	923
Amortization of intangible asset (included in cost of sales)	64	58
Impairment of goodwill	9	40
Staff costs (including directors' emoluments and retirement schemes contributions)	2,823	2,461
Auditors' remuneration	12	11
Loss on disposal of other fixed assets	13	4
and crediting:		
Dividend income from:		
listed investments	111	93
unlisted investments	2	23
Interest income from:		
listed debt securities	39	139
unlisted debt securities	2	18
Profit on disposal of marketable securities	34	49
Net holding gain on marketable securities	203	122



## 8 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

Name of Director	Fees	Salaries, Allowances and Benefits	Discretionary Bonuses	Retirement Scheme Contributions	2007 Total Emoluments	2006 Total Emoluments
<b>Executive Directors</b>						
Kwok Ping-sheung, Walter	0.14	1.67	0.10	0.15	2.06	2.00
Kwok Ping-kwong, Thomas	0.13	1.58	0.12	0.15	1.98	1.89
Kwok Ping-luen, Raymond	0.24	1.63	0.12	0.15	2.14	2.06
Chan Kai-ming	0.10	2.58	0.20	0.24	3.12	5.97
Chan Kui-yuen, Thomas	0.12	3.40	5.26	0.31	9.09	8.41
Kwong Chun	0.10	2.03	1.63	—	3.76	3.56
Wong Yick-kam, Michael	0.32	3.21	4.80	0.30	8.63	10.48
Wong Chik-wing, Mike	0.10	8.80	4.00	0.61	13.51	12.63
<b>Non-Executive Directors</b>						
Lee Shau-kee	0.11				0.11	0.11
Woo Po-shing	0.10				0.10	0.10
Li Ka-cheung, Eric	0.52				0.52	0.60
Kwan Cheuk-yin, William	0.15				0.15	0.15
Lo Chiu-chun, Clement	0.15				0.15	0.15
<b>Independent Non-Executive Directors</b>						
Chung Sze-yuen	0.46				0.46	0.56
Fung Kwok-king, Victor	0.10				0.10	0.10
Dicky Peter Yip	0.37				0.37	0.45
Wong Yue-chim, Richard	0.21				0.21	0.21
<b>Past Director</b>						
Law King-wan	0.05				0.05	0.10
<b>Total 2007</b>	<b>3.47</b>	<b>24.90</b>	<b>16.23</b>	<b>1.91</b>	<b>46.51</b>	<b>49.53</b>
Total 2006	3.78	23.59	20.36	1.80		

The above analysis included three (2006: three) individuals whose emoluments were among the five highest pay in the Group. Details of the emoluments paid to the remaining two (2006: two) individuals are:

	2007	2006
Salaries, allowances and benefits in kind	7.67	9.75
Discretionary bonus	11.39	9.97
Retirement scheme contributions	0.61	0.59
	<b>19.67</b>	<b>20.31</b>

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 8 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (cont'd)

Number of employees whose emoluments fell within:

		2007	2006
Emoluments Band		Number of	Number of
HK\$M	HK\$M	Employees	Employees
9.5	– 10.0	2	1
10.5	– 11.0	–	1
		2	2

## 9 STAFF RETIREMENT SCHEMES

The Group operates a number of defined contribution schemes for all qualified employees. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions to these schemes are made by both the employers and employees at rates ranging from five per cent to ten per cent on the employees' salary.

With effect from 1st December 2000, the Group sets up an employer sponsored scheme ("MPF Scheme") for other employees. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates. Contributions of the Group to the MPF Scheme are charged to profit and loss account as incurred.

Total contributions to the retirement schemes made by the Group during the year amounted to HK\$142 million (2006: HK\$123 million). Forfeited contributions for the year of HK\$7 million (2006: HK\$7 million) were used to reduce the existing level of contributions.

## 10 TAXATION

	2007	2006
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	1,568	1,552
(Over)/Under provision in prior years	(3)	5
	1,565	1,557
Tax outside Hong Kong	40	5
Under provision in prior years	4	2
	44	7
	1,609	1,564
Deferred taxation		
Change in fair value of investment properties	2,538	1,994
Other origination and reversal of temporary differences	306	97
	2,844	2,091
	4,453	3,655

- (a) Hong Kong profits tax is provided at the rate of 17.5 per cent (2006: 17.5 per cent) based on the estimated assessable profits for the year. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.
- (b) Share of associates and jointly controlled entities' taxation of HK\$85 million (2006: HK\$39 million) and HK\$886 million (2006: HK\$582 million) respectively are included in the share of results of associates and jointly controlled entities and share of increase in fair value of investment properties.
- (c) Reconciliation between tax expenses and accounting profit at applicable tax rate:

	2007	2006
Profit before share of results of associates, jointly controlled entities and taxation	19,867	20,741
Tax at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	3,477	3,630
Effect of different tax rate of subsidiaries operating outside Hong Kong	1,007	442
Net effect of non-deductible expenses and non-taxable revenue	(136)	(193)
Utilization/recognition of tax losses not previously recognized	(12)	(68)
Tax losses and other temporary differences not recognized	45	(130)
Others	72	(26)
Tax expenses	4,453	3,655

## 11 DIVIDENDS

	2007	2006
Interim dividend of HK\$0.70 per share based on 2,492 million shares (2006: HK\$0.70 per share based on 2,401 million shares) paid	1,744	1,681
Proposed final dividend of HK\$1.60 per share based on 2,492 million shares (2006: HK\$1.50 per share based on 2,491 million shares)	3,987	3,737
	5,731	5,418

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 12 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 Company's shareholders of HK\$21,226 million (2006: HK\$19,850 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,491,814,121 (2006: 2,411,924,600). The diluted earnings per share is based on 2,491,816,491, (2006: 2,412,075,082) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 2,370 (2006: 150,482) 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 profits attributable to Company's shareholders of HK\$11,495 million (2006: HK\$10,468 million) which excluded the effect of fair value changes on investment properties. A reconciliation of profits is as follows:

	2007	2006
Profit attributable to Company's shareholders as shown in the consolidated profit and loss account	21,226	19,850
Increase in fair value of investment properties	(8,904)	(9,110)
Deferred tax on changes in fair value of investment properties	2,538	1,994
Adjustments for realized gains of disposed investment properties	47	18
(Decrease)/increase in fair value of investment properties net of deferred tax attributable to minority interests	(28)	21
Share of increase in fair value of investment properties net of deferred tax of associates and jointly controlled entities	(3,384)	(2,305)
Underlying profit attributable to Company's shareholders	11,495	10,468



### 13 INVESTMENT PROPERTIES

#### The Group

(a) Movement during year

Valuation	
At 1 July 2005	100,775
Acquired on acquisition of subsidiaries	2,993
Additions	3,583
Transfer in	713
Disposals	(164)
Transfer out	(378)
Exchange difference	101
Increase in fair value	9,110
At 30 June 2006 and 1 July 2006	116,733
Additions	1,883
Transfer in	6,986
Disposals	(80)
Transfer out	(12)
Exchange difference	729
Increase in fair value	8,904
At 30 June 2007	135,143

(b) Valuation of properties shown above comprises:

	2007	2006
Properties in Hong Kong held under		
Long lease (not less than 50 years)	23,259	22,123
Medium-term lease (less than 50 years but not less than ten years)	94,935	86,680
Properties outside Hong Kong held under		
Long lease (not less than 50 years)	713	616
Medium-term lease (less than 50 years but not less than ten years)	16,236	7,314
	135,143	116,733

(c) Investment properties revaluation

The Group's investment properties and land value of properties under development have been revalued as at 30 June 2007 by Knight Frank Petty Limited on a market value basis by reference to market evidence of transaction prices for similar properties.

(d) Loss on disposal of the Group's investment properties during the year amounted to HK\$9 million (2006: HK\$2 million).

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 14 FIXED ASSETS

	Hotel Properties	Properties under Development	Other Properties	Network Equipment	Toll Road	Other Fixed Assets	Total
<b>The Group</b>							
(a) Movement during year							
Cost							
At 1 July 2005	3,126	3,737	2,434	2,573	5,268	1,988	19,126
Acquired on acquisition of subsidiaries	–	–	–	–	–	13	13
Additions	43	1,728	–	281	–	178	2,230
Transfer in	1	565	–	–	–	–	566
Disposals	(1)	–	(7)	(43)	–	(96)	(147)
Transfer out	–	(80)	(21)	–	–	–	(101)
Exchange difference	–	–	–	–	–	3	3
At 30 June 2006 and 1 July 2006	3,169	5,950	2,406	2,811	5,268	2,086	21,690
Acquired on acquisition of subsidiaries	–	–	118	–	–	9	127
Additions	161	4,177	28	329	–	367	5,062
Transfer in	532	639	–	–	–	–	1,171
Disposals	–	–	–	(35)	–	(153)	(188)
Transfer out	–	(1,087)	–	–	–	–	(1,087)
Exchange difference	–	44	–	–	–	2	46
At 30 June 2007	3,862	9,723	2,552	3,105	5,268	2,311	26,821
Accumulated depreciation							
At 1 July 2005	1,026	–	722	658	128	1,145	3,679
Charge for the year	54	–	73	409	258	183	977
Disposals	(1)	–	(2)	(39)	–	(92)	(134)
Transfer out	–	–	(5)	–	–	–	(5)
At 30 June 2006 and 1 July 2006	1,079	–	788	1,028	386	1,236	4,517
Charge for the year	59	–	79	404	258	197	997
Disposals	–	–	–	(22)	–	(147)	(169)
At 30 June 2007	1,138	–	867	1,410	644	1,286	5,345
Net book value at 30 June 2007	2,724	9,723	1,685	1,695	4,624	1,025	21,476
Net book value at 30 June 2006	2,090	5,950	1,618	1,783	4,882	850	17,173

## 14 FIXED ASSETS (cont'd)

(b) Net book value of properties shown above comprises:

	2007	2006
Properties in Hong Kong held under		
Long lease (not less than 50 years)		
Hotel properties	798	811
Properties under development	3	—
Other properties	378	391
	1,179	1,202
Medium-term lease (less than 50 years but not less than ten years)		
Hotel properties	1,926	1,279
Properties under development	8,454	5,403
Other properties	1,307	1,227
	11,687	7,909
Properties outside Hong Kong held under		
Medium-term lease (less than 50 years but not less than ten years)		
Properties under development	1,266	547
	14,132	9,658

(c) The carrying amount of properties under development as at 30 June 2007 included interest capitalized in the amount of HK\$1,615 million (2006: HK\$1,055 million).

## 15 SUBSIDIARIES

### The Company

	2007	2006
Unlisted shares, at cost	30,074	30,074

Particulars regarding principal subsidiaries are set out on pages 167 to 170.

## 16 ASSOCIATES

### The Group

	2007	2006
Unlisted shares, at cost less impairment loss	28	28
Hong Kong listed shares, at cost	585	585
Share of post acquisition reserves	2,473	1,140
	3,086	1,753
Amounts due from associates	328	349
	3,414	2,102
Market value of Hong Kong listed shares	5,263	5,302

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 16 ASSOCIATES (cont'd)

The Group's effective interest in the revenues, results, assets and liabilities of its associates are summarised below:

	2007	2006
Non-current assets	3,479	3,286
Current assets	2,639	1,106
Current liabilities	(1,432)	(773)
Non-current liabilities	(1,600)	(1,866)
Net assets	3,086	1,753
Revenue	4,406	2,282
Fair value change of investment properties net of related deferred tax	–	14
Profit for the year	1,610	191

Particulars regarding principal associates are set out on page 172.

## 17 JOINTLY CONTROLLED ENTITIES

The Group

	2007	2006
Unlisted shares, at cost less impairment loss	778	898
Share of post acquisition reserves	9,553	5,495
	10,331	6,393
Amounts due from jointly controlled entities	9,353	15,551
	19,684	21,944

The Group's effective interest in the revenues, results, assets and liabilities of its jointly controlled entities are summarised below:

	2007	2006
Non-current assets	35,766	34,297
Current assets	15,207	8,544
Current liabilities	(2,182)	(6,196)
Non-current liabilities	(38,460)	(30,252)
Net assets	10,331	6,393
Revenue	2,962	2,727
Fair value change of investment properties net of related deferred tax	3,384	2,291
Profit for the year	4,390	2,761

Particulars regarding principal jointly controlled entities are set out on page 171.



## 18 LONG-TERM INVESTMENTS

### The Group

	2007	2006
<b>Held-to-maturity debt securities</b>		
Listed debt securities, overseas	–	32
<b>Available-for-sale debt securities</b>		
Listed debt securities, overseas	745	137
<b>Available-for-sale equity securities</b>		
Listed equity securities, overseas	802	527
Listed equity securities, Hong Kong	4,147	2,133
Unlisted equity securities	603	543
	5,552	3,203
	6,297	3,372
Amounts due from investee companies	–	7
	6,297	3,379
<b>Market value</b>		
Listed overseas	1,547	695
Listed in Hong Kong	4,147	2,133
	5,694	2,828

## 19 LOAN RECEIVABLES

### The Group

	2007	2006
Mortgage loan receivables	1,164	1,444
Less: Amount due within one year included under current assets	(44)	(47)
	1,120	1,397

Mortgage loan receivables are secured on properties and repayable by monthly instalments with various tenors not more than 20 years at the balance sheet date and carry interest at rates with reference to bank's lending rates.

The carrying amount of loan receivables approximates their fair value.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 20 INTANGIBLE ASSET

### The Group

At 1 July 2005	643
Additions	47
Amortization	(58)
At 30 June 2006 and 1 July 2006	632
Additions	66
Amortization	(64)
At 30 June 2007	634

Intangible asset represents the discounted value of the annual fees payable for the telecommunications licence over the licence period less accumulated amortization and impairment loss.

## 21 PROPERTIES FOR SALE

### The Group

	2007	2006
Properties pending development for sale	26,919	17,910
Properties under development for sale	17,846	19,222
Stock of completed properties for sale	4,031	7,683
	48,796	44,815

## 22 DEBTORS, PREPAYMENT AND OTHERS

	Notes	2007		2006	
		The Group	The Company	The Group	The Company
Materials		174	–	165	–
Debtors, deposits and prepayments		12,101	7	8,748	9
Deposits for acquisition of properties		42	–	4,351	–
Amounts due from customers for contract works	22a	82	–	46	–
Short-term loans		102	–	117	–
Interest rate swaps	22b	24	–	37	–
		12,525	7	13,464	9

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

Included in debtors, prepayment and others of the Group are trade debtors of HK\$10,341 million (2006: HK\$7,417 million), of which 98 per cent aged less than 60 days, one per cent between 61 to 90 days and one per cent more than 90 days (2006: 96 per cent, two per cent and two per cent, respectively).

The fair values of debtors and other receivables are not materially different from their book values.

## 22 DEBTORS, PREPAYMENT AND OTHERS (cont'd)

### 22a. Amounts due from/(to) customers for contract works

#### The Group

	Notes	2007	2006
Contract costs incurred plus recognized profits less recognized losses		626	2,714
Less: Progress billings		(576)	(2,679)
		50	35
Represented by:			
Due from customers included in current assets	22	82	46
Due to customers included in current liabilities	27	(32)	(11)
		50	35

### 22b. Financial derivative instruments

	Notes	2007		2006	
		Assets	Liabilities	Assets	Liabilities
Fair value hedges	22 & 27				
– interest rate swaps		23	56	37	92
– currency swaps		1	–	–	–
		24	56	37	92

At the balance sheet date, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps to hedge the fair value interest rate risk of the Group's fixed interest rate borrowings and currency swap (to hedge principal repayment of USD debt) analysed as follows :

	Notional Principal amount	
	2007	2006
Fixed-to-floating interest rate swaps maturing		
Within one year	300	550
After one year, but within five years	650	950
After five years	1,950	1,950
	2,900	3,450
Currency swap maturing		
After one year, but within five years	234	234
	234	234

The fixed-to-floating interest rate swaps converted the fixed rates to floating rates at HIBOR plus a weighted average margin of 0.33% (2006: 0.37%) per annum. Increase in fair value of the swaps during the year in the amount of HK\$23 million (2006: decrease of HK\$55 million) along with the corresponding increase in fair value of the hedged borrowings of the same amount has been recognized in profit and loss.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 23 AMOUNT DUE FROM A SUBSIDIARY

### The Company

Amount due from a subsidiary is interest free and repayable on demand.

## 24 SHORT-TERM INVESTMENTS

### The Group

	2007	2006
<b>Marketable securities, at market value</b>		
Listed equity securities, Hong Kong	710	495
Listed equity securities, overseas	61	174
	<b>771</b>	<b>669</b>
<b>Held-to-maturity debt securities maturing within one year, at amortized cost</b>		
Listed debt securities, overseas (Market value: 31 million (2006: Nil))	31	—
Unlisted debt securities	—	660
	<b>31</b>	<b>660</b>
<b>Available-for-sale debt securities maturing within one year</b>		
Listed debt securities, Hong Kong	—	16
Listed debt securities, overseas	39	—
Unlisted debt securities	—	8
	<b>39</b>	<b>24</b>
	<b>841</b>	<b>1,353</b>

## 25 BANK BALANCES AND DEPOSITS

	2007		2006	
	The Group	The Company	The Group	The Company
Bank deposits	6,755	—	7,423	—
Bank balances and cash	609	—	383	3
	<b>7,364</b>	<b>—</b>	<b>7,806</b>	<b>3</b>

Deposits with banks in the consolidated balance sheet are interest bearing at prevailing market rates.



## 26 BANK AND OTHER BORROWINGS

	Note	2007		2006	
		The Group	The Company	The Group	The Company
Unsecured bank overdrafts		65	4	80	–
Non-current bank and other borrowings due within one year	28	708	–	2,870	–
		<b>773</b>	<b>4</b>	<b>2,950</b>	<b>–</b>

## 27 TRADE AND OTHER PAYABLES

	Notes	2007		2006	
		The Group	The Company	The Group	The Company
Creditors and accrued expenses		12,747	20	10,673	20
Amounts due to customers for contract works	22a	32	–	11	–
Amount due to minority shareholders		1,301	–	1,340	–
Interest rate swaps	22b	56	–	92	–
		<b>14,136</b>	<b>20</b>	<b>12,116</b>	<b>20</b>

Included in trade and other payables of the Group are trade creditors of HK\$986 million (2006: HK\$767 million), of which 63 per cent aged less than 60 days, four per cent between 61 to 90 days and 33 per cent more than 90 days (2006: 68 per cent, four per cent and 28 per cent, respectively).

The carrying amounts of trade and other payables approximate their fair value.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 28 BANK AND OTHER BORROWINGS

### The Group

	Note	2007	2006
<b>Secured bank loans repayable</b>			
Within one year		132	200
After one year, but within two years		144	220
After two years, but within five years		552	810
After five years		621	673
		<b>1,449</b>	<b>1,903</b>
<b>Unsecured bank loans repayable</b>			
Within one year		273	2,016
After one year, but within two years		4,875	1,288
After two years, but within five years		19,149	21,184
After five years		688	37
		<b>24,985</b>	<b>24,525</b>
<b>Other unsecured loans repayable</b>			
Within one year		303	654
After one year, but within two years		410	307
After two years, but within five years		1,884	908
After five years		4,236	1,860
		<b>6,833</b>	<b>3,729</b>
		<b>33,267</b>	<b>30,157</b>
Less : Amount due within one year included under current liabilities	26	(708)	(2,870)
		<b>32,559</b>	<b>27,287</b>

The fair values of the long-term borrowings as estimated by discounting their future cash flows at the prevailing market borrowing rates at the balance sheet date for similar borrowings are as follows:

	Carrying amount		Fair value	
	2007	2006	2007	2006
Secured bank loans	1,317	1,703	1,317	1,703
Unsecured bank loans	24,712	22,509	24,712	22,509
Other unsecured loans	6,530	3,075	6,491	3,075
	<b>32,559</b>	<b>27,287</b>	<b>32,520</b>	<b>27,287</b>

The carrying amount of short-term borrowings approximates their fair value.

As at 30 June 2007, the Group had entered into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk of certain fixed interest rate borrowings (see note 22b).

- Secured bank loans related to bank borrowings of the Group's subsidiary, Route 3 (CPS) Company Limited which are secured by way of legal charges over its assets and business undertakings.
- The above bank and other borrowings are repayable on various dates up to March 2017. About 85% of the bank and other borrowings are denominated in Hong Kong dollars and carry interest, after hedging where appropriate, at effective rates based on HIBOR plus a weighted average margin less than 0.3% per annum.

## 29 DEFERRED TAXATION

### The Group

	2007	2006
Deferred tax assets	(250)	(349)
Deferred tax liabilities	16,934	14,118
	16,684	13,769

The components of deferred tax assets and liabilities recognized in the consolidated balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation	Revaluation of properties	Provisions	Tax Losses	Others	Total
At 1 July 2005	1,627	10,669	24	(770)	(56)	11,494
Change in accounting policy	—	—	3	—	—	3
On acquisition of subsidiaries	235	87	—	(150)	—	172
Credited to equity	—	(11)	—	—	—	(11)
Charged/(credited) to profit and loss accounts	56	1,994	—	91	(50)	2,091
Exchange difference	11	14	—	(5)	—	20
At 30 June 2006 and 1 July 2006	1,929	12,753	27	(834)	(106)	13,769
On acquisition of subsidiaries	1	—	—	—	7	8
Charged to profit and loss accounts	85	2,538	—	138	83	2,844
Exchange difference	19	49	—	(5)	—	63
At 30 June 2007	2,034	15,340	27	(701)	(16)	16,684

At the balance sheet date, the Group has unrecognized tax losses and deductible temporary differences of HK\$4,365 million (2006: HK\$4,548 million), of which HK\$35 million (2006: HK\$85 million) will expire at various dates up to 2011. Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 30 OTHER LONG-TERM LIABILITIES

The Group

	2007	2006
Asset retirement obligations	47	38
Contractual obligations for telecommunications licences	650	573
	697	611

## 31 SHARE CAPITAL

	2007		2006	
	Number of Shares in Million	Amount	Number of Shares in Million	Amount
<b>Authorized:</b>				
Ordinary shares of \$0.50 each				
At beginning and end of year	2,900	1,450	2,900	1,450
<b>Issued and fully paid:</b>				
Ordinary shares of \$0.50 each				
At beginning of year	2,491	1,246	2,401	1,201
Private placement	–	–	89	44
774,000 (2006: 1,032,000) shares issued on exercise of share options	1	–	1	1
At end of year	2,492	1,246	2,491	1,246

A private placement of 89,000,000 shares of HK\$0.50 each in the share capital of the Company at a price of HK\$89.00 per share was made with independent investors on 12 May 2006. The same number of shares were subscribed by the vendors of the aforesaid placement at HK\$88.068 per new share which was equivalent to the placing price after deduction of related expenses.



## 32 SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 5 December 2002 ("the New Scheme") to replace a former scheme previously adopted on 20 November 1997 ("the Old Scheme"), whereby the directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Details of the share option schemes are set out in the Directors' Report on pages 98 to 99.

### The Old Scheme

Upon the termination of the Old Scheme, no further options could be offered but the outstanding options granted shall continue to be valid and exercisable in accordance with its provisions. At 30 June 2007, no options remained outstanding. At 30 June 2006, the number of shares in respect of which options had been granted and remained outstanding was 810,000, representing 0.03 per cent of the shares in the Company in issue at that date.

### The New Scheme

The New Scheme was adopted by the Company in order to comply with the new requirements under Chapter 17 of the Listing Rules. No option shares have been granted to any person since its adoption.

- (i) Movements in share options to subscribe for ordinary shares in the Company under the Old Scheme during the year are as follows:

Date of Grant	Exercise Price	Exercisable Period	Number of Share Options				At 30 June 2007
			At 1 July 2006	Granted During the Year	Exercised During the Year	Lapsed During the Year	
16 July 2001	HK\$70	16 July 2002 to 15 July 2006	810,000	–	(774,000)	(36,000)	–
			810,000	–	(774,000)	(36,000)	–

Date of Grant	Exercise Price	Exercisable Period	Number of Share Options				At 30 June 2006
			At 1 July 2005	Granted During the Year	Exercised During the Year	Lapsed During the Year	
16 July 2001	HK\$70	16 July 2002 to 15 July 2006	1,842,000	–	(1,032,000)	–	810,000
			1,842,000	–	(1,032,000)	–	810,000

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 32 SHARE OPTION SCHEME (cont'd)

(ii) Details of share options exercised during the year ended 30 June 2007 are as follows:

Exercise Date	Exercise Price	Market Value per Share at Exercise Date	Number of Share Option	Proceeds Received
3 July 2006	HK\$70	HK\$79.15	24,000	1
6 July 2006	HK\$70	HK\$79.35	60,000	4
7 July 2006	HK\$70	HK\$78.45	75,000	5
10 July 2006	HK\$70	HK\$78.80	150,000	11
11 July 2006	HK\$70	HK\$78.80	240,000	17
12 July 2006	HK\$70	HK\$78.80	225,000	16
			774,000	54

Details of share options exercised during the year ended 30 June 2006 are as follows:

Exercise Date	Exercise Price	Market Value per Share at Exercise Date	Number of Share Option	Proceeds Received
3 August 2005	HK\$70	HK\$81.65	36,000	3
12 September 2005	HK\$70	HK\$82.85	24,000	1
26 September 2005	HK\$70	HK\$81.60	60,000	4
19 December 2005	HK\$70	HK\$75.55	36,000	3
3 January 2006	HK\$70	HK\$75.50	12,000	1
9 January 2006	HK\$70	HK\$80.00	72,000	5
10 January 2006	HK\$70	HK\$80.30	30,000	2
11 January 2006	HK\$70	HK\$81.00	192,000	13
12 January 2006	HK\$70	HK\$81.45	36,000	3
18 January 2006	HK\$70	HK\$80.05	12,000	1
1 February 2006	HK\$70	HK\$79.55	18,000	1
23 February 2006	HK\$70	HK\$80.30	24,000	1
24 February 2006	HK\$70	HK\$80.90	36,000	3
28 February 2006	HK\$70	HK\$81.00	54,000	4
6 April 2006	HK\$70	HK\$80.75	36,000	3
7 April 2006	HK\$70	HK\$81.85	18,000	1
10 April 2006	HK\$70	HK\$81.70	96,000	7
12 April 2006	HK\$70	HK\$80.70	36,000	3
19 April 2006	HK\$70	HK\$85.30	150,000	10
20 April 2006	HK\$70	HK\$88.65	36,000	3
21 April 2006	HK\$70	HK\$90.75	18,000	1
			1,032,000	73

### 33 SHARE PREMIUM AND RESERVES

#### The Company

	Share Premium	Capital reserve	Retained profits	Total
At 1 July 2005	17,009	5,281	63,965	86,255
Premium arising from exercise of share options	71	—	—	71
Premium on private placement less expenses	7,793	—	—	7,793
Profit for the year	—	—	6,331	6,331
Interim dividend paid	—	—	(1,681)	(1,681)
Final dividend paid	—	—	(3,602)	(3,602)
At 30 June 2006 and 1 July 2006	24,873	5,281	65,013	95,167
Premium arising from exercise of share options	54	—	—	54
Profit for the year	—	—	6,060	6,060
Interim dividend paid	—	—	(1,744)	(1,744)
Final dividend paid	—	—	(3,737)	(3,737)
At 30 June 2007	24,927	5,281	65,592	95,800

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 34 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of operating profit to cash generated from/(used in) operations

	2007	2006
Operating profit	11,562	12,314
Depreciation and amortization	1,061	1,035
Impairment of goodwill	9	40
Loss on disposal of investment properties	9	2
Loss on disposal of other fixed assets	13	4
Share-based payment expenses	1	5
Dividends received from investments	(113)	(116)
Impairment of properties	379	—
Interest income	(96)	(178)
Exchange difference	8	(2)
<b>Operating profit before changes in working capital</b>	<b>12,833</b>	<b>13,104</b>
Decrease in properties for sale	4,784	534
Additions to properties pending development for sale	(11,658)	(9,094)
Increase in debtors, prepayment and others	(3,375)	(4,586)
Increase in marketable securities	(102)	(65)
Increase/(decrease) in trade and other payables	1,951	(132)
Decrease in deposits received on sale of properties	(13)	(706)
<b>Cash generated from/(used in) operations</b>	<b>4,420</b>	<b>(945)</b>

### (b) Purchase of subsidiaries

In July 2006, the Group acquired an additional 50% interest in Hoi Kong Container Services Company Limited and Faith & Safe Transportation Limited raising its total interest to 100%. In the period to 30 June 2007, the acquired subsidiaries contributed HK\$294 million to the Group's revenue and HK\$22 million to the profit attributable to Company's shareholders.

If the acquisitions had been completed on 1 July 2006, total group revenue and profit attributable to Company's shareholders would not be significantly different from that reported in consolidated profit and loss account.



**34 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)****(b) Purchase of subsidiaries (cont'd)**

The cash flow and net assets acquired are as follows:

	2007 Book Value	2007 Fair Value	2006 Fair Value
Net assets acquired:			
Investment properties	–	–	2,993
Fixed assets	88	127	13
Deposit for acquisition of properties	–	–	4,333
Debtors, prepayment and others	70	70	9
Cash and bank balances	1	1	99
Trade and other payables	(47)	(47)	(77)
Taxation	–	–	(2)
Bank and other borrowings	(3)	(3)	(1,260)
Deferred tax liabilities	(1)	(8)	(172)
	108	140	5,936
Less:			
Minority interests		–	(914)
Interest in jointly controlled entities		(54)	(1,560)
Goodwill on acquisition		–	4
		86	3,466
Satisfied by:			
Cash paid		86	2,484
Deferred consideration		–	982
		86	3,466
		2007	2006
Analysis of net cash inflow in respect of the purchase of subsidiaries:			
Cash consideration paid		86	2,484
Cash and bank balances acquired		(1)	(99)
		85	2,385

**(c) Analysis of the balances of cash and cash equivalents at end of year**

	2007	2006
Bank deposits	6,755	7,423
Bank balances and cash	609	383
Bank overdrafts	(65)	(80)
	7,299	7,726
Less: Pledged bank deposits	(324)	(320)
	6,975	7,406

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 35 JOINTLY CONTROLLED ASSETS

At the balance sheet date, the aggregate amounts of assets and liabilities recognized in the financial statements relating to the Group's interests in jointly controlled assets are as follows :

	2007	2006
Investment properties	6,292	5,623
Properties under development	1	–
Properties pending development for sale	–	137
Properties under development for sale	208	117
Stocks of completed properties for sale	144	146
	6,645	6,023
Trade and other payables	174	174

## 36 RELATED PARTY TRANSACTIONS

During the year, the Group undertook various transactions with related parties. The following is a summary of significant transactions between the Group and related parties, which were carried out at similar terms to other customers or suppliers and at market prices:

	Associates		Jointly controlled entities	
	2007	2006	2007	2006
Interest income	1	1	98	96
Rental income	6	6	1	2
Rental expenses	–	–	23	18
Other revenue from services rendered	640	538	33	139
Purchase of goods and services	–	–	150	200
Acquisition of properties	–	106	–	–

The outstanding balances with associates and jointly controlled entities at the balance sheet date were disclosed in notes 16 and 17.

### 37 CONTINGENT LIABILITIES AND COMMITMENTS

#### The Group

At the balance sheet date, the Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows :

	2007	2006
(a) Capital commitments in respect of fixed assets		
Contracted but not provided for	8,876	5,345
Authorized but not contracted for	490	563
(b) Capital commitments in respect of investments		
Contracted but not provided for	4	11
(c) Group's share of capital commitments of joint ventures:		
Contracted but not provided for	1,800	3
Authorized but not contracted for	—	7
(d) Guarantees given to banks and financial institutions for the borrowings of jointly controlled entities of HK\$3,400 million (2006: HK\$5,300 million) and other guarantees of HK\$2 million (2006: HK\$2 million).		

#### The Company

At the balance sheet date, the Company had contingent liabilities, not included in the Company's financial statements, in respect of guarantees for bank and other borrowings drawn by:

	2007	2006
Subsidiaries	31,806	30,144
Jointly controlled entities	3,400	5,300
	35,206	35,444

### 38 OPERATING LEASE

At the balance sheet date, the future aggregate minimum lease income receivable by the Group under non-cancellable operating leases for land and buildings is analysed as follows:

	2007	2006
Not later than one year	4,804	4,331
Later than one year but not later than five years	3,860	3,195
Later than five years	249	98
	8,913	7,624

At the balance sheet date, the future aggregate minimum lease charges payable by the Group under non-cancellable operating leases is analysed as follows:

	2007	2006
Not later than one year	338	294
Later than one year but not later than five years	226	242
Later than five years	28	35
	592	571

# Notes to the Financial Statements

*(Expressed in millions of Hong Kong dollars)*

## 39 CHARGES OF ASSETS

At the balance sheet date, certain bank deposits of the Group's subsidiary, SmarTone Telecommunications Holdings Limited, in the aggregate amount of HK\$324 million (2006: HK\$320 million) have been pledged for securing performance bonds related to 3G licence and some other guarantees issued by the banks.

At the balance sheet date, the assets of the Group's subsidiary, Route 3 (CPS) Company Limited, with an aggregate net book amount of approximately HK\$4,656 million (including bank balance of HK\$7 million) have been charged to secure its bank borrowings (2006: HK\$4,962 million (including bank balance of HK\$9 million)).

## 40 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

## 41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 124 to 172 were approved by the board of directors on 13 September 2007.



# Principal Subsidiaries

The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the list following contains only the particulars of subsidiaries which principally affect the profit and loss account or assets of the Group. A complete list of all the subsidiaries will be annexed to the Company's 2007 annual return.

Unless otherwise stated, all principal subsidiaries are incorporated and operating in Hong Kong and unlisted.

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities	Issued Capital (HK\$)
SUNeVision Holdings Ltd. (Listed in Hong Kong)	2	84.63	IT infrastructure & internet services investment	203,148,383
SmarTone Telecommunications Holdings Limited (Listed in Hong Kong)	4	55.99	Mobile telephone system operation	580,178,928
Sun Hung Kai Real Estate Agency Limited		100	General management & agency	1,000,000
New Town (N.T.) Properties Limited		100	Investment holding	2,287,659,338
Hung Kai Finance Company Limited		100	Registered deposit-taking company	100,000,200
Fidelity Finance Company Limited		100	Finance	200
Honour Finance Company Limited		100	Finance	500,000
Sun Hung Kai Properties (Financial Services) Limited		100	Finance	100,000
Sun Hung Kai Properties Insurance Limited		100	General insurance	75,000,000
Honour Securities Company Limited		100	Share broking	6,000,000
Sun Hung Kai Architects and Engineers Limited		100	Architectural & engineering	350,000
Sanfield Building Contractors Limited		100	Building construction	10,200,000
Everlight Engineering Company Limited		100	Fire prevention & mechanical engineering	50,000
Aegis Engineering Company Limited		100	Plant and machine hire	100,000
Hong Yip Service Company Limited		100	Property & facility management	100,000
Kai Shing Management Services Limited		100	Property & facility management	10,000
Mantegna Investment Company Limited	1	100	Hotel ownership	10,000,000
New Town Serviced Apartment Management Company Limited		100	Furnished apartment management	200
Royaltelle International Limited		100	Hotel management	2
Able Smart Assets Limited	1	100	Property investment	US\$1
Ace Peace Limited		100	Property investment	1
Additech Ltd.	1	100	Property investment	US\$1
Advance Vision Enterprises Limited		100	Property development and investment	2
Airport Freight Forwarding Centre Company Limited		100	Freight forwarding centre	100
Annadale Development Limited		100	Property development and investment	2
Antanpark Limited	1	100	Property investment	US\$1
Antinio Investments Limited	1	100	Property investment	US\$1
Artsland Properties Investment Ltd.	1	100	Property investment	US\$1
Asiaford Limited	1	100	Property development	US\$1
Barnard Enterprises Limited	1	75	Property investment	US\$100
Beachshore Limited		100	Property development	10,400,000

# Principal Subsidiaries

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities	Issued Capital (HK\$)
Beauty Marble Investment Limited		100	Property investment	2
Beijing Sun Dong An Company Limited	5	100	Property investment	US\$129,000,000
Best Winners Limited	1	100	Property investment	US\$1
Biliboss Limited	1	100	Property investment	US\$1
Branhall Investments Limited	1	100	Property investment	40,000,000
Buratto Limited	1	100	Property investment	US\$1
Century Loyal Limited		100	Property investment	1
Cheerlord Investment Ltd.	1	100	Property investment	US\$1
Cherry Land Company Limited		100	Property investment	1,500,000
City Lion Investment Limited	1	100	Property investment	US\$1
City Success Limited		100	Property development and investment	2
Dictado Company Limited		100	Property investment	200
Dipende Limited	1	100	Property investment	US\$1
Entero Company Limited		100	Property investment	200
Even Decade Limited	1	100	Property investment	US\$1
Ever Channel Limited		100	Property investment	2
Ever Fast Limited		100	Property development and investment	2
Excel Elite Assets Limited	1	100	Property investment	US\$1
Excellent Chance Limited	1	100	Property investment	US\$1
Faith & Safe Transportation Limited		100	Mid stream operator	8,622,450
First Gain Assets Limited	1	100	Property investment	US\$1
Firstmax Limited		100	Property investment	2
Fit Sharp Limited	1	100	Property investment	US\$1
Forever Glory Investments Limited	1	100	Property investment	US\$1
Fortune Honor Limited		100	Property investment	2
Fortune Yield Investment Limited		100	Property investment	2
Full Market Limited		100	Property investment	2
Garudia Limited		100	Property investment	2
Golden Square Properties Enterprises Limited	1	100	Property investment	1,000,000
Goodwick Limited		100	Property investment	1
廣州市佳俊房地產開發有限公司	5	100	Property development	RMB97,200,000
Harbour Vantage Limited		100	Property development	2
Head Master Assets Limited	1	100	Property investment	US\$1
Hoi Kong Container Services Company Limited		100	Mid stream operator	40,000,000
Honenberg Limited		100	Property investment	2
Hong Kong Business Aviation Centre Limited	6	35	Business Aviation Centre	1,000,000
Hung Kai Finance Investment Holding Limited		100	Property investment	200
Jayan Company Limited		100	Property investment and investment holding	2
Jugada Company Limited		100	Property investment	2
Kamchatka Company Limited		100	Property investment	200
Kartasun Limited		100	Property investment	2
Kimrose Investments Ltd.	1	100	Property investment	US\$1

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities	Issued Capital (HK\$)
King Skill Limited		100	Property development	2
Koon Yee Company Limited		100	Property development	3
Laboster Company Limited		100	Property investment	2
Lee Bit Kai Investment Company Limited		100	Property investment	1,000
Levenson Limited	I	100	Property investment	US\$1
Long Tesak Company Limited		100	Property investment	100,000
Lonsale Company Limited		100	Property investment	2
Lorient Holdings Ltd.	I	100	Property investment	US\$1
Lunalite Company Limited		100	Property investment	2
Luxsky Ltd.	I	100	Property investment	US\$1
Manceton Limited		100	Property investment	2
Mighty Choice Assets Limited	I	100	Property investment	US\$1
Mindano Limited		100	Property investment	10,000
Morifunn Ltd.	I	100	Property investment	US\$1
Moscova Company Limited		100	Property investment	200
Nixon Cleaning Company Limited		100	Cleaning service	100,000
Obvio Yip Company Limited		100	Property development, property investment and loan financing	15,000,000,000
Open Step Limited		60	Property investment	10
Pacotilla Company Limited		100	Property investment	200
Partner Sino Assets Limited	I	100	Property investment	US\$1
Pawling Limited	I	100	Property investment	US\$1
Profit Richness Limited	I	100	Property investment	US\$1
Protasan Limited		100	Property investment	100
Rena Holding Limited	I	100	Property investment	US\$1
Rinnovare Limited	I	100	Property investment	US\$1
Route 3 (CPS) Company Limited		70	Toll road operation	10,000
Seiyu (Shatin) Company Limited		100	Department store operation	30,000,000
SHKP E-home Limited		100	Property development	2
Shanghai Xin Zhong Hui Property Company Limited	5	97.143	Property investment	US\$35,000,000
Shanghai Central Plaza Property Company Limited	5	80	Property investment	US\$42,000,000
上海新中楊房地產有限公司	5	100	Property development	US\$165,000,000
上海新陸一房地產有限公司	5	100	Property development	US\$205,000,000
上海新陸二房地產有限公司	5	100	Property development	US\$62,200,000
上海新陸三房地產有限公司	5	100	Property development	US\$48,800,000
Shubbery Company Limited		100	Property investment	200
Shunyue Investments Limited	I	100	Property investment	US\$1
Smartland Enterprises Limited		100	Property investment	2
Solar Kingdom Limited		100	Property investment	2
Speed Wise Limited		100	Property investment	2
Speedway Assets Limited	I	100	Property investment	US\$1
Standard Top Limited		100	Property investment	2
Startrack Company Limited		100	Property investment	200
Sun Carol Company Limited		100	Property investment	200

# Principal Subsidiaries

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities	Issued Capital (HK\$)
Sun Hung Kai Properties (Capital Market) Limited	2	100	Finance	US\$10
Sun Hung Kai Secretarial Services Limited		100	Secretarial services	200
Sun Yuen Long Centre Management Company Limited		87.5	Property investment and management	50,000
Sunfez Company Limited		100	Property investment	200
Suniland Limited		100	Property development and investment	2
Sunrit Enterprises Limited		100	Property investment	4,000,000
Tainam Holdings Limited	I	100	Property investment	US\$1
Tamworth Development Limited		100	Property development	2
Teamfield Property Limited		57.52	Property investment	10,000
Ten Choice Development Limited		100	Property investment	2
Tenuta Limited	I	100	Property investment	US\$1
Tipro Development Limited		100	Property investment	1,000,000
Time Plus Limited		100	Property development	2
Tonthai Investment Enterprises Limited	I	100	Property investment	US\$1
Town Descant Company Limited		100	Property investment	200
Transport Infrastructure Management Limited (formerly known as Tsing Ma Management Limited)		66.7	Road management	70,000,000
Treasure On Development Limited		100	Property development and investment	2
Tsi Mai Company Limited		100	Property investment	200
Tsuen Kwong Limited		100	Property development	2
Uniland Investment Enterprises Limited	I	100	Property investment	US\$1
Upper Hill Company Limited	I	100	Property investment	US\$1
Wai Hung Development Company Limited		100	Investment holding and property investment	70,000
Warrior Company Limited		100	Property investment	300
Well Logic Properties Investment Limited	I	100	Property investment	US\$1
Wellden Limited		100	Property investment	2
Wilson Parking (Holdings) Limited		100	Investment holding and carpark operation	1,000
Winner Land Enterprises Limited		100	Property investment	2
Wonder Charm Assets Limited	I	100	Property investment	US\$1
WTC (Club) Limited		100	Club management	200
Zarabanda Company Limited		100	Property investment	2

- Notes: 1. Incorporated in the British Virgin Islands.
2. Incorporated in the Cayman Islands.
3. Incorporated in Panama.
4. Incorporated in Bermuda.
5. Incorporated in the People's Republic of China.
6. Indirectly held by the Company.



# Principal Jointly Controlled Entities



The directors are of the opinion that a complete list of the particulars of all jointly controlled entities will be of excessive length and therefore the list following contains only the particulars of jointly controlled entities which principally affect the profit and loss account or assets of the Group. A complete list of all jointly controlled entities will be annexed to the Company's 2007 annual return.

Unless otherwise stated, all principal jointly controlled entities are incorporated and operating in Hong Kong and unlisted.

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities
+ Altomatic Limited		50	Property investment
# Anbok Limited		25	Property development
Arrowtown Assets Limited	I	49	Property development
Brilliant Palace Limited	I	40	Investment holding
#+ Cheerjoy Development Limited		35	Property development
# Dragon Beauty International Limited		50	Property development
First Star Development Limited		50	Property development
+ Glorious Concrete (H.K.) Limited		50	Manufacturers of ready mixed concrete
#+ Green Valley Landfill Limited		20	Landfill waste disposal facility
IFC Development Limited	I	50	Property investment
Jade Land Resources Limited		25	Property development and investment
Karnold Way Limited		57.52	Finance
# Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited		50	Godown operation
Krimark Investments Limited	I	30	Property development
+ Newfoundworld Holdings Limited		20	Property development and investment
#+ Orchard Turn Holdings Pte Limited	3	50	Investment holding
+ Ranny Limited		50	Property investment
#+ River Trade Terminal Co. Ltd.	I	50	River trade terminal
# Senica International Limited		22.5	Investment holding
#+ South China Transfer Limited		20	Solid waste management and environmental services
Special Concept Development Limited		25	Property development
+ Splendid Shing Limited		50	Property investment
+ Star Play Development Limited		33.3	Property investment
#+ Sun Logistics Company Limited		50	Logistics services
Teamfield Property Limited		57.52	Property investment
+ Tinyau Company Limited		50	Property investment
+ Topcycle Development Limited		50	Property development
Wellview Investment Limited	I	40	Investment holding
# Wisdom Choice Investment Limited		40	Property development
# Wolver Hollow Company Limited		50	Property investment
+ Xipho Development Company Limited		33.3	Property development

+ The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu.

# Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.

Notes: 1. Incorporated in the British Virgin Islands.

2. Incorporated in the People's Republic of China.

3. Incorporated in the Republic of Singapore.

# Principal Associates



The directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the list following contains only the particulars of associates which principally affect the profit and loss account or assets of the Group. A complete list of all associates will be annexed to the Company's 2007 annual return.

Unless otherwise stated, all principal associates are incorporated and operating in Hong Kong and unlisted.

Name	Note	Attributable Equity Interest Held by the Company (%)	Activities
#+ Transport International Holdings Limited (listed in Hong Kong)	I	33.28	Public transportation
#+ Ranex Investments Limited		29	Property development and investment
#+ The Hong Kong School of Motoring Limited		30	Driving School
#+ Onluck Finance Limited		35.44	Finance
#+ Treasure Peninsula Limited		29	Finance

+ The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu.

# Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.

Note: I. Incorporated in the Bermuda.



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