



SUN HUNG KAI PROPERTIES LIMITED

2011/12

Annual Report

Stock Code : 16

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Board of Directors and Committees

Board of Directors

Executive Directors

Kwok Ping-kwong, Thomas (*Chairman & Managing Director*)
Kwok Ping-luen, Raymond (*Chairman & Managing Director*)
Wong Chik-wing, Mike (*Deputy Managing Director*)
Lui Ting, Victor (*Deputy Managing Director*)
Chan Kui-yuen, Thomas
Kwong Chun
Chan Kwok-wai, Patrick (*Chief Financial Officer*)
Kwok Kai-fai, Adam (*Alternate Director to Kwok Ping-kwong, Thomas*)
Kwok Ho-lai, Edward (*Alternate Director to Kwok Ping-luen, Raymond*)

Non-Executive Directors

Lee Shau-kee (*Vice Chairman*)
Kwok Ping-sheung, Walter
Woo Po-shing
Kwan Cheuk-yin, William
Wong Yick-kam, Michael
Woo Ka-biu, Jackson (*Alternate Director to Woo Po-shing*)

Independent Non-Executive Directors

Yip Dicky Peter
Wong Yue-chim, Richard
Li Ka-cheung, Eric
Fung Kwok-lun, William
Leung Nai-pang, Norman
Leung Kui-king, Donald

Committees

Executive Committee

Kwok Ping-kwong, Thomas
Kwok Ping-luen, Raymond
Wong Chik-wing, Mike
Lui Ting, Victor
Chan Kui-yuen, Thomas
Kwong Chun
Chan Kwok-wai, Patrick
So Chung-keung, Alfred
Tung Chi-ho, Eric
Chow Kwok-yin, Eric
Wong Chin-wah, Jimmy
Yung Sheung-tat, Sandy

Audit Committee

Li Ka-cheung, Eric*
Yip Dicky Peter
Wong Yick-kam, Michael

Remuneration Committee

Wong Yue-chim, Richard*
Li Ka-cheung, Eric
Kwan Cheuk-yin, William

Nomination Committee

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

* *Committee Chairman*

Corporate Information and Information for Shareholders

Corporate Information

Company Secretary

Yung Sheung-tat, Sandy

Auditor

Deloitte Touche Tohmatsu

Registered Office

45th Floor, Sun Hung Kai Centre
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Hong Kong

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Share Registrar

Computershare Hong Kong
Investor Services Limited
Shop Nos. 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Solicitors

Woo, Kwan, Lee & Lo
Mayer Brown JSM
Winston Chu & Company
Clifford Chance

Principal Bankers

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

Information for Shareholders

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 Contact

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E-mail : ir@shkp.com

Financial Calendar for 2011/12

Interim results announcement : 28 February 2012
Interim dividend paid : 27 April 2012
Annual results announcement : 13 September 2012
Closure of register of members¹ : 12 to 15 November 2012
(both days inclusive)
Annual general meeting : 15 November 2012
Closure of register of members² : 21 to 23 November 2012
(both days inclusive)
Final dividend payable : on or about 20 December 2012

Notes:

1. For the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting.
2. For the purpose of ascertaining shareholders' entitlement to the proposed final dividend.

Choice of Language or Means of Receipt of Corporate Communications

This annual report is now available in printed form in English and in Chinese, and on the website of the Company.

If (i) shareholders, who have received or chosen to receive printed copies of this annual report, wish to receive the same in the other language; or (ii) shareholders, who have received or chosen to receive or are deemed to have consented to receive this annual report by electronic means, wish to receive printed copies; or (iii) shareholders for any reason have difficulty in receiving or gaining access to this annual report on the Company's website, they may obtain printed copies free of charge by sending a request to the Company c/o Share Registrar, Computershare Hong Kong Investor Services Limited, by post to 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at shkp@computershare.com.hk.

For shareholders who wish to change their choice of language or means of receipt of the Company's future corporate communications free of charge, they may at any time notify the Company by giving reasonable notice (of not less than 7 days) to the Company c/o Share Registrar by post or by email or by completing and returning the accompanying Change Request Form.

Financial Highlights and Land Bank

For the year ended 30 June 2012 2011 Change (%)

Financial Highlights (HK\$ million)

Revenue	68,400	62,553	+9.3
Profit attributable to the Company's shareholders			
– Reported	43,080	48,097	-10.4
– Underlying ¹	21,678	21,479	+0.9
Gross rental income ²	14,444	12,609	+14.6
Net rental income ²	11,069	9,511	+16.4

Financial Ratios

Net debt to shareholders' funds (%)	16.4	17.1	-0.7 ³
Dividend payout (%)	40.0	40.1	-0.1 ³

Financial Information per Share (HK\$)

Earnings per share for profit attributable to the Company's shareholders			
– Reported	16.63	18.71	-11.1
– Underlying	8.37	8.36	+0.1
Dividends			
– Interim dividend	0.95	0.95	–
– Final dividend	2.40	2.40	–
– Full-Year dividend	3.35	3.35	–
Shareholders' funds	132.49	119.44	+10.9

Land Bank in Hong Kong (gross floor area in million square feet)

Properties under development ⁴	18.1	16.5	+9.7
Completed investment properties ⁵	28.5	27.7	+2.9
Total	46.6	44.2	+5.4

Land Bank on the Mainland (gross floor area in million square feet)

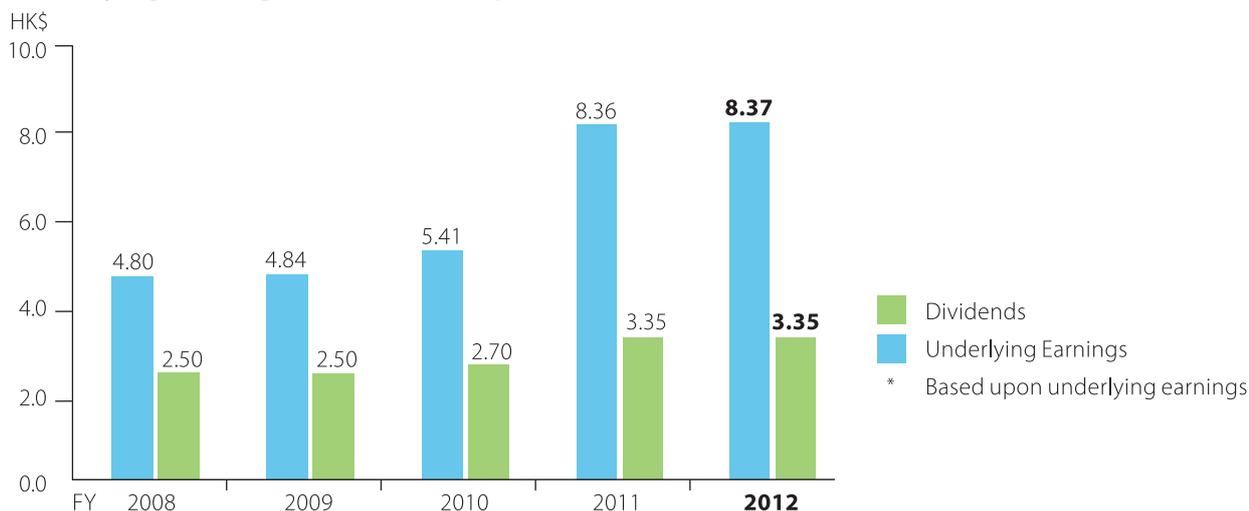
Properties under development	74.4	78.6	-5.3
Completed investment properties ⁵	9.4	7.5	+25.3
Total	83.8	86.1	-2.7

Notes:

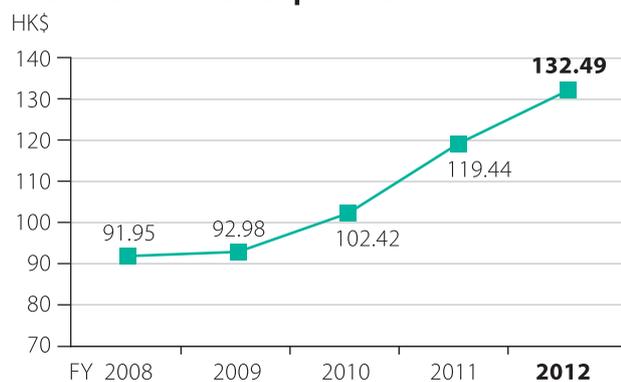
- Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties
- Including contributions from jointly controlled entities and associates
- Change in percentage points; dividend payout based upon underlying profit
- Excluding about 27 million square feet of farmland in terms of site area
- The Group has a 50-per-cent stake in a premium 950,000-square-foot shopping mall in Singapore, in addition to property holdings in Hong Kong and on the mainland

Financial Highlights and Land Bank

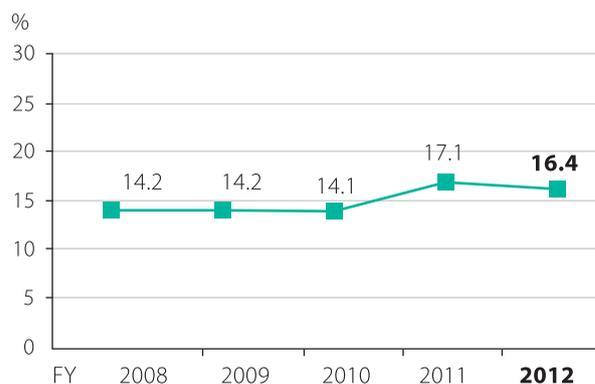
Underlying Earnings and Dividends per Share*



Shareholders' Funds per Share#



Net Debt to Shareholders' Funds Ratio#

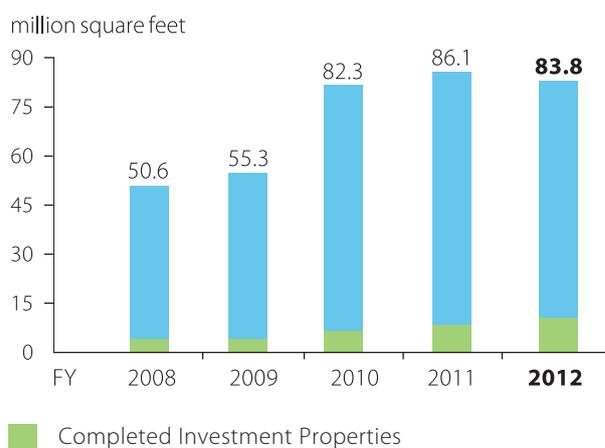


Comparative figures for FY 2008–2010 were restated for the early adoption of HKAS 12 (Amendments)

Land Bank in Hong Kong



Land Bank on the Mainland



Group Financial Summary

Key Financial Information and Ratios

Financial year	2012 HK\$	2011 HK\$	(Restated) ¹		
			2010 HK\$	2009 HK\$	2008 HK\$
Reported earnings per share	16.63	18.71	11.71	3.89	11.61
Underlying earnings per share	8.37	8.36	5.41	4.84	4.80
Dividends per share	3.35	3.35	2.70	2.50	2.50
Shareholders' funds at book value per share	132.49	119.44	102.42	92.98	91.95
Net debt / Shareholders' funds (%)	16.4	17.1	14.1	14.2	14.2
Interest cover (times) ³	13.0	16.9	15.9	13.7	7.6

Key Income Statement Items

For the year ended 30 June	2012 HK\$M	2011 HK\$M	(Restated) ¹		
			2010 HK\$M	2009 HK\$M	2008 HK\$M
Revenue	68,400	62,553	33,211	34,234	24,471
Operating profit before change in fair value of investment properties	24,988	21,366	13,842	13,983	10,728
Operating profit after change in fair value of investment properties	44,470	46,436	30,311	11,329	22,934
Profit attributable to the Company's shareholders	43,080	48,097	30,039	9,984	29,475
Underlying profit attributable to the Company's shareholders ⁴	21,678	21,479	13,883	12,415	12,186

Key Statement of Financial Position Items

As at 30 June	2012 HK\$M	2011 HK\$M	(Restated) ¹		
			2010 HK\$M	2009 HK\$M	2008 HK\$M
Investment properties and fixed assets ²	252,458	230,759	200,826	180,205	175,610
Associates and jointly controlled entities	49,515	41,935	35,826	31,775	34,100
Other financial assets and loans	4,109	3,637	3,900	3,418	5,259
Intangible assets ²	4,699	5,049	4,357	4,647	4,971
Net current assets	114,862	93,017	65,170	68,615	64,888
Non-current liabilities	(74,684)	(62,202)	(42,054)	(45,595)	(44,234)
Net assets	350,959	312,195	268,025	243,065	240,594
Share capital	1,308	1,285	1,285	1,282	1,282
Share premium and reserves	345,251	305,680	261,936	237,117	234,490
Shareholders' funds	346,559	306,965	263,221	238,399	235,772
Non-controlling interests	4,400	5,230	4,804	4,666	4,822
Total Equity	350,959	312,195	268,025	243,065	240,594

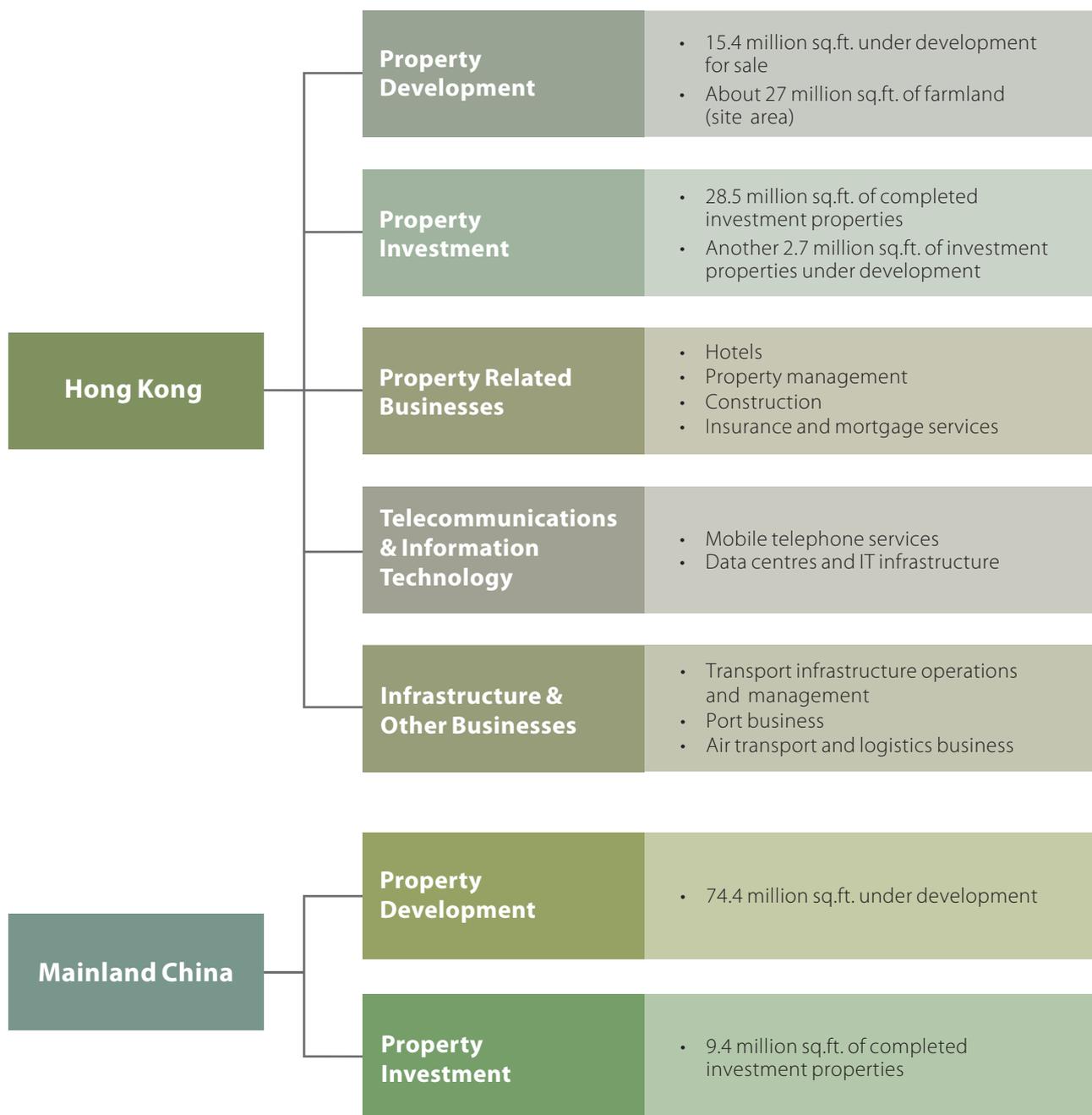
Notes:

1. The Group adopted the amendments to Hong Kong Accounting Standard 12, Deferred tax: recovery of underlying assets. Figures for the years 2008 to 2010 have been restated for comparison purposes
2. Figures of fixed assets and intangible assets for the year 2008 have been restated to reflect the Group's adoption of HK(IFRIC) – 12 "Service Concession Arrangements"
3. Interest cover represents operating profit before change in fair value of investment properties divided by net interest expenses before capitalization
4. Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties

Business Structure

Sun Hung Kai Properties

As at 30 June 2012



The Group's principal subsidiaries and joint venture companies are listed on pages 168 to 175

Chairman's Statement

We are pleased to present our report to the shareholders.

Results

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2012, excluding the effect of fair-value changes on investment properties, amounted to HK\$21,678 million, compared to HK\$21,479 million last year. Underlying earnings per share were HK\$8.37, compared to HK\$8.36 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$43,080 million and HK\$16.63 respectively, compared to HK\$48,097 million and HK\$18.71 last year. The reported profit for the year included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK\$22,076 million compared to HK\$26,996 million last year.

Dividend

The directors have recommended the payment of a final dividend of HK\$2.40 per share for the year ended 30 June 2012. Together with the interim dividend of HK\$0.95 per share, the dividend for the full year will be HK\$3.35, the same as last year.

Business Review

Property Sales and Rental Income

Property Sales

Revenue from property sales for the year as recorded in the accounts, including revenue from joint-venture projects, was HK\$37,032 million. Profit generated from property sales was HK\$13,074 million, as compared to last year's HK\$16,647 million which included a one-off contribution from the sales of a luxury residential development in Singapore. The

Group continued to record impressive contracted sales of HK\$38,217 million for the year in attributable terms, versus last year's HK\$39,148 million.

Rental Income

As new leases and renewals concluded during the year achieved higher rentals together with increased contributions from new mainland properties, the Group continued to record robust rental income growth. Gross rental income, including contributions from joint-venture projects, rose 15 per cent to HK\$14,444 million, and net rental income increased 16 per cent to HK\$11,069 million.

Property Business — Hong Kong

Land Bank

The Group held a total land bank of 46.6 million square feet in Hong Kong as at June 2012. This included 28.5 million square feet of premium completed investment properties and 18.1 million square feet of properties under development. The Group also held some 27 million square feet of farmland in terms of site area under various stages of land use conversion, located primarily along existing or planned railway lines in the New Territories.

With more sites available in the land market, the Group acquired a total of 5.2 million square feet of developable gross floor area in attributable terms during the year, compared to last year's 2.7 million square feet.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
MTR Nam Cheong Station Development	Residential/Shopping centre	Joint Venture	2,609,000
Area 55A, Tung Chung	Residential/Retail	100	1,394,000
Area 66A, Tseung Kwan O	Residential/Shopping centre	100	793,000
Area 66C1, Tseung Kwan O	Residential/Shopping centre	100	258,000
56-84 Belcher's Street, Island West	Residential/Retail	92	144,000
Total			5,198,000

Chairman's Statement

The Group continued to capitalize on land acquisition opportunities after the financial year ended, winning a government site on the North Point waterfront through a public tender in July. This North Point site, comprising 578,000 square feet of premium residences and 123,000 square feet of quality retail premises, offers stunning views of Victoria Harbour with its wide coastal frontage. This latest acquisition further boosted the Group's total land bank in Hong Kong to 47.3 million square feet.

Property Development

Activity in the primary market stayed at a healthy level, while secondary market transactions of residential premises were active in the past several months. Prices continued to firm up after a pause late in the second quarter this year.

Positive factors such as the low mortgage interest rate, reasonable affordability and sustained income growth continued to underpin demand from homebuyers, despite a restrictive loan-to-value ratio for mortgage financing. Supply in the pre-sale market continued to be limited over the past year. However, increased land supply should translate into more housing completions in the medium term.

The Group's contracted sales in Hong Kong remained good during the year at nearly HK\$32,000 million in attributable terms. The sales of new residential projects like Imperial Cullinan in West Kowloon, The Wings in Tseung Kwan O and i•UniQ Grand in Hong Kong East met an encouraging market response and the sales of decentralized offices in Kowloon East, Cheung Sha Wan and elsewhere were also impressive.

Brisk sales and wide market acclaim for project quality showed customer recognition of the Group's Building Homes with Heart philosophy. The Group always takes initiatives to satisfy customers' changing preferences and rising expectations, and this is a priority from the very beginning of project designs. It devotes considerable attention to project master plans and provides suitable flat mixes, practical layouts and preferred specifications such as high ceilings and the finest finishes. All these have helped the Group build a powerful brand and create more value for development projects.

The Group completed over 3.6 million square feet of attributable gross floor area in Hong Kong during the year, of which over 2.8 million square feet were residential.

Chairman's Statement

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
The Wings/Crowne Plaza Hong Kong Kowloon East/Holiday Inn Express Hong Kong Kowloon East/Vega Suites	Tong Yin Street/ Tong Tak Street, Tseung Kwan O	Residential/ Office/Hotel	100	1,541,000
Imperial Cullinan	10 Hoi Fai Road, West Kowloon	Residential/ Shopping centre	100	889,000
Avignon	1 Kwun Chui Road, So Kwun Wat, Tuen Mun	Residential/Retail	100	621,000
One Regent Place	18 Po Yip Street, Yuen Long	Residential	100	222,000
Lime Stardom	1 Larch Street, Tai Kok Tsui	Residential/Retail	Joint venture	201,000
Shouson Peak	9-19 Shouson Hill Road, Island South	Residential	100	91,000
Twelve Peaks	12 Mount Kellett Road, The Peak	Residential	100	43,000
50 Stanley Village Road	48-50 Stanley Village Road, Island South	Residential	100	37,000
Total				3,645,000

One major completion during the year was the integrated project atop MTR Tseung Kwan O Station. The Group has acquired three other sites in the same vicinity since early 2010 as part of its efforts to build a vibrant new community in the Tseung Kwan O town centre. The new projects are situated along the planned Central Avenue leading to the future Waterfront Park for leisure and recreation, and will provide over 2,000 units, mainly small to medium sized. They will offer residents a pleasant living environment with the convenience of a full range of facilities including two premium hotels, high-quality retail space and various planned public cultural and civic facilities.

Property Investment

The overall Hong Kong leasing market remained solid. While demand from global financial institutions for office space in Central softened amid the uncertainty arising from the European sovereign crisis, the leasing market in non-Central areas continued to perform well. Retail sector performance was good against the backdrop of stable employment conditions, continuous income growth and higher tourist spending. The Group's holdings of 28.5 million square feet of well-diversified, quality investment properties make it one of the largest landlords in Hong Kong, benefitting from the continuous growth of the leasing market. Overall occupancy of the Group's investment property portfolio was around 95 per cent and positive rental reversions were achieved during the year under review.

Office portfolio

The Group has developed numerous major office projects over the years to meet the rising demand for quality office space. The projects house the regional headquarters of many multinational companies and play a vital role in supporting the business sector and driving Hong Kong's status as a global business and financial hub. The Group currently owns more than ten million square feet of well-diversified premium office portfolio in various regions serving a broad tenant base. The office portfolio in general did well for the period under review with relatively high occupancy.

International Finance Centre (IFC) is an excellent example of world-class office premises developed by the Group, and it is the address of choice for many leading financial institutions and multinational corporations. With its outstanding quality and unique location in Central, IFC is one of the most recognized landmarks on the Victoria Harbour shoreline. The average occupancy of the two office towers remained high.

Chairman's Statement

International Commerce Centre (ICC) is another Group landmark that has extended Hong Kong's premier office circle from Central to the other side of Victoria Harbour by bringing in premier investment banks as anchor tenants. Market rents of office space in this flagship development rose over the year and the vacancy rate was low. ICC is above a major transport interchange at Kowloon Station and is supported by superior amenities including luxury hotels The Ritz-Carlton, Hong Kong and W Hong Kong, serviced suites in The HarbourView Place, the high-end Elements shopping mall and the Sky100 Hong Kong Observation Deck: a 'must see' tourist attraction in the city. These attractions have created a brand-new business cluster and established Kowloon West as a new premier business district in Hong Kong.

The Group also has prime office developments in areas outside the central cores. It has been building a cluster of offices in Kowloon East for more than a decade, and has helped revitalize Kwun Tong from an old industrial district into the latest commercial hub through the massive Millennium City project. Office space there was near-fully let over the year. The government's latest development plan is to establish Kowloon East as another central business district, and the Group will continue to develop high-quality office buildings in this area to satisfy the growing demand.

Kowloon Commerce Centre (KCC) in the western part of the territory has been a success with the Tower A offices recording high occupancy and satisfactory rental income. It is two minutes' walk from an MTR station with convenient access to the Kwai Chung terminals, the mainland border and Hong Kong International Airport. Tower B of KCC is scheduled for completion by the end of 2012. It was also planned as a source of rental income, but as users preferred buying to leasing, it ended up with all office space pre-sold amid keen interest from international and local buyers.

Retail portfolio

Gross rental income from the Group's well-diversified shopping centres showed reasonable growth for the year under review, with occupancy of major malls remaining high. Tenants in the Group's retail portfolio generally enjoyed solid growth in turnover.

The Group has built a network of prime shopping centres across Hong Kong over the past decades, and this now totals over ten million square feet in terms of gross floor area. The Group is committed to enhancing the value of its investment properties to grow with its tenants; constantly upgrading and renovating shopping centres, introducing innovative marketing campaigns and staging a wide range of activities to boost traffic flow. The existing retail portfolio and major new malls under development will reinforce the extensive shopping mall network and keep the Group at the forefront of the industry.

The Group's major malls include IFC Mall in Central, WTC More in Causeway Bay, The Sun Arcade in Tsim Sha Tsui, Grand Century Place in Mong Kok, APM in Kowloon East, New Town Plaza in Sha Tin, Tai Po Mega Mall, Landmark North in Sheung Shui and Metroplaza in Kwai Fong. The extensive mall network has enabled the Group to grow with the consumption market and help enrich lifestyles of local residents and tourists by satisfying their ever-changing shopping needs.

IFC Mall in the heart of the central business district of Hong Kong Island is a retail icon with its diverse blend of luxury brands and specialty stores. Sales in the shopping complex show consistent growth and it is virtually fully let with continuous interest from many potential tenants. Some shops in the mall are among the top performers for sales in their chains worldwide.

Across Victoria Harbour in Kowloon, the Group also possesses a number of leading shopping centres. APM in Kowloon East continues to be one of the trend-setting malls in Hong Kong with its late night shopping and entertainment concept and cutting-edge promotions. A major renovation finished in late 2011 and continual tenant mix refinement have strengthened its positioning as a young and trendy shopping destination in Kowloon East. Near-full occupancy and rising visitor traffic have led to continuous positive rental reversions. Kowloon is also home to a new component of the Group's retail network: Mikiki that opened in August 2011. It is close to the Kai Tak Development Area, which will help foster the transformation of Kowloon East into a new central business district. The mall has a gross floor area of about 210,000 square feet and is fully occupied.

Chairman's Statement

The Group also has an extensive presence in the New Territories. New Town Plaza in Sha Tin recently brought in more fashion and shoe retailers to optimize its tenant mix. This regional mall has continued to draw keen interest from international retailers with solid growth in traffic and turnover. Landmark North in Sheung Shui saw impressive growth in sales turnover, due partly to introducing more cosmetic retailers. This has boosted its competitive position in the northern New Territories. The mall has also benefitted from higher cross-border spending.

The opening of new shopping centres will boost the Group's retail network in Hong Kong. The first will be V City above MTR Tuen Mun Station and a major transportation hub with easy and rapid access to the border. This 270,000-square-foot mall will feature a modern lifestyle concept that appeals to both local young people and mainland visitors. Expected to open in the second quarter of 2013 with full occupancy and the majority of its tenants new to Tuen Mun, V City is set to become a retail icon providing exciting experiences for shoppers in the region.

Another upcoming addition to the Group's retail network will be a million-square-foot regional shopping hub, YOHO Mall next to MTR Yuen Long Station, comprising of a new shopping centre under development of over 470,000 square feet and two existing malls. This will be the largest shopping and entertainment hub in the northwest New Territories, providing a comfortable shopping environment, restaurants with al fresco dining and leisure facilities such as a state-of-the-art cinema. And later will come a 300,000-square-foot premium mall above MTR Nam Cheong Station, which will further strengthen the Group's retail network along the West Rail when it opens.

Residential and serviced suites

Leasing of the Group's premium residential investment properties and serviced suites was good during the year under review. Overall occupancy was satisfactory with increased rents. The Group's portfolio of serviced suites, including those at The HarbourView Place at Kowloon Station and the 50-per-cent-owned Four Seasons Place at Hong Kong Station which taken together provide over 500 world-class suites in attributable terms, offers premium accommodation to guests from all over the globe. The new wholly-owned Vega Suites scheduled to open in the fall of this year will provide 176 serviced units in Kowloon East, making the portfolio more diversified and extensive. In addition, the Group owns close to a million square feet of luxury residential units for lease under Signature Homes.

Property Business — Mainland

Land Bank

The Group's mainland land bank amounted to an attributable 83.8 million square feet as at June 2012. About 74.4 million square feet are properties under development, of which over 75 per cent will be high-end residences and serviced apartments. The rest will be premium offices, shopping malls and hotels. The Group also held 9.4 million square feet of completed investment properties on the mainland, comprising mainly premium offices and shopping centres at prime locations in Shanghai and Beijing.

Property Development

The mainland residential market saw a meaningful rebound in transactions with prices stabilizing over the past few months, benefitting from credit loosening for first-time buyers, while measures to restrain investment demand have largely remained in place to maintain market stability.

The Group continued to extend its successful experience in developing premium residences in Hong Kong to major mainland cities, offering projects for sale as scheduled. During the period under review, the Group achieved satisfactory contracted sales of over HK\$6,000 million in attributable terms on the mainland. The wholly-owned Shanghai Arch at Lujiazui was well received by the market with over half of the units planned for sale having been disposed of within a short period of time. These units are slated for completion by the end of 2013. A number of joint-venture projects also did well in the market, including The Riviera in Guangzhou, Lake Genève in Suzhou, Taihu International Community in Wuxi and Sirius in Chengdu. The Group's premium brand has been increasingly recognized on the mainland with its products and services being highly acclaimed by customers.

Chairman's Statement

The Group completed four projects with about 3.5 million square feet of attributable gross floor area on the mainland during the year, of which 1.5 million square feet were residential. The remainder was retail space and a serviced suite hotel retained for investment.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
International APM	999 Huai Hai Zhong Road, Shanghai	Shopping centre	100	1,307,000
Taihu International Community Phase 4	Taihu New City, Wuxi	Residential/Retail	40	807,000
Jovo Town Phase 1B	Shuangliu County, Chengdu	Residential	91	770,000
IFC Residence/IFC Mall Phase 2	8 Century Avenue, Lujiazui, Shanghai	Hotel/Shopping centre	100	593,000
Total				3,477,000

Projects under development on the mainland are proceeding as planned. Construction of the Zhijiang project in a popular resort-like luxury residential district in Hangzhou with marvellous natural scenery has been progressing as scheduled and it will go on sale in phases beginning in 2013. The superstructure of The Riviera in Guangzhou was also completed recently and handover of the units is expected by the end of 2013.

Property Investment

The overall leasing market in prime cities on the mainland remained positive over the past year, supported by solid demand for office and retail space from domestic and international corporates and retailers. Driven by both higher rents and increased contributions from new investment properties, the Group continued to see impressive rental income growth in its mainland investment property portfolio.

The Group is applying its long experience in developing networks of premium offices and shopping centres in Hong Kong and its long-established relationships with tenants to enhance the span and competitiveness of its investment properties in the mainland leasing market.

The latest milestone in the Group's growing mainland presence is the full completion of Shanghai IFC. The final part — the deluxe IFC Residence — offers close to 300 first-class serviced suites featuring fine quality and attentive services, and has become a new attraction for expatriates and executives since operation commenced in the first half this year. This integrated development in the Lujiazui Finance and Trade Zone also encompasses twin premium towers of grade-A offices, two phases of IFC Mall and a Ritz-Carlton hotel. This signature development has set a new standard for integrated projects in the city and helped bolster the Group's brand presence on the mainland.

Chairman's Statement

The leasing performance of the Shanghai IFC complex has been encouraging. The first office tower is fully occupied and leasing of the second office tower is progressing well. Traffic in the first phase of Shanghai IFC Mall has been increasing since the opening in April 2010 and it is fully let. With more than 180 internationally-renowned retail brands and restaurants, this one-million-square-foot mall currently houses one of the highest numbers of luxury flagships and specialty stores in Shanghai. The recently-completed second phase has a gross floor area of 180,000 square feet. Scheduled to open by the end of this year, it is fully pre-let and will house a choice selection of up-market jewellery and renowned international fashion retailers.

Shanghai ICC is another mainland integrated project by the Group. It is in the traditional commercial and retail zone in Puxi and is conveniently connected by three metro lines. The first office tower with high occupancy is home to many multinational and mainland corporates. Completion of the second office tower is expected in the first half of 2015.

International APM shopping centre, part of the massive Shanghai ICC project, was recently completed. Internal decoration is ongoing and it is scheduled to open in the second quarter of 2013. This 1.3 million-square-foot mall will introduce the concept of leisure shopping experience with trendy luxury brands, restaurants and various entertainment to the city of Shanghai. Response to leasing has been impressive with over 90 per cent of the retail space already pre-leased.

Beijing APM is the Group's landmark shopping mall in Beijing targeting local young customers and tourists. At the heart of Wangfujing, the Beijing APM mall is currently under a reconfiguration to further upgrade its layout and elevate its positioning. It will bring in more leading retail brands and restaurants as well as enhanced management service after the scheduled completion of its revamping by the end of this year.

The Group will continue to expand its investment portfolio on the mainland. The Guangzhou Hong Cheng project is located in the Tianhe business circle and along the central axis of Guangzhou. The nearly 900,000-square-foot joint-venture shopping mall is currently under construction and is scheduled to be completed in 2014. With fashionable design and green landscaping, this project will become a new shopping icon in Guangzhou. Tianhui Plaza — a joint-venture mega integrated complex — is also coming in Zhujiang Xincheng, a business area at the heart of Guangzhou. This integrated project will include a shopping and entertainment complex targeting the growing pool of middle class and businessmen in the central business district. This major shopping mall will have trendy international retailers, providing a fresh experience for shoppers.

The Minhang project in Shanghai is another integrated project by the Group in the pipeline. The entire development of this joint-venture project above Xinzhuang Station in Minhang will have over four million square feet of space. The planning of this project is being finalized, and will include a regional shopping centre, premium residences, quality offices and a prime hotel. The completion of the planned shopping mall will further enhance the Group's market position in the Shanghai retail property sector.

The mainland rental portfolio will make a more notable contribution to the Group's recurring income as those integrated projects are gradually completed. The Group is also developing other integrated projects in major mainland cities.

Other Businesses

Hotel

The Group's hotel portfolio in Hong Kong performed well during the past year with healthy growth in the number of tourists and business travellers in the region. Average occupancy of the Four Seasons Hong Kong, The Ritz-Carlton, Hong Kong, W Hong Kong and the four Royal brand hotels stayed high at over 90 per cent, with average room rates recording impressive growth. The Ritz-Carlton Shanghai, Pudong also registered much higher occupancy than in the previous year.

Chairman's Statement

The new Crowne Plaza Kowloon East and Holiday Inn Express Kowloon East above MTR Tseung Kwan O Station in Hong Kong are scheduled to open in late September and October 2012 respectively. Transport links to popular shopping areas and key commercial districts will make them the leading premium hotels in Kowloon East, a growing new business district in Hong Kong. The Crowne Plaza Kowloon East will have a magnificent wedding garden and one of the largest, pillar-free grand ballrooms in town, and the Holiday Inn Express Kowloon East will offer value-minded customers all types of modern amenities.

The new hotels in Kowloon East will expand the Group's hospitality network and make it one of the leading hotel owners in Hong Kong with close to 3,600 rooms in attributable terms.

Telecommunications and Information Technology

SmarTone

SmarTone registered robust growth in service revenue and net profit, driven by increased average revenue per user and growth in customer numbers despite increasing competition. SmarTone launched its 4G network in August with focus on total customer experience and commitment to excellence. SmarTone will continue to innovate and develop new proprietary services and a focus on customer care at all touch-points. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision grew further in revenue and operating profit during the year. iAdvantage has continued to strengthen its prominent position in the carrier-neutral data centre market in Hong Kong and achieved satisfactory occupancy. SUNeVision will build on its track record and solid financial position to further develop its core businesses.

Infrastructure and Other Businesses

The Group's infrastructure and transport businesses in Hong Kong produced satisfactory results. The Wilson Group performed well, and traffic on the Route 3 (Country Park Section) rose steadily. Business at both the Airport Freight Forwarding Centre and River Trade Terminal held steady. The Group's 35-per-cent-owned Hong Kong Business Aviation Centre recently opened a third hangar to meet increasing demand. All the Group's infrastructure projects are in Hong Kong and constitute valuable investments for the long term.

Corporate Finance

The Group adheres to a prudent financial management policy with ample liquidity and a solid financial position. In addition, the Group proactively communicates with rating agencies and banks to ensure that they are informed about its latest developments. As at 30 June 2012, the Group recorded a low net debt to shareholders' funds ratio of 16.4 per cent.

Moody's and Standard and Poor's have affirmed the Group's A1 and A+ credit ratings respectively, albeit with negative outlooks. The Group's high ratings reflect the credit rating agencies' recognition of its well-balanced business model with strong recurrent income. The Group consistently receives one of the highest credit ratings assigned to property companies in Hong Kong.

The Group tapped into the debt capital market during the year under review and successfully expanded its funding sources and extended its debt maturity profile. Through the Medium Term Note Programme, the Group issued over HK\$14 billion worth of bonds to fixed income investors globally.

Banks continue to provide the Group with ample unsecured banking facilities on a committed basis, demonstrating the strong confidence they have in the Group's quality assets and solid financial position.

In line with its prudent risk management, the majority of the Group's bank borrowings are denominated in Hong Kong dollars which help minimize foreign exchange risk. The Group has taken no speculative position in derivatives.

Chairman's Statement

Corporate Governance

The Group has always upheld its high standards of corporate governance with an effective Board of Directors, a good internal control system and a proactive investor-relations programme, all with the full support of the seasoned management team.

The Board has directed and overseen the effective implementation of the Group's strategies. To fulfill a new regulatory requirement, the Board has appointed two additional Independent Non-Executive Directors with effect from 1 July 2012. Since the appointments, Independent Non-Executive Directors account for one-third of the members of the Board.

The Board has established Executive, Audit, Nomination and Remuneration Committees to assist it in fulfilling its duties. The Executive Committee meets regularly and is responsible for formulating business policies, making decisions on key business issues, and exercising the powers and authorities delegated by the Board. The Executive Committee previously consisted of only Executive Directors. In view of the increasingly dynamic and challenging operating environment, the Board has further strengthened its management structure by appointing five additional members to enlarge the size of the Executive Committee, and two Executive Directors as Deputy Managing Directors. All Executive Committee members are well experienced and a large majority of them have been with the Group for a long time.

The Audit, Nomination and Remuneration Committees are all chaired by Independent Non-Executive Directors to ensure the Group's strategies are properly implemented in the best interests of the shareholders and the Company. The Group also has a sound and effective internal control system to safeguard its assets and the interests of its shareholders. The Company conducts regular reviews of the Group's internal control system with the assistance of the Audit Committee, the management team and both internal and external auditors.

As part of the Group's dedication to good corporate governance, it maintains interactive communication with stakeholders including investors, analysts, credit agencies and the media, providing information and disclosures relating to its corporate strategies and latest business developments. The Company provides its shareholders and other stakeholders with relevant corporate information on a timely basis to ensure transparency. Moreover, the Group participates frequently in large-scale investor conferences and presentations to further enhance communication with investors around the globe. In addition to regular meetings and conference calls with both equity and fixed income investors, the Group also hosts non-deal road shows overseas periodically.

The Group's sophisticated management and good corporate governance are widely recognized by the investment community. Accolades received during the year include the number one ranking as Best Managed Company and Best Investor Relations in Hong Kong by *FinanceAsia* Magazine. *Asiamoney* magazine named the Group Best Overall for Corporate Governance, Best for Disclosure and Transparency and Best for Responsibilities of Management and the Board of Directors in Hong Kong. The Group also earned the recognition of Best Managed Company in the Property Sector in Asia by *Euromoney* magazine. The Group will continue its efforts to achieve good corporate governance.

Sustainable Development

The Group's belief in Building Homes with Heart has always gone further than bricks and mortar. The Group has consistently enhanced its products and services and worked for the betterment of the territory and its society; helping its people by building quality homes and enabling the commercial and retail sectors to thrive in their businesses. The Group has also provided employment and business opportunities to thousands of individuals and companies in the process.

Sustainable development is an integral part of the Group's philosophy and corporate social responsibility is one of its priorities. The Group published its first sustainability report during the year and will soon produce the second report. The Group has been a constituent of the Hang Seng Corporate Sustainability and Hang Seng (Mainland and HK) Corporate Sustainability indices since their inception in 2010.

Chairman's Statement

Customer Service

The Group puts customers first and produces the finest developments with first-class service, and its premium reputation is widely trusted in the market. It earned a seventh platinum Reader's Digest Trusted Brand award during the year.

The Group's dedication to quality extends beyond the delivery of possession, on to comprehensive after-sale service. New owners have the Group's professional teams to help them with a smooth handover and quality check, and they get a two-year guarantee. Property management subsidiaries Hong Yip and Kai Shing offer first-class customer care, and constantly explore new ways to enhance service quality.

The Group communicates with customers through different channels. Senior management made home visits to residents during the year, listening to opinions and following up. The SHKP Club promotes two-way communication with members and potential customers and is the largest property membership club in Hong Kong. Property-related benefits are offered to its 310,000 members including exclusive previews of the Group's new projects.

Environmental Protection and Promotion

The Group integrates environmental considerations in all its operations from planning and procurement through to construction and development and on to property management for reducing the ecological impacts of its developments. Its goal is to secure green certification for all new developments.

The Group believes that managing energy consumption in a responsible manner helps reduce operating costs and greenhouse gas emissions. It has conducted voluntary carbon audits on more than 130 developments since 2008, with an aim to have audits be eventually conducted on all properties it manages.

The Group works closely with environmental groups to increase green awareness. Last year it began the SHKP G Power campaign to expand environmental initiatives through its property and community network. During the year, the Group also initiated a Love Nature Campaign which included several beach clean ups with the participation of more than 1,000 staff members and student volunteers.

The Community

The Group is committed to making a positive contribution to the society. It also encourages its employees, business partners and customers to help address community needs.

The Group provides assistance to the needy through its Building Homes with Heart Caring Initiative. Over 10,000 elderly and underprivileged people took part in its festive events and its staff also helped seniors decorate and move to new homes. Employee volunteering is encouraged throughout the Group from top management to all employees.

The Group has been promoting reading and writing through the SHKP Book Club since 2005. New initiatives during the year included a letter-to-family writing competition and the fourth Young Writers' Debut competition, now open to the mainland. The Group sponsored book outings for children for the fifth straight year. Other educational programmes included the Nobel Lecture series with The Chinese University of Hong Kong. The SHKP-Kwoks' Foundation continued to administer an array of scholarship and training programmes.

Staff Development

The Group employs over 35,000 people and believes that they are its most valuable asset. It supports staff's career development through in-house training as well as external training programmes and sponsorships. The Group also encourages staff to work together as a team.

The Group is a caring employer and provides further educational opportunities to children of employees such as an undergraduate scholarship scheme and sponsorship of overseas exchanges. The Group encourages its staff to maintain a healthy balance between work and life and regularly organizes activities for staff and their family members.

Chairman's Statement

Prospects

The global economic environment will remain challenging and uncertain in the year ahead. While the lingering sovereign debt crisis and resulting recession risks in Europe remain the key market concerns, the tax increases and spending cuts scheduled in early 2013 may also weigh on the US economy. However, an ultra-low interest rate environment and recent policy response by the European Central Bank, coupled with anticipated further accommodating monetary policy measures by other major central banks, should help cushion the downside risks in the global economy.

The mainland economy, though slowing, should be able to grow at a reasonable rate. The Central Government will have sufficient policy flexibility to boost investment, support SMEs and stimulate consumption. Loosened monetary conditions together with policies to support first-time buyer demand should help improve the environment for the residential sector, though home purchase restrictions are likely to stay in place.

The Hong Kong economy is expected to grow mildly, supported by public investment in infrastructure, relatively resilient domestic consumption and continuing growth in inbound tourism. The latest Central Government policy initiatives for Hong Kong including giving the green light for RMB banking services to non-residents will be conducive to the city's long-term development. All these, coupled with continuing income growth, low mortgage rates and limited supply of new units will bode well for the residential market. The latest government measures in Hong Kong, in particular increasing land and housing supply and speeding up approvals of pre-sale consents, should help improve the demand and supply balance of residential properties over the medium to long term.

The Group's land bank has sufficient reserves for five years' development to support property development business expansion. The Group is currently selling the first phase of Century Gateway, a premium residential project above MTR Tuen Mun Station. The first batch of units has been well received by the market. There will also be a string of other projects for sale in Hong Kong and on the mainland in the next six to nine months. Major residential projects in Hong Kong that will go on sale include Riva near MTR Kam Sheung Road Station in East Yuen Long, the second phase of the premium development The Wings adjacent to MTR Tseung Kwan O Station, a luxury residential project on Belcher's Street in Western District, a premium residential project at Ha Yau Tin in Yuen Long as well as luxury houses Twelve Peaks and 50 Stanley Village Road. The Group will also proactively and selectively dispose of its non-core investment properties including new ones in Hong Kong in a bid to quicken its asset turnover and increase cash inflow. Major mainland projects to go on sale include the remaining batches of Shanghai Arch at Lujiazui, The Riviera in Guangzhou and Lake Genève in Suzhou, the first phase of Forest Hills and the third phase of Lake Dragon both in Guangzhou, as well as the Zhijiang project in Hangzhou.

The Group's rental income will continue to do well both in Hong Kong and on the mainland in the coming financial year. The overall occupancy of the rental portfolio is expected to stay high due to proactive strategies and a relatively stable leasing market. Positive rental reversions will likely continue for both lease renewals and new leases. Its rental income will be further enhanced by contributions from upcoming investment properties, including International APM at Shanghai ICC that is scheduled to open in the second quarter of 2013.

Chairman's Statement

The Group will continue to boost its investment property portfolio, in particular shopping malls. In Hong Kong, the upcoming V City mall above MTR Tuen Mun Station, YOHO Mall adjacent to MTR Yuen Long Station and a premium mall above MTR Nam Cheong Station will further strengthen the Group's retail network and market position. On the mainland, in addition to the newly-completed International APM in Shanghai and phase two of Shanghai IFC Mall, new shopping malls under development including the Hong Cheng project next to the Tianhe metro station in Guangzhou, and another mall as part of the Minhang integrated project in Shanghai will further enhance the Group's shopping mall network there. Rental income from mainland investment properties and its relative significance in the Group's gross rental income will rise materially in the next few years.

The Crowne Plaza Kowloon East and Holiday Inn Express Kowloon East, both in Hong Kong, scheduled for opening later this year, will create more synergy with existing hotels and enhance the market position of the Group's hotel portfolio. Together with new hotels as part of integrated projects on the mainland to be gradually completed, the Group's hotel network will be well positioned to take advantage of the region's thriving tourism, contributing to its recurring income growth over time.

The Group commits itself to achieving a balance for earnings from property sales and investment properties, both in Hong Kong and on the mainland. While it will put more focus on Hong Kong in the near term, particularly in terms of land acquisition, it also maintains a selective approach to development on the mainland, focusing on key cities. Anticipated strong sales proceeds together with steadily growing rental income will continue to enhance the Group's financial position and cash flow. Coupled with its position of high liquidity and low gearing, the Group will be able to grasp business opportunities when they arise, particularly in Hong Kong.

The Group will continue to strengthen corporate governance and management structure, with a view to meeting various challenges. The recent appointment of more Independent Non-Executive Directors, the promotion of two Executive Directors as Deputy Managing Directors and the increase in the size of the Executive Committee are testimony to the Group's commitment in this area. Under the leadership of the Board, the

Group's professional and experienced management team as well as its stable and dedicated staff will effectively and efficiently formulate business strategies and execute business plans in the dynamic operating environment.

This year marks the 40th anniversary of the Company. The Group has been able to come out stronger together with Hong Kong after various economic downturns, challenges and crises over the past several decades. With strengthened corporate governance and management structure, prudent financial management discipline and a well-established corporate culture for excellence, the Group will be able to grow from strength to strength going forward.

The Group's results for the coming financial year are expected to be satisfactory, barring unforeseen circumstances.

In Memory

Mr. Chan Kai-ming, Executive Director, passed away on 28 March 2012. Mr. Chan served the Group for 39 years and had been an Executive Director of the Company since January 1981. He made valuable contributions to the Group during his tenure of office and his dedication to the Group will be remembered by all directors and staff alike.

Chairman's Statement

Appreciation

Dr. Leung Nai-pang, Norman and Mr. Leung Kui-king, Donald were appointed as Independent Non-Executive Directors of the Company effective 1 July this year. Dr. Norman Leung's wealth of experience in business management and public service will contribute to the Group's long-term business development. Mr. Donald Leung's extensive exposure in finance and real estate sectors will benefit the Group's future development.

Mr. Lui Ting, Victor who has served the Group for 35 years, was appointed an Executive Director of the Company in April this year.

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

Kwok Ping-kwong, Thomas

Chairman & Managing Director

Kwok Ping-luen, Raymond

Chairman & Managing Director

Hong Kong, 13 September 2012

Business Model and Strategic Direction

Business Model

The Group is one of the largest property developers and landlords in Hong Kong and it creates sustainable value for shareholders by developing premium premises in both Hong Kong and on the mainland.

Property development for sale is one of the two core elements of the Group's business, and the process is vertically integrated from land acquisition, project planning, material sourcing, construction and project management through to sales and marketing and property management. This ensures high standards in every aspect and enables the Group to better meet the demand for comfortable homes.

Property investment for rent is another core element of the Group's business. The Group has built, leased and managed a wide variety of commercial projects in both core and decentralized areas that provide premium office and retail space to tenants. The Group additionally has a portfolio of hotels, high-class serviced suites and luxury residences catering for diverse needs. The investment property portfolio also includes industrial buildings, godowns, data centres and car parking bays.

The Group's primary sources of income are property development for sale and rental income.

Core Values

The Group's core values are cornerstones of its long-term development.

- **Building Homes with Heart**
Producing premium projects and offering quality services for ideal living environments
- **Speed, Quality, Efficiency**
Speed, quality and efficiency earn the support and trust of shareholders and other stakeholders
- **Customer first**
Constantly anticipating what customers want and offering quality products and attentive services that exceed expectations
- **Continuous learning**
Keeping up with the market and setting high standards, along with lifelong learning for greater adaptability and constantly exploring new ideas
- **Teamwork**
Nurturing a pool of talented and high caliber employees capable of achieving objectives through harnessing the power of teamwork, collective experience and professional knowledge

Strategic Direction

The Group creates sustainable value for shareholders through the following strategies:

- Balanced sources of income
- Hong Kong focus
- Expansion on the mainland
- Prudent financial management

Balanced Sources of Income

The Group aims for balanced sources of income over the long term with equal emphasis on property development for sale and property investment. This strategy offers a balance between steady cash flow and fast asset turnover.

The property investment portfolio generates a relatively steady income stream for the Group's shareholders. Constant monitoring and refining of existing investment properties, asset enhancement initiatives and tenant mix refinements are keys to maintaining the Group's leading position.

Property development serves as the growth engine for the Group and offers fast asset turnover, as well as enhances liquidity and capital utilization. The Group makes efforts to ensure outstanding quality and services to command premium pricing.

Hong Kong Focus

The Group has been part of Hong Kong for decades and has built a trusted reputation and premium brand name over the years. The Group is confident in Hong Kong's prospects and its position as a global financial centre, and as gateway to the world for the mainland.

Business Model and Strategic Direction

The Group adds new sites to its Hong Kong land bank through tenders, auctions and other means from time to time. Prime sites with attractive investment potential are its main targets. The belief in Building Homes with Heart makes it the developer that customers prefer. Continual delivery of outstanding products and services are part of the Group's core strategies. These efforts have been well received by the market throughout the years, giving the Group a strong recognition of its premium brand. The Group will continue to strengthen its premium brand by adhering to its core strategies.

Expansion on the Mainland

The Group is positive about the long-term outlook for the mainland and will continue to expand its business there. The mainland offers ample investment opportunities, and the Group has a selective and focused strategy with key cities being its major focal points. It has built upon its stellar reputation, experienced team, commitment to quality and customer focus while developing high-quality projects. The Group will continue to focus on building and enhancing its premium brand on the mainland.

Prudent Financial Management

A strong financial position is central to the Group's success. Prudent financial management ensures the Group's healthy growth and allows it to invest in attractive projects when opportunities arise.

The Group always maintains its gearing at a reasonable level and pays close attention to liquidity management, which guarantees the adequacy of financial resources for the Group's daily operations and strategic investments.

The Group intends to strengthen its financial position by diversifying sources of funding. High credit ratings also give the Group an advantage in tapping debt capital markets.

The Group maintains excellent banking relationships and is able to obtain abundant banking facilities for business needs.

Review of Operations

Hong Kong Property Business

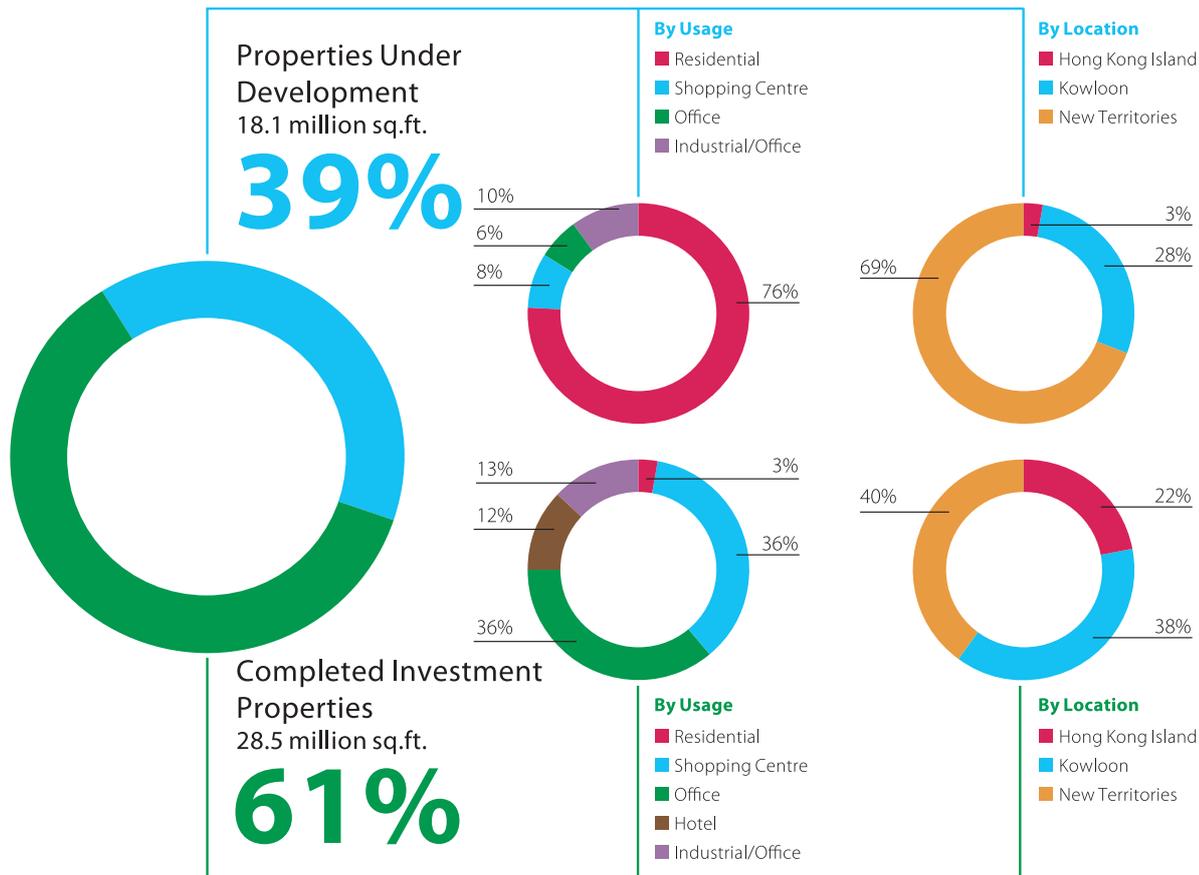
Highlights

- Five new sites were added during the year, boosting the Group's development land bank to 18.1 million square feet of gross floor area as at June 2012
- Completed over 3.6 million square feet of properties, including 2.8 million square feet of residential properties for sale
- Contracted sales of nearly HK\$32,000 million
- Achieved a 15 per cent increase in net rental income generated from 28.5 million square feet of quality investment properties

Land Bank

Hong Kong Land Bank Composition

(46.6 million square feet in attributable gross floor area as at 30 June 2012)



The Group proactively acquires new sites from various sources to meet future needs, and it added five sites in Hong Kong during the year including a major residential/commercial project with a total gross floor area of 2.6 million square feet to be built above MTR Nam Cheong Station. The sites added this year have an aggregate gross floor area of 5.2 million square feet, versus 2.7 million square feet for the previous year. Details are on page 8 of the Chairman's Statement.

The Group's land bank in Hong Kong amounted to 46.6 million square feet of gross floor area as at June 2012, consisting of 18.1 million square feet of properties under development and 28.5 million square feet of completed investment properties. Of the total gross floor area under development, 15.4 million square feet will be for sale, consisting mostly of premium residences. The other 2.7 million, mainly shopping malls at key locations, will be kept for long-term investment. After the financial year-end, the Group bought a prime waterfront site in North Point which

will be developed into over 700,000 square feet of residential and retail premises. The Group additionally owns about 27 million square feet of farmland in terms of site area in the New Territories. Most of this is along existing or planned rail lines and in various stages of land use conversion.

The Group holds a diverse portfolio in terms of usage and location. As at June 2012, premium shopping malls and quality office space each accounted for 36 per cent of the rental portfolio, while 76 per cent of the development land bank were residential premises for sale spread throughout the territory.

The Group's land bank in Hong Kong as at 30 June 2012 by attributable gross floor area was as follows:

	Attributable Gross Floor Area (million square feet)			Total
	Development for Sale	Development for Investment	Completed Investment Properties	
By Usage				
Residential	13.6	0.1	0.9	14.6
Shopping Centre	–	1.4	10.3	11.7
Office	0.8	0.3	10.1	11.2
Hotel	–	–	3.5	3.5
Industrial/Office ⁽¹⁾	1.0	0.9	3.7	5.6
Total	15.4	2.7	28.5	46.6
By Location				
Hong Kong Island	0.4	0.2	6.3	6.9
Kowloon	3.6	1.5	10.8	15.9
New Territories	11.4	1.0	11.4	23.8
Total	15.4	2.7	28.5	46.6

⁽¹⁾ Including godowns

Hong Kong Property Business

Property Development

The Group has a sizeable land bank and is dedicated to building high-quality developments that help enhance the quality of life in Hong Kong. Properties for sale accounted for 15.4 million square feet of the Group's Hong Kong development land bank as at June 2012, of which 13.6 million square feet will be premium residential premises. Most of the remainder will be developed into quality decentralized offices or are industrial sites with plans for land use conversion. The North Point project acquired in July this year also includes over 500,000 square feet of premium residences for sale.

The Building Homes with Heart belief means that the Group offers buyers comfortable homes with convenient, pleasant living environments. Projects are carefully designed to meet the requirements of buyers including choices of flat size and way of living. The practical designs, efficient layouts, premium facilities and attentive service are highly praised, reinforcing the Group's leading position and enhancing sales and margins of new projects.

Good project sales during the year demonstrated again the high confidence homebuyers have in the Group's premium brand and products and services. Contracted sales in Hong Kong during the year amounted to nearly HK\$32,000 million. New residential projects like Imperial Cullinan in West Kowloon, i·UniQ Grand in Island East and The Wings in Tseung Kwan O all sold well, and sales of decentralized offices including those in Kowloon East and Cheung Sha Wan were also good.

The Group will continue to launch new projects, both residential and quality decentralized offices, for sale as planned to boost asset turnover. The current development land bank is sufficient for the Group's needs over the next five years with expected increase in production volume over the medium term.

Major Projects Under Development

The Group's vision and dedicated efforts over the years have shaped the evolution of certain areas with clusters of premium developments. New Town Plaza in Sha Tin town centre developed in the 1980s is an outstanding example. The final phase of YOHO developments in the heart of Yuen Long and Riva in the eastern part of Yuen Long are now under construction. These projects in Yuen Long will offer a new and trendy lifestyle for the residents. The Wings II together with other sites under development in the neighbourhood will also create a cluster of premium projects for quality living in Tseung Kwan O town centre. The Group will continue to feature pioneering initiatives and preferred specifications in new developments to satisfy the ever-changing preferences of homebuyers.

Low-density Residential Developments in Yuen Long East

Riva 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 square feet (retail)
Approximate units	: 800
Expected completion	: first half of 2013

Lot 1927 in DD107, Yuen Long (100% owned)

Site area	: 1.9 million square feet
Gross floor area	: 2.3 million square feet (residential); 75,000 square feet (retail)
Approximate units	: 3,000
Expected completion	: from the first half of 2015 in phases

The Group is reshaping the eastern part of Yuen Long into a new residential district characterized by low-density development, tranquil living and lots of greenery. The area enjoys a convenient transportation network to the urban areas and the border via Route 3 and easy access to the Yuen Long and Kam Sheung Road stations of the West Rail.

Two major projects under development in the area offer a wide variety of flat sizes and layouts. Construction of Riva at Lot 2099 in DD 109 has proceeded to the superstructure stage and is scheduled for completion in the first half of 2013. It is a mixed development with 48 garden houses and 25 low- to medium-rise apartment towers, featuring the finest materials including the extensive provision of curtain walls. The project is designed to offer living space in harmony with nature to attract buyers in pursuit of a distinctive lifestyle. Another development at Lot 1927 in DD 107, situated closely to Riva, will be developed into about 30 low- to medium-rise residential blocks. Foundation work is now under way.

Property Development

Residential Projects in Downtown Tseung Kwan O

The Wings II

Area 66B, Tseung Kwan O

(100% owned)

Site area	: 132,000 square feet
Gross floor area	: 662,000 square feet (residential); 66,000 square feet (retail)
Approximate units	: 780
Expected completion	: first half of 2014

Area 66A, Tseung Kwan O

(100% owned)

Site area	: 144,000 square feet
Gross floor area	: 721,000 square feet (residential); 72,000 square feet (retail)
Approximate units	: 960
Expected completion	: second half of 2015

Area 66C1, Tseung Kwan O

(100% owned)

Site area	: 47,000 square feet
Gross floor area	: 234,000 square feet (residential); 24,000 square feet (retail)
Approximate units	: 310
Expected completion	: after 2015

The Group bought the Tseung Kwan O (TKO) Area 66A and Area 66C1 sites during the year, which are next to the development now under construction at Area 66B in TKO town centre. Upcoming developments on these three sites and the new integrated project atop the MTR station will form a new vibrant community. This community will be served by comprehensive facilities and amenities including two renowned international hotels Crowne Plaza Kowloon East and Holiday Inn Express Kowloon East, the newly-opened PopCorn and other high-quality malls and a full range of planned public cultural and civic facilities.

The overall planning is being carefully considered to maximize the synergy among the sites, enhancing the value of the projects. The design and alignment of the residential towers will capture the best views, and Area 66A and Area 66B will have direct footbridges to the MTR station. Their development density will be lower than in other parts of TKO, even though they are in the town centre. Residents will have access to vast areas of open space along the planned Central Avenue and in the future Waterfront Park, which are set to become the focus of leisure and recreation in the district. The projects will contain over 2,000 units, mainly small to medium, to cater for a wide range of customer needs and preferences. Construction of the project at Area 66B, The Wings II, has proceeded to the superstructure stage. Detailed planning of the remaining sites is under way.

Property Development

Other Major Projects

Century Gateway

Tuen Mun Station Development

(Joint venture)

Site area	: 286,000 square feet
Gross floor area	: 1.3 million square feet (residential); 269,000 square feet (retail)
Approximate units	: 2,000
Expected completion	: from the end of 2012 in phases

The seven residential towers in Century Gateway will contain 2,000 premium units in different layouts and configurations from one to four bedrooms. The project's proximity to Tuen Mun Park will offer residents magnificent views and vast green areas rarely found in town centres. It will also contain the prime V City shopping centre with a wide range of international retailers and popular restaurants. More information about the mall is on page 33. Century Gateway is situated at the terminus of the West Rail, offering residents convenient transport to Hong Kong's urban areas including ICC in Tsim Sha Tsui and IFC in Central. Its fine quality will set a new standard for premium residence in Tuen Mun and make it a new focal point in the western New Territories. The first phase contains close to 1,100 units. The first batch of units went on sale in September 2012 and has been well received by the market. Phase 1 completion is scheduled for the end of 2012. Construction of the second phase expected to finish in the second half of 2013 is at the superstructure stage.

Yuen Long Town Lot 507

(100% owned)

Site area	: 410,000 square feet
Gross floor area	: 1.8 million square feet (residential); 471,000 square feet (retail)
Approximate units	: 2,500
Expected completion	: from 2014/15 financial year in phases

This project adjoining MTR Yuen Long Station represents the last phase of the Group's cluster of outstanding developments in the centre of Yuen Long under the YOHO brand. The superior quality and attentive services offered in the first two phases of YOHO developments are well appreciated by the residents and owners. This final phase will have nine residential towers containing 2,500 units in various configurations to fit homebuyers' needs. The retail space under construction will be part of the million-square-foot YOHO Mall, the Group's upcoming flagship regional shopping centre in the northwest New Territories. More details about the mall are on page 33. Superstructure work on the first stage of about 1,100 units and the shopping mall started recently and is expected to finish in the 2014/15 financial year. Foundation work for the remaining second stage is under way.

Kowloon Inland Lot 11175, Ho Man Tin

(100% owned)

Site area	: 174,000 square feet
Gross floor area	: 869,000 square feet (residential)
Approximate units	: 500
Expected completion	: first half of 2015

The site is in one of the most prestigious residential districts of Kowloon. The project will have some town houses and seven residential towers containing over 500 units, mainly three to four-bedroom units and some of which will have stunning views of Victoria Harbour and the firework extravaganzas. The development is adjacent to MTR Ho Man Tin Station now under construction, which will serve as the interchange for the Shatin to Central Link and Kwun Tong Line Extension. Apart from the prime location, its first-class materials and finishes and the Group's reputation are sure to make this a new benchmark for deluxe residences in Kowloon. Construction of the superstructure began recently.

Property Development

Nam Cheong Station Development

(Joint venture)

Site area	: 497,000 square feet
Gross floor area	: 2.3 million square feet (residential); 298,000 square feet (retail)
Approximate units	: 3,300
Expected completion	: after 2015

This project above MTR Nam Cheong Station will be well connected to the business cores in Kowloon and Central by rail. It will be at the interchange of the Tung Chung and West Rail lines and just one station from the terminus of Guangzhou-Shenzhen-Hong Kong Express Rail Link now under construction. The development will include a grand shopping mall and 3,300 premium units of various sizes, most with panoramic sea views. It will be one of the finest waterfront developments in West Kowloon. Foundation work has just begun.

Area 55A, Tung Chung

(100% owned)

Site area	: 273,000 square feet
Gross floor area	: 1.4 million square feet (residential); 27,000 square feet (retail)
Approximate units	: 2,000
Expected completion	: after 2015

The Group acquired this residential site on the coast of Tung Chung new town in July last year. It is an area with great development potential within a few minutes drive to the Hong Kong International Airport and will benefit from the completion of infrastructure projects like the Hong Kong-Zhuhai-Macao Bridge and the government's vision of developing the area into a centre for business, exhibitions, tourism and shopping. This waterfront project will provide over 2,000 high-quality units, many with marvellous sea views and mostly small to medium in size. In terms of design and fittings, the use of curtain walls and provision of high ceilings will give a sense of spaciousness. Construction is progressing as planned with foundation work starting recently.

Inland Lot 9027, Java Road, North Point

(100% owned)

Site area	: 252,000 square feet
Gross floor area	: 578,000 square feet (residential); 123,000 square feet (retail)
Approximate units	: 700
Expected completion	: after 2015

This new site acquired about two months ago will be developed into over 700,000 square feet of premium residential and retail premises overlooking Victoria Harbour with convenient MTR connections. It is expected to set a new standard for premium residence on Hong Kong Island and detailed planning is now under way. The project is sure to be popular and a new focal point on the northeastern coast of Hong Kong Island where new residential developments on such a scale with wide coastal frontage will be scarce in coming years.

Kowloon Commerce Centre Tower B

51 Kwai Cheong Road

(100% owned)

Site area	: 89,000 square feet (entire project)
Gross floor area	: 509,000 square feet (Tower B under development)
Expected completion	: end of 2012

Kowloon Commerce Centre is a twin-tower, grade-A office development featuring fine architecture, international specifications and green features that set new benchmarks for premium offices in the district. Its good quality and convenient location with footbridge to an MTR station make it popular with international firms. Tower A was completed in 2008 and is being retained for rent. Leasing performance is described on page 31. Tower B now under construction was originally intended to be kept for rent, but there was keen demand for quality office space in the area. Since many users preferred buying to letting, Tower B was put on the market and all the office space was pre-sold.

Property Development

Major Projects Under Development by Year of Completion

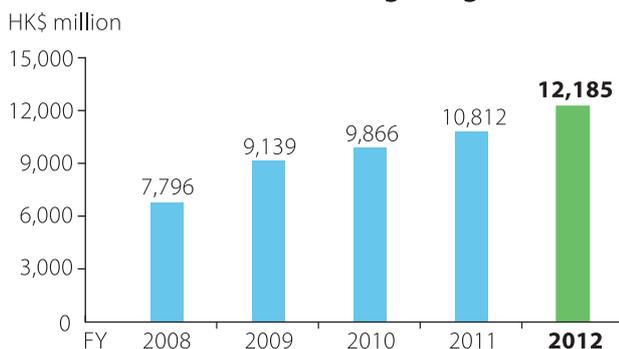
Project	Project Name	Group's Interest (%)	Attributable Gross Floor Area (square feet)				Total
			Residential	Shopping Centre	Office	Industrial	
Projects to be completed in financial year 2012/13							
Tuen Mun Station Development Phase 1	Century Gateway	Joint Venture	728,000	269,000	–	–	997,000
Lot 2099 in DD 109, Yuen Long	Riva	100	856,000	24,000	–	–	880,000
Chatham Garden Redevelopment, Kowloon	Chatham Gate	29	88,000	18,000	–	–	106,000
Kwai Chung Town Lot 215 Phase 2	Kowloon Commerce Centre Tower B	100	–	26,000	483,000	–	509,000
20–24 Hung To Road, Kwun Tong	Elite Centre	100	–	–	207,000	–	207,000
49 King Yip Street, Kwun Tong		100	–	–	120,000	–	120,000
Year Total			1,672,000	337,000	810,000	–	2,819,000
Projects to be completed in financial year 2013/14							
Area 66B, Tseung Kwan O	The Wings II	100	662,000	66,000	–	–	728,000
Fanling Sheung Shui Town Lot 202		100	136,000	4,000	–	–	140,000
305 Shau Kei Wan Road	i•UniQ Residence	92	47,000	9,000	–	–	56,000
157 Shau Kei Wan Road	i•UniQ Grand	92	39,000	14,000	–	–	53,000
Tuen Mun Station Development Phase 2	Century Gateway	Joint Venture	558,000	–	–	–	558,000
Lot 5371 in DD 116, Ha Yau Tin, Yuen Long		100	233,000	–	–	–	233,000
Lot 495 in DD 399, Casam Beach, Ting Kau		100	78,000	–	–	–	78,000
Tsing Lung Tau Lot 67		100	11,000	–	–	–	11,000
Kwun Tong Inland Lot 173		64.3	–	–	199,000	–	199,000
Year Total			1,764,000	93,000	199,000	–	2,056,000
Projects to be completed in financial year 2014/15							
Yuen Long Town Lot 507 Phase 1		100	814,000	471,000	–	–	1,285,000
Lot 1927 in DD 107 Phase 1, Yuen Long		100	813,000	75,000	–	–	888,000
Kowloon Inland Lot 11175, Ho Man Tin		100	869,000	–	–	–	869,000
50 Wong Chuk Hang Road		100	–	–	120,000	–	120,000
Year Total			2,496,000	546,000	120,000	–	3,162,000
Projects to be completed in financial year 2015/16 and beyond							
Nam Cheong Station Development		Joint Venture	2,311,000	298,000	–	–	2,609,000
Area 55A, Tung Chung		100	1,367,000	27,000	–	–	1,394,000
Area 66A, Tseung Kwan O		100	721,000	72,000	–	–	793,000
Inland Lot 9027, Java Road, North Point		100	578,000	123,000	–	–	701,000
Area 66C1, Tseung Kwan O		100	234,000	24,000	–	–	258,000
56–84 Belcher's Street		92	108,000	36,000	–	–	144,000
Lot 1927 in DD 107 Phase 2, Yuen Long		100	1,445,000	–	–	–	1,445,000
Yuen Long Town Lot 507 Phase 2		100	1,034,000	–	–	–	1,034,000
Shek Wu Wai, Yuen Long		50	227,000	–	–	–	227,000
Inland Lot 8963, Stubbs Road		100	181,000	–	–	–	181,000
195 Prince Edward Road West		100	45,000	–	–	–	45,000
Kwun Tong Inland Lot 240		50	–	–	–	575,000	575,000
Kwun Tong Inland Lot 174		64.3	–	–	–	303,000	303,000
Total for financial year 2015/16 and beyond			8,251,000	580,000	–	878,000	9,709,000

Hong Kong Property Business

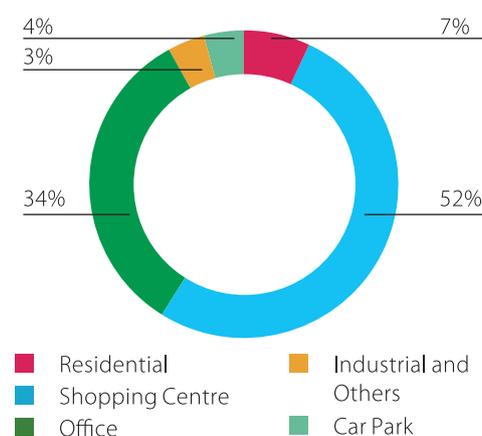
Property Investment

The Group has one of the largest investment property portfolios in Hong Kong, and it saw a 13 per cent increase in gross rental income to HK\$12,185 million during the period under review, including contributions from joint-venture developments. Overall occupancy remained high at around 95 per cent during the year. Shopping centres and offices each make up over a third of the portfolio in terms of gross floor area. The Group continued to upgrade the quality of a number of its investment properties during the year under review so as to meet the rising expectations of tenants and customers.

Gross Rental Income in Hong Kong⁽¹⁾



Gross Rental Income in Hong Kong by Sector⁽¹⁾



⁽¹⁾ Including contributions from jointly controlled entities and associates

The Group is complementing its vast investment-property holdings in Hong Kong by expanding its rental portfolio on the mainland. Details about the mainland portfolio are covered from pages 42 to 45. The Group additionally has a 50 per cent interest in the prime ION Orchard shopping centre on Orchard Road, the most popular shopping enclave in Singapore. The mall covers 950,000 square feet and leasing results were good for the year, with near full occupancy.

Completed Investment Properties

Offices

The general office leasing market in Hong Kong was resilient during the year under review. Demand for office space in non-Central areas was solid, although the European sovereign debt crisis did affect demand in Central. The Group owns over ten million square feet of quality office space in Hong Kong. The portfolio is well diversified both in terms of location and specification, catering to the needs of different industries. Occupancy of the Group's office investment portfolio remained high and rental income continued to grow steadily as positive rental reversions persisted.

International Finance Centre (IFC) in the heart of Central is one of the most recognized buildings in Hong Kong. The Group holds 50 per cent of the integrated IFC development, which consists of first-class office space, IFC Mall, Four Seasons Hotel Hong Kong and Four Seasons Place. A prime location, superior quality and state-of-the-art facilities make IFC the ideal address for multinational business in Hong Kong. Occupancy of the two office towers remained high.

International Commerce Centre (ICC) across the harbour from IFC forms a magnificent gateway to Hong Kong. Its high specifications, outstanding quality, modern design and convenient location above MTR Kowloon Station have produced high occupancy by numerous well-established international firms. ICC and the surrounding vicinity feature luxury residential buildings, world-class hotels Ritz-Carlton Hong Kong and W Hong Kong and serviced suites in The HarbourView Place. There are also the high-end Elements shopping centre with a wide selection of retailers and restaurants and the Sky100 Hong Kong Observation Desk tourist attraction, making Kowloon West a new premier business hub in Hong Kong.

Property Investment

The Millennium City complex in Kowloon East is another of the Group's successful commercial developments, and it has revitalized Kwun Tong and made it an alternate business core. The government has concrete plans to revitalize the region and transform Kowloon East into a prime business centre, so Millennium City will benefit from rapid expansion in the district. Solid demand for office space from companies in various sectors kept Millennium City almost fully let over the year under review.

Kowloon Commerce Centre Tower A in the western part of the territory was also almost fully let in the year, having attracted many international and local firms as tenants.

Other areas such as Causeway Bay, Wan Chai and Mong Kok continued to see high demand from multinationals and local companies. The offices at World Trade Centre in Causeway Bay had a very low vacancy rate and rents have been increasing gradually for the last few years. Sun Hung Kai Centre and Central Plaza in Wan Chai were also both near full occupancy and recorded higher rents for the year under review. Grand Century Place in Mong Kok continued to perform well, generating healthy rental income.

Shopping Centres

Hong Kong retail sales in 2011 saw the biggest growth in over a decade. Sales growth moderated in the first half of 2012, but remained healthy. The Group is one of the largest retail landlords in Hong Kong with an extensive network of shopping centres totalling over ten million square feet. Many of the centres are in prime areas with high populations and convenient rail access. The Group constantly refines the tenant mixes of its malls to appeal to both locals and tourists. Traffic flows increased over the year under review and positive rental reversions were achieved. Overall occupancies stayed high. The Group's top ten shopping centres by gross rental income generated more than HK\$4,000 million in revenue for the period under review.

Top 10 Major Shopping Centres

	Shopping Centres	Group's Interest (%)	Attributable GFA (sq. ft.)
1	New Town Plaza I & III	100	1,650,000
2	Grand Century Place	100	725,000
3	Metroplaza	100	600,000
4	APM	100	598,000
5	Tai Po Mega Mall	100	589,000
6	East Point City	100	415,000
7	IFC Mall	50	320,000
8	WTC More	100	280,000
9	The Sun Arcade	100	205,000
10	Landmark North	100	182,000
	TOTAL		5,564,000

IFC Mall located in the heart of Central is a premium shopping spot with over 200 international retailers offering top luxury products and specialty goods. Innovative promotions and excellent customer service produce a unique experience for local and mainland shoppers. The mall continued to register healthy growth in sales and some shops are among the top performers in terms of sales in their chains worldwide. Increased rents were achieved on renewals and new leases. IFC Mall is virtually fully let and draws continuous interest from many potential tenants.

APM in Kowloon East consistently attracts many visitors with creative events such as an indoor night market during Chinese New Year, overnight count down, autograph sessions with international superstars and other art and sporting promotions throughout the year. The late-night shopping concept is a perennial success as it stretches shopping hours to midnight. APM with high occupancy and continued heavy traffic flow is a magnet for the young and trendy and won it a Most Popular Consumer Brand in Hong Kong and Macau award during the year.

Mikiki in Kowloon East is positioned as a young and stylish shopping destination. It opened in August 2011 and is fully occupied with retailers that cater to the younger generation. Tenants include stylish retailers, unique eateries and a premium supermarket. Mikiki will benefit from the new Shatin to Central Link and rapid development of the Kai Tak Development Area. In addition, the government's plan to reshape Kowloon East as new business hub will help the Group's retail malls in the region.

Property Investment

The Sun Arcade in the heart of the Tsim Sha Tsui tourist area continued to do well. It offers a wide range of goods from trendy fashion to luxury brands. Its prime location and appropriate tenant mix make the mall a popular one-stop shopping hot spot among tourists. The Sun Arcade also creatively uses social-networking channels for promotions on a regular basis. There were very limited vacancies and rents have risen during the year. The mall will have a new look after the completion of an exterior makeover in a few months' time.

New Town Plaza maintained its popular status as the regional mall in Sha Tin with a diverse mix of popular international retailers that cater to the changing tastes of local and mainland customers. The mall's tenant mix was fine-tuned with more up-scale retailers to create a better cluster of trades to attract more customers. Traffic flow continued to increase. The nearby HomeSquare is the largest and most modern complex of home furnishing retailers in Hong Kong. It offers one-stop convenience with a wide range of products and services, and attracts customers from all over Hong Kong with its convenient location and ample parking. It has a high occupancy and stages continuous promotions to attract visitors.

Tai Po Mega Mall has been very successful by offering a lifestyle shopping concept in the northeast New Territories, drawing high-spending customers and renowned retailers. Occupancy stayed high and rents had risen for the year under review.

Landmark North in the northern New Territories experienced substantial sales growth last year; enticing many renowned retailers to expand their presence in the district and keeping occupancy high. It is just five minutes away from the border, which makes it an ideal shopping destination for travellers. Continual refinements to tenant mix with an assortment of goods such as fashions, beauty products and electronics appeal to the ever-changing tastes of consumers.

The Group regularly upgrades and renovates its malls to give visitors a fresh experience. Grand Century Place in Mong Kok is currently being reconfigured to create a more contemporary image and provide shoppers with more choices to reposition it as a chic retail destination. The rejuvenated mall should be the preferred choice for retailers and consumers.

Metroplaza in Kwai Chung and East Point City in Tseung Kwan O are both along MTR lines and maintained near-full occupancy for the year under review. The new PopCorn shopping centre in which the Group has a 50 per cent interest, opened in the first half of this year. The 220,000-square-foot mall above MTR Tseung Kwan O Station has a diversified trade mix with around 100 popular retailers and restaurants. WTC More in the shopping hotspot of Causeway Bay had high occupancy and attracted many shoppers looking for the latest fashion items from around the globe.

Residential, Serviced Suites and Other

The Group is one of the leaders in serviced suite and luxury residential leasing in Hong Kong. Its premium portfolio of serviced suites is made up mainly of The HarbourView Place at Kowloon Station and a 50-per-cent stake in the Four Seasons Place at Hong Kong Station. Vega Suites will add another 176 deluxe residences when it opens in the final quarter of 2012 above the MTR Tseung Kwan O Station, putting residents less than 30 minutes from Central. The Group additionally holds close to a million square feet of luxury residential units for lease under Signature Homes. Prime locations and comprehensive, personal service produced satisfactory leasing results for the year under review.

The Group's property investment portfolio also consists of industrial buildings, godowns, data centres and more than 35,000 car parking bays, which provide steady rental income.

Property Investment

Investment Properties Under Development

The Group had an attributable 2.7 million square feet of new investment properties under development as at June 2012. Premium retail space in prime areas will account for 1.4 million square feet and quality office space another 300,000 square feet. The other million square feet is mainly industrial sites, most of which are slated for conversion to office use.

The Group will continue adding new quality assets to its investment portfolio to maintain its position as a premium landlord with well-diversified holdings.

Major investment projects under development include V City, which is a 270,000-square-foot retail project under development above MTR Tuen Mun Station. It will be well connected to the surrounding areas with extensive footbridges and will be the only mall in Tuen Mun with direct links to both the Light Rail and MTR. The mall will also be atop a public transport interchange for both local and cross-border travel, and it will introduce a fresh appeal to Tuen Mun as many of its tenants will be brand new to the region to attract both young locals and mainland shoppers. It is set to open with full occupancy in the second quarter of 2013.

Another new investment project currently under construction is a 470,000-square-foot shopping centre in Yuen Long. It will join two existing malls in the neighbourhood to form the million-square-foot regional YOHO Mall, which will be the largest in the northwest New Territories. This new mall will have al fresco dining along with a comfortable shopping environment. There will be direct connections to the surrounding comprehensive transport network creating a vibrant new community comparable to New Town Plaza in Sha Tin with a wide selection of international and local retailers.

The MTR Nam Cheong Station site that the Group bought last year will include a premium 300,000-square-foot mall in West Kowloon with extensive transport connections. It will be close to the future Express Rail Link station, and will bolster the Group's shopping mall portfolio.

The Group constantly refines its investment property mix, increasing the proportion of high-grade projects in prime locations. It will continue adding new, quality assets to its rental portfolio and disposing of some non-core investment properties, as it did in the past.

Investment Properties: Completed and Under Development⁽¹⁾



⁽¹⁾ As at June 2012

Property Investment

Major Completed Investment Properties

Project	Location	Lease Expiry	Group's Interest (%)	Attributable Gross Floor Area (square feet)					Total
				Residential	Shopping Centre	Office	Hotel	Industrial/Office	
Hong Kong Island									
One IFC	1 Harbour View Street, Central	2047	50	–	–	392,000	–	–	392,000
Two IFC & IFC Mall	8 Finance Street, Central	2047	50	–	320,000	566,000	–	–	886,000
Four Seasons Hotel Hong Kong / Four Seasons Place	8 Finance Street, Central	2047	50	–	–	–	550,000	–	550,000
Sun Hung Kai Centre	30 Harbour Road, Wan Chai	2127	100	–	53,000	851,000	–	–	904,000
Central Plaza	18 Harbour Road, Wan Chai	2047	50	–	–	700,000	–	–	700,000
World Trade Centre / WTC More	280 Gloucester Road, Causeway Bay	2842	100	–	280,000	232,000	–	–	512,000
Dynasty Court (Blocks 2 & 3)	23 Old Peak Road	2886	100	341,000	–	–	–	–	341,000
MEGA iAdvantage	399 Chai Wan Road, Chai Wan	2112	74.04	–	–	–	–	259,000	259,000
Pacific View (Blocks 2 & 3)	38 Tai Tam Road	2047	100	248,000	–	–	–	–	248,000
Chi Fu Landmark	Chi Fu Road, Pok Fu Lam	2126	100	–	172,000	–	–	–	172,000
Hillsborough Court (Block 4)	18 Old Peak Road	2884	100	124,000	–	–	–	–	124,000
Kowloon									
ICC / Sky 100 Hong Kong Observation Deck	1 Austin Road West	2047	100	–	29,000	2,495,000	–	–	2,524,000
The Ritz-Carlton, Hong Kong / W Hong Kong / The HarbourView Place	1 Austin Road West	2047	100	–	–	–	1,023,000	–	1,023,000
Millennium City 1 ⁽¹⁾	388 Kwun Tong Road	2047	100	–	27,000	872,000	–	–	899,000
Millennium City 2	378 Kwun Tong Road	2047	50	–	–	133,000	–	–	133,000
Millennium City 5 / APM	418 Kwun Tong Road	2047	100	–	598,000	308,000	–	–	906,000
Millennium City 6	392 Kwun Tong Road	2047	100	–	32,000	370,000	–	–	402,000
Grand Century Place	193 Prince Edward Road West, Mong Kok	2047	100	–	725,000	475,000	–	–	1,200,000
Royal Plaza Hotel	193 Prince Edward Road West, Mong Kok	2047	100	–	–	–	400,000	–	400,000
The Royal Garden	69 Mody Road, Tsim Sha Tsui	2127	100	–	–	–	295,000	–	295,000
Kerry Hung Kai Godown	3 Fat Tseung Street, Cheung Sha Wan	2047	50	–	–	–	–	285,000	285,000
APEC Plaza	49 Hoi Yuen Road, Kwun Tong	2047	100	–	–	–	–	240,000	240,000
Mikiki	638 Prince Edward Road East, San Po Kong	2054	100	–	205,000	–	–	–	205,000
The Sun Arcade	28 Canton Road, Tsim Sha Tsui	2047	100	–	205,000	–	–	–	205,000
Peninsula Tower	538 Castle Peak Road, Cheung Sha Wan	2047	100	–	–	–	–	188,000	188,000
Hing Wah Centre	82–84 To Kwa Wan Road	2099	100	–	–	–	–	183,000	183,000
New Tech Plaza	34 Tai Yau Street, San Po Kong	2047	100	–	–	–	–	182,000	182,000
26 Nathan Road	26 Nathan Road, Tsim Sha Tsui	2039	100	–	53,000	124,000	–	–	177,000
Infotech Centre	21 Hung To Road, Kwun Tong	2047	100	–	–	–	–	114,000	114,000
New Territories									
New Town Plaza I	18 Shatin Centre Street, Sha Tin	2047	100	–	1,300,000	–	–	–	1,300,000
New Town Plaza III	2–8 Shatin Centre Street, Sha Tin	2047	100	–	350,000	–	–	–	350,000
New Town Tower	10–18 Pak Hok Ting Street, Sha Tin	2047	100	–	–	96,000	–	–	96,000
Grand Central Plaza / HomeSquare	138 Shatin Rural Committee Road, Sha Tin	2047	100	–	310,000	431,000	–	–	741,000
Royal Park Hotel	8 Pak Hok Ting Street, Sha Tin	2047	100	–	–	–	258,000	–	258,000
Metroplaza	223 Hing Fong Road, Kwai Chung	2047	100	–	600,000	569,000	–	–	1,169,000
Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites ⁽²⁾	3 Tong Tak Street, Tseung Kwan O	2057	100	–	–	–	626,000	–	626,000
PopCorn	9 Tong Yin Street, Tseung Kwan O	2057	50	–	108,000	–	–	–	108,000
Tai Po Mega Mall	9 On Pong Road, Tai Po	2047	100	–	589,000	–	–	–	589,000
Tsuen Wan Plaza	5–21 Pak Tin Par Street, Tsuen Wan	2047	100	–	583,000	–	–	–	583,000
Kowloon Commerce Centre Tower A	51 Kwai Cheong Road, Kwai Chung	2047	100	–	56,000	521,000	–	–	577,000
Landmark North	39 Lung Sum Avenue, Sheung Shui	2047	100	–	182,000	375,000	–	–	557,000
Sun Hung Kai Logistics Centre	8 Wong Chuk Yeung Street, Sha Tin	2047	100	–	–	–	–	500,000	500,000
East Point City	8 Chung Wa Road, Tseung Kwan O	2047	100	–	415,000	–	–	–	415,000
Royal View Hotel	353 Castle Peak Road, Ting Kau	2047	100	–	–	–	310,000	–	310,000
Sun Yuen Long Centre	8 Long Yat Road, Yuen Long	2047	87.5	–	245,000	–	–	–	245,000
Park Central	9 Tong Tak Street, Tseung Kwan O	2047	57.52/25	–	195,000	–	–	–	195,000
Citygate / Novotel Citygate Hong Kong Hotel	20 Tat Tung Road / 51 Man Tung Road, Tung Chung	2047	20	–	99,000	32,000	47,000	–	178,000
Grand City Plaza	1–17 Sai Lau Kok Road, Tsuen Wan	2047	100	–	35,000	137,000	–	–	172,000
Yuen Long Plaza	249–251 Castle Peak Road, Yuen Long	2047	100	–	145,000	–	–	–	145,000
Advanced Technology Centre	2 Choi Fat Street, Sheung Shui	2047	100	–	–	–	–	142,000	142,000
Uptown Plaza	9 Nam Wan Road, Tai Po	2047	100	–	120,000	–	–	–	120,000
Chelsea Heights	1 Shek Pai Tau Path, Tuen Mun	2047	100	–	116,000	–	–	–	116,000
Jumbo iAdvantage	145–159 Yeung Uk Road, Tsuen Wan	2047	74.04	–	–	–	–	111,000	111,000

(1) Including the attributable share in areas held by SUNeVision, in which the Group has a 74.04 per cent interest

(2) Completed in financial year 2011/12 and open for business in financial year 2012/13

Mainland Property Business

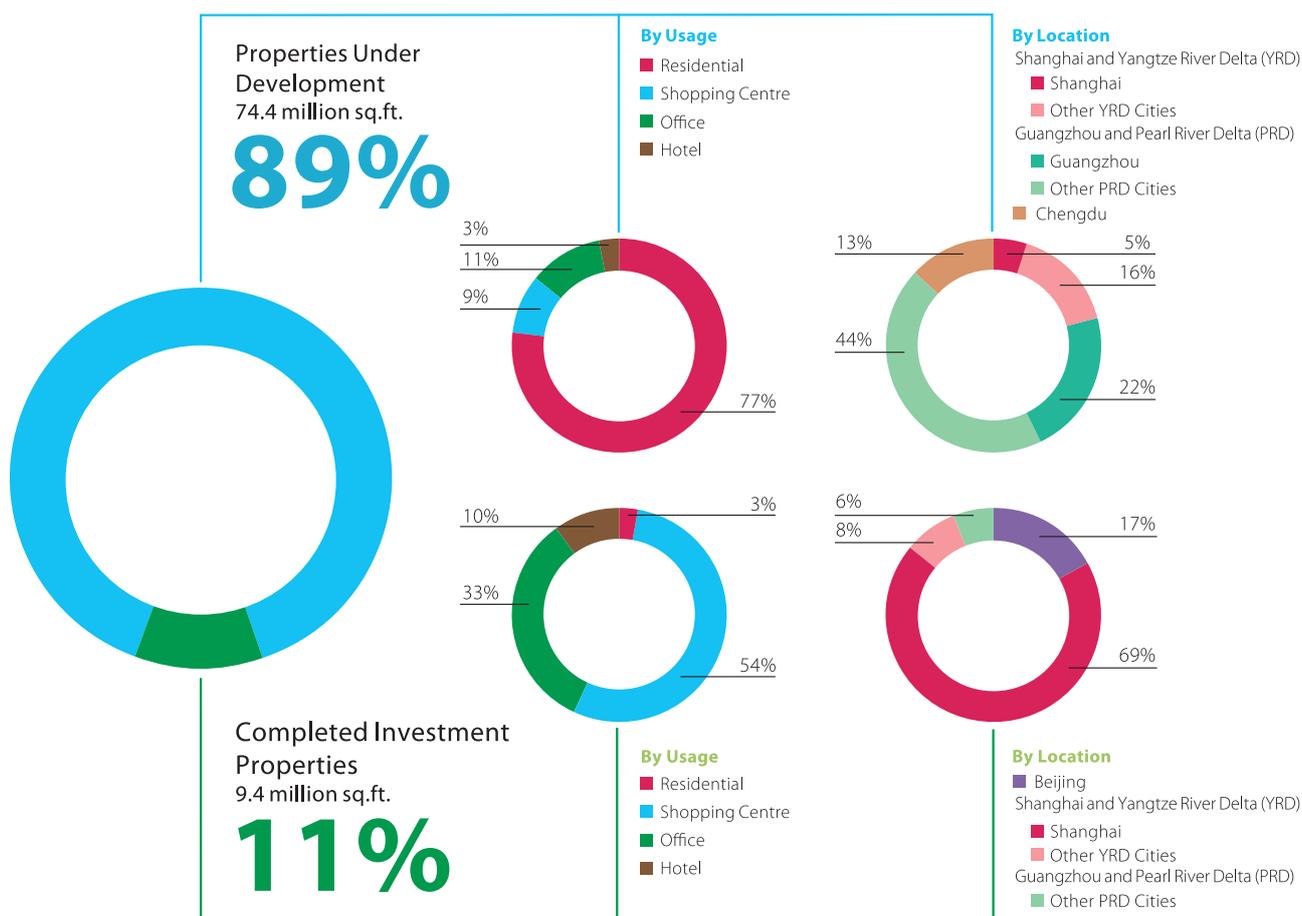
Highlights

- 74.4 million square feet of properties under development
- Completed an attributable 3.5 million square feet of properties including 1.5 million square feet of residential properties for sale
- Contracted sales of over HK\$6,000 million
- High net rental income growth of 38 per cent from an expanding rental portfolio standing at 9.4 million square feet as at the end of June 2012
- A selective investment approach focusing on prime cities

Land Bank

Mainland Land Bank Composition

(83.8 million square feet in attributable gross floor area as at 30 June 2012)



Review of Operations – Mainland Property Business

The Group's mainland development land bank amounted to 74.4 million square feet of attributable gross floor area as at 30 June 2012. About 77 per cent of this will be high-end residences for sale. The Group also

holds another 9.4 million square feet of completed properties for long-term investment; mostly premium offices and shopping centres in prime locations.

The Group's mainland land bank as at 30 June 2012 was as follows:

	Attributable Gross Floor Area (million square feet)		
	Under Development	Completed Investment Properties	Total
By Usage			
Residential ⁽¹⁾	57.5	0.3	57.8
Shopping Centre	6.7	5.1	11.8
Office	8.4	3.1	11.5
Hotel	1.8	0.9	2.7
Total	74.4	9.4	83.8
By Location			
Beijing	–	1.6	1.6
Shanghai and Yangtze River Delta (YRD)	15.7	7.2	22.9
<i>Shanghai</i>	4.0	6.5	10.5
<i>Other YRD cities</i>	11.7	0.7	12.4
Guangzhou and Pearl River Delta (PRD)	48.7	0.6	49.3
<i>Guangzhou</i>	16.3	–	16.3
<i>Other PRD cities</i>	32.4	0.6	33.0
Chengdu	10.0	–	10.0
Total	74.4	9.4	83.8

⁽¹⁾ Including serviced apartments

Mainland Property Business

Property Development

The mainland residential market has seen improvement with increased activity and stabilized prices since early 2012, supported mainly by government measures to stimulate first-time buyer demand. This is despite the home purchase restrictions that have stayed in place to restrain investment demand. Most prime cities registered rebounds in transactions, although new home sales growth was relatively slow in Shanghai where fresh restrictions on home purchases were implemented. Demand for quality homes on the mainland should remain strong over the long term on the back of fast economic growth, continuous urbanization and increasing household affluence.

The Group remains positive about the long-term outlook for the mainland economy and its property sectors, and it will continue to explore opportunities in the market there. The Group will adhere to its selective approach in developing its business on the mainland, focusing on key cities including Beijing, Shanghai, Guangzhou and Shenzhen. Capitalizing on its experience, expertise and brand name in Hong Kong, the Group will extend its success to the mainland, focusing on developing up-market residential units in prime locations of key cities that are connected with convenient transport networks. The Group's premium residences and serviced apartments under development on the mainland amounted to over 57 million square feet as at June 2012, and in the coming months it is on track to sell a number of projects in Shanghai, Guangzhou, Suzhou, Hangzhou and Chengdu.

Major Projects Under Development

SHANGHAI & YANGTZE RIVER DELTA

Shanghai ICC

999 Huai Hai Zhong Road, Shanghai
(100% owned)

The whole Shanghai ICC development will consist of 2.8 million square feet of top-class offices, a premium shopping centre and deluxe residences in the busy commercial district of Puxi. The first tower of 660,000 square feet of offices was completed in mid 2011 and construction of the 1.3-million-square-foot International APM mall was finished during the year with opening scheduled for the second quarter of 2013. Leasing status can be found on pages 43 to 44.

Construction of over 200,000 square feet of deluxe residences is under way for completion in mid 2013. The Group intends to keep the units for rent. The last phase of the development will be the second office tower of over 600,000 square feet with planned completion in the first half of 2015.

Shanghai Arch

Pu Ming Road, Lujiazui, Shanghai
(100% owned)

The Group is applying its expertise in developing luxury residences in building this project in one of the most prestigious residential areas in the Yangtze River Delta. It will be among the finest luxury residences in the city with a stylish design and first-class materials. The site is on the bank of the Huangpu River with a panoramic view of the famous Bund and adjacent to the Lujiazui Finance and Trade Zone with convenient transportation.

Shanghai Arch will have a total floor area of 1.7 million square feet of residential units and serviced apartments. The first phase consisting of close to 200 units totalling over 500,000 square feet of gross floor area is under construction and completion is expected at the end of 2013. The first batch of 100 units in the first phase went on the market in March 2012 as planned and sales have been good.

Minhang Project

Minhang, Shanghai
(35% owned)

The Minhang project is an integrated development of over four million square feet of gross floor area, made up of high-end residences, a grand shopping mall, premium offices and a five-star hotel. The planning is being finalized and construction is expected to commence in 2013. It will be above Xinzhuang Station, the interchange of two existing metro lines and a new line currently under construction, in addition to being linked to the express rail. The comprehensive transport facilities will make the residential portion of the project the preferred residence for the middle- and high-income groups in Shanghai.

Property Development

Suzhou Project

Yuanqu, Suzhou

(90% owned)

The Suzhou project encompasses three sites with a total gross floor area of over 3.5 million square feet, to be completed in phases from 2013.

One of the two lakefront sites on the southern bank of the Jinji Lake is being developed into over 240 deluxe town houses named Lake Genève. The total gross floor area is more than 900,000 square feet and the first phase under construction will provide around 130 units totalling about 500,000 square feet with completion expected in the second half of 2013. The Group launched the first 50 houses during the year as planned to a positive market response.

The first Four Seasons hotel in Suzhou will be built on the other lakefront site adjacent to Lake Genève. The third site in the east Jinji Lake business centre will be developed into the Suzhou ICC integrated complex. It is close to a metro line station and another station on the Shanghai-Suzhou express rail. The Suzhou ICC complex will have about two million square feet of gross floor area containing a luxury shopping mall, premium offices and high-end serviced apartments.

Hangzhou MIXC

Qianjiang New City CBD, Hangzhou

(40% owned)

Hangzhou MIXC has a total gross floor area of six million square feet. The first phase completed in 2010 comprises 1.1 million square feet of high-end residences that were virtually sold out and a 1.6-million-square-foot shopping mall. The remaining second phase of 3.5 million square feet is under construction and will be completed within the next three to four years.

This development is in the Qianjiang New City business area and will be connected to the interchange of two metro lines being under construction. Construction of the second phase has been progressing well. It will include two million square feet of high-quality offices, about one million square feet of high-end serviced apartments, a five-star hotel and retail shops.

Zhijiang Project

Zhijiang National Tourist Holiday Resort, Hangzhou

(40% owned)

The project is in the Zhijiang National Tourist Holiday Resort in Hangzhou with marvellous scenery and is about half-an-hour's drive to the city's town centre. The neighbouring area is a well-known resort-like luxury residential district close to a theme park and a number of scenic areas. There will be about two million square feet of premium residences in medium-rise apartments, low-density condominiums and luxury town houses of various sizes. Construction is progressing smoothly and the project is scheduled for completion in financial year 2014/15. Units will go on the market in phases from 2013.

Nanjing ICC

Hexi CBD, Nanjing

(100% owned)

Nanjing ICC is an integrated complex above the interchange of two metro lines in the Hexi business core of Nanjing. There will be around three million square feet of gross floor area, including over two million square feet of quality offices, a grand shopping centre and a hotel. The entire project is expected to be completed in four to five years.

Taihu International Community

Taihu New City, Wuxi

(40% owned)

Taihu International Community (TIC) is a landmark comprehensive development in Taihu New City with 14 million square feet of gross floor area. So far over five million square feet of residences in several phases have been completed and nearly sold out. Another 2.9 million square feet of residences are slated for completion in financial year 2012/13.

TIC consists mainly of high-end residential units, and the latter phases will also include a hotel, some offices and retail space. The project has panoramic lake views and is well supported by community facilities including a new art and culture centre and convenient transport.

Property Development

GUANGZHOU & PEARL RIVER DELTA

Lake Dragon

Huadu, Guangzhou
(60% owned)

The gross floor area of Lake Dragon amounts to about eight million square feet. The first phase of 1.3 million square feet in 245 luxury town houses were virtually sold out before completion in 2010. The remaining areas will be developed in phases with completion from late 2012.

Lake Dragon is a low-density development in the scenic Dragon Lake resort area. It is an exceptional high-end residential development integrated with a golf course in a beautiful environment. Construction of the second phase with gross floor area totalling 800,000 square feet, which is currently being marketed, will be completed in two stages. Around 80 town houses are scheduled for completion by end of 2012 and over 120 condominiums will finish in the second half of 2013. Construction of about 286,000 square feet of houses as part of the third phase is also progressing smoothly.

Tianhui Plaza

Zhujiang Xincheng, Guangzhou
(33.3% owned)

Tianhui Plaza is in the Zhujiang Xincheng business district of Guangzhou, adjacent to the Liede Station of the Guangzhou metro line. This integrated complex has a gross floor area of nearly five million square feet. Superstructure of the first 1.5 million square feet of high-end serviced apartments called The Riviera is completed. It will provide over 500 units, most with panoramic river views. The units have gone on the market in batches since November last year to a positive response and buyers are expected to take possession of the units in late 2013.

Construction of the remaining 3.4 million square feet containing an up-market shopping mall, premium offices, a top hotel and additional high-end serviced apartments is expected to be completed gradually over the next three to four years.

Forest Hills

Tianhe, Guangzhou
(70% owned)

This project is in the north of Tianhe District, a prosperous business area and a traditional high-end residential enclave in Guangzhou. It is close to the Guangzhou East railway station that provides through train service between Guangzhou and Hong Kong and is also well connected to an interchange of two Guangzhou metro lines. The project will be made up of about 1.6 million square feet of high-end residences and over 300,000 square feet of premium offices. Construction is proceeding as planned. Four residential towers with gross floor area totalling 900,000 square feet are under construction for completion in financial year 2014/15. The Group plans to start selling the first two towers in 2013.

Hong Cheng Project

Tianhe, Guangzhou
(50% owned)

Hong Cheng project is an up-market and multifunctional shopping mall with shopping, dining, entertainment, culture and leisure coming together. This project is located in the most prosperous part of the business and shopping centre in Guangzhou and close to a metro station. Several pedestrian overpasses and subways will connect the mall with commercial facilities, bus terminals and metro stations nearby. Coupled with an open and transparent canopy with modern style and state-of-the-art technology, this mall is set to attract heavy footfall. The shopping mall of about 900,000 square feet is under construction and scheduled for completion by the end of 2014.

Park Royale

Huadu, Guangzhou
(100% owned)

Park Royale will be a large premium residential project of over eight million square feet on Shiling Road East in Huadu, offering beautiful scenery with a spectacular view of the Hongxiuquan Reservoir. The project will be developed in several phases.

Property Development

The first 780 condominium units in Phase 1A have a gross floor area of one million square feet, together with vast area of lush greenery. Construction is progressing smoothly with scheduled completion in the second half of 2013. Over 600 units were offered in batches since March 2012 and over 90 per cent of the units have been sold within a short period of time. The remaining units in Phase 1A will soon go on the market.

Chancheng Project

Chancheng, Foshan

(80% owned)

This is a large integrated project with mostly premium residences in the southern part of Foshan downtown overlooking Dongping River. It is close to two rail stations, one already in service and the other under construction, on the Guangzhou-Foshan rail line, which is set to significantly shorten the travelling time to downtown Guangzhou. There will be about 30 million square feet of gross floor area and over 80 per cent will be residences, complemented by comprehensive shopping facilities, quality offices and a premium hotel. Planning is being finalized and construction will proceed in phases.

The Woodland

Zhongshan 5 Road, Zhongshan

(Joint venture)

The Woodland is a landmark residential development in Zhongshan of over five million square feet being built in phases. The first three phases, together with 33 town houses in Phase 4A, have a combined gross floor area of over two million square feet and were completed and mostly sold. Another 830,000 square feet of multi-storey condominiums in Phase 4B are scheduled for completion in the first half of 2013.

Shilong Project

Shilong, Dongguan

(100% owned)

The project is in central Shilong in the northern part of Dongguan. It is adjacent to Dongjiang so that all units will have panoramic river views. The project is close to the Shilong Station on the Guangzhou-Shenzhen rail line for an easy commute between the two cities. There will be over four million square feet of premium residential units and planning of the project is being finalized.

OTHER CITIES

Jovo Town

Shuangliu County, Chengdu

(91% owned)

Jovo Town is in the premium Tianfu Avenue South residential area of Chengdu, near the new embassy compound, exhibition and convention centre and the largest ocean park in Chengdu. The project is also close to a planned metro station.

The project has over six million square feet of gross floor area in over 4,000 high-end residential units with a luxury clubhouse. Phases 1A and 1B totalling two million square feet were completed in 2010 and the first half of 2012 respectively with over 90 per cent of the units having been sold. The second phase will have 2.5 million square feet of gross floor area and is being developed in stages. Two towers containing around 600,000 square feet are expected to be finished in the second half of 2013. Over 450 units have gone on the market to a good reception.

Chengdu ICC

Jinjiang, Chengdu

(40% owned)

Chengdu ICC is located at the planned new financial district of Chengdu. It will be an extensive integrated development above the interchange of two upcoming metro lines, complemented by comprehensive community facilities. The whole project will have around 14 million square feet of gross floor area housing premium residences and serviced apartments of over seven million square feet, over four million square feet of grade-A offices, over 1.7 million square feet of luxury shopping space and a five-star hotel.

The first six towers of Sirius residences are expected to be completed in 2014. More than 200 units in the initial batch went on sale in April 2012 and market response was good.

Review of Operations – Mainland Property Business

Property Development

Major Mainland Properties Under Development by Year of Completion

Project	Project Name	City	Group's Interest (%)	Attributable Gross Floor Area (square feet) ⁽¹⁾					Total
				Residential	Shopping Centre	Office	Hotel		
Projects to be completed in financial year 2012/13									
Huai Hai Zhong Road Lot 3 Phase 3	Shanghai ICC	Shanghai	100	216,000	–	–	–	–	216,000
Taihu New City Project Phase 5	Taihu International Community	Wuxi	40	1,142,000	–	–	–	–	1,142,000
Dragon Lake Project Phase 2A	Lake Dragon	Guangzhou	60	211,000	–	–	–	–	211,000
Zhongshan 5 Road Project Phase 4B	The Woodland	Zhongshan	Joint Venture	827,000	–	–	–	–	827,000
Year Total				2,396,000	–	–	–	–	2,396,000
Projects to be completed in financial year 2013/14									
Pu Ming Road Project, Lujiazui, Phase 1	Shanghai Arch	Shanghai	100	542,000	–	–	–	–	542,000
Suzhou Project Phase 1	Lake Genève	Suzhou	90	451,000	–	–	–	–	451,000
Taihu New City Project Phase 6	Taihu International Community	Wuxi	40	435,000	587,000	–	–	–	1,022,000
Shiling Project Phase 1A	Park Royale	Guangzhou	100	1,016,000	64,000	–	–	–	1,080,000
Liede Project Phase 1	The Riviera ⁽²⁾	Guangzhou	33.3	500,000	3,000	–	–	–	503,000
Dragon Lake Project Phase 2B	Lake Dragon	Guangzhou	60	240,000	–	–	–	–	240,000
Shuangliu County Project Phase 2A	Jovo Town	Chengdu	91	555,000	2,000	–	–	–	557,000
Year Total				3,739,000	656,000	–	–	–	4,395,000
Projects to be completed in financial year 2014/15									
Huai Hai Zhong Road Lot 3 Phase 4	Shanghai ICC	Shanghai	100	–	–	614,000	–	–	614,000
Zhijiang Project		Hangzhou	40	781,000	–	–	–	–	781,000
Taihu New City Project Phase 7	Taihu International Community	Wuxi	40	424,000	–	–	–	–	424,000
Suzhou Project Phase 2	Lake Genève	Suzhou	90	391,000	–	–	–	–	391,000
Liede Project Phase 2	Tianhui Plaza	Guangzhou	33.3	209,000	332,000	–	149,000	–	690,000
Linhe Project Phase 1	Forest Hills	Guangzhou	70	630,000	22,000	–	–	–	652,000
Hong Cheng Project		Guangzhou	50	–	431,000	–	–	–	431,000
Dragon Lake Project Phase 3A	Lake Dragon	Guangzhou	60	172,000	–	–	–	–	172,000
Dongda Avenue Project Phase 1	Sirius ⁽³⁾	Chengdu	40	650,000	–	–	–	–	650,000
Shuangliu County Project Phase 2B	Jovo Town	Chengdu	91	335,000	–	–	–	–	335,000
Year Total				3,592,000	785,000	614,000	149,000	–	5,140,000
Projects to be completed in financial year 2015/16 and beyond									
Minhang Project		Shanghai	35	659,000	529,000	189,000	75,000	–	1,452,000
Pu Ming Road Project, Lujiazui, remaining phases	Shanghai Arch	Shanghai	100	1,130,000	23,000	–	–	–	1,153,000
Qianjiang New City Project remaining phases	Hangzhou MIXC	Hangzhou	40	407,000	80,000	755,000	155,000	–	1,397,000
Taihu New City Project remaining phases	Taihu International Community	Wuxi	40	308,000	–	162,000	143,000	–	613,000
Suzhou Project remaining phases		Suzhou	90	518,000	373,000	946,000	471,000	–	2,308,000
Hexi CBD Project	Nanjing ICC	Nanjing	100	–	510,000	2,178,000	460,000	–	3,148,000
Shiling Project remaining phases	Park Royale	Guangzhou	100	7,654,000	44,000	–	–	–	7,698,000
Dragon Lake Project remaining phases	Lake Dragon	Guangzhou	60	3,277,000	162,000	–	–	–	3,439,000
Linhe Project remaining phases	Forest Hills	Guangzhou	70	466,000	1,000	253,000	–	–	720,000
Liede Project remaining phases	Tianhui Plaza	Guangzhou	33.3	–	–	450,000	–	–	450,000
Chan Cheng Project		Foshan	80	20,503,000	1,747,000	863,000	178,000	–	23,291,000
Zhongshan 5 Road Project remaining phases	The Woodland	Zhongshan	Joint Venture	2,484,000	165,000	–	–	–	2,649,000
Shilong Project		Dongguan	100	4,520,000	91,000	–	–	–	4,611,000
Dongda Avenue Project remaining phases	Chengdu ICC	Chengdu	40	2,392,000	733,000	1,656,000	165,000	–	4,946,000
Shuangliu County Project Phase 2C and remaining phases	Jovo Town	Chengdu	91	3,490,000	26,000	–	–	–	3,516,000
Total for financial year 2015/16 and beyond				47,808,000	4,484,000	7,452,000	1,647,000	–	61,391,000

Notes: (1) Gross floor area including basement retail area; residential area including serviced apartments
(2) The Riviera, which are serviced apartments, is part of the Tianhui Plaza integrated development
(3) Sirius is the residential component of the Chengdu ICC integrated development

Mainland Property Business

Property Investment

The Group's investment property portfolio on the mainland amounts to an attributable 9.4 million square feet. It is made up of 3.1 million square feet of premium office space and 5.1 million square feet of up-market shopping malls, concentrated mainly in prime cities like Shanghai and Beijing.

Rental income grew substantially in the year under review, with gross rental income up 39 per cent to HK\$1,614 million and net rental income up 38 per cent to HK\$1,103 million, including contributions from joint-venture developments. The increases were primarily due to higher rents and additional contributions from new developments.

Completed Investment Properties

Offices

The Group's completed office developments are prime projects in choice locations featuring careful planning, modern designs, full facilities and advanced high-tech installations. The combination of convenience, outstanding quality and premium brand makes the Group's office portfolio the first choice for multinationals, financial institutions, major mainland companies and professional firms.

Shanghai IFC is an integrated commercial complex at the core of the city's Lujiazui Finance and Trade Zone. The office component consists of two towers of ultra-modern business premises, of which the Group owns over 1.5 million square feet. The first tower is fully occupied, mostly by a spectrum of renowned banks and multinational financial service firms. Leasing of the second office tower is progressing well. Major tenants include law firms, noted mainland financial institutions and prestigious global investment banks.

The complex was built to the highest environmental standards, for which it has won many international and domestic awards. It was one of the first Shanghai office developments to get LEED (Leadership in Energy and Environmental Design) gold certification from the US-based Green Building Council and it was designated a Low Carbon Footprint Office by the China Real Estate Information Corporation. It was also named one of Shanghai's Top Ten Landmarks.

Property Investment

Shanghai ICC is in the city's Puxi commercial core and is currently served by two metro lines, with another metro line under construction in the area. The first office tower with 666,000 square feet of space was finished last year. It houses many well-known multinational companies with high occupancy. Shanghai ICC also received a Future City Landmark award. The second Shanghai ICC office tower will have over 600,000 square feet of floor area and is scheduled for completion in the first half of 2015.

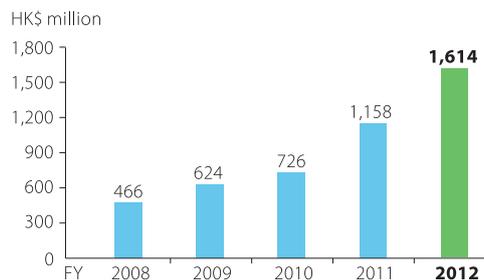
Shanghai Central Plaza is another quality development in the busy Puxi commercial district. It has 366,000 square feet of high-quality offices space in attributable terms and is almost fully occupied. Other premium office developments by the Group include the Sun Dong An Office Tower in Beijing that offers views of the Forbidden City and Tiananmen Square. Occupancy remained high over the year under review.

Shopping Centres

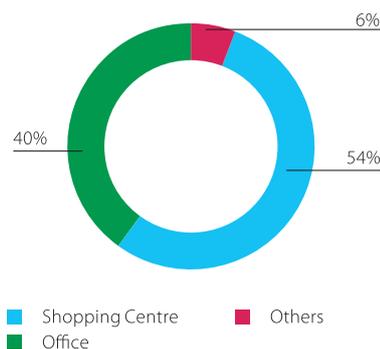
The Group has an expanding network of shopping malls in major mainland cities currently amounting to 5.1 million square feet in attributable terms.

Shanghai IFC Mall is part of the Shanghai IFC complex in Little Lujiazui. The first phase of the mall covers over a million square feet and houses more than 180 first-class retailers and top restaurants. Many international chains have opened their principal outlets in Shanghai IFC Mall and some have their first mainland presence there. The mall also introduced new entertainment and leisure outlets to Shanghai. The traffic flow has increased since opening. The first phase of the mall is fully leased and generating good rental income. The second phase was finished recently and is almost fully pre-let. It covers 180,000 square feet and tenants will include upscale jewellers and fashion retailers. Opening is scheduled for the end of 2012.

Gross Rental Income on the Mainland⁽¹⁾



Gross Rental Income on the Mainland by Sector⁽¹⁾



⁽¹⁾ Including contributions from jointly controlled entities and associates

Review of Operations – Mainland Property Business

Property Investment

Major Completed Mainland Investment Properties

Project	Location	Lease Expiry	Group's Interest (%)	Attributable Gross Floor Area (square feet)					Total
				Residential / Serviced Apartments	Shopping Centre ⁽¹⁾	Office	Hotel		
Beijing									
Beijing APM / Sun Dong An Office Tower	138 Wangfujing Dajie	2043	Joint Venture	–	1,036,000	458,000	–	1,494,000	
Shanghai & Yangtze River Delta									
Shanghai IFC / The Ritz-Carlton Shanghai, Pudong / Shanghai IFC Mall / IFC Residence	8 Century Avenue, Lujiazui	2054	100	–	1,220,000	1,572,000	940,000	3,732,000	
Shanghai ICC Phase 1 / International APM	999 Huai Hai Zhong Road	2056	100	–	1,307,000	666,000	–	1,973,000	
Shanghai Central Plaza	381 Huai Hai Zhong Road	2044	80	–	106,000	366,000	–	472,000	
Arcadia Shanghai	88 Guang Yuan Xi Road	2064	100	304,000	27,000	–	–	331,000	
Hangzhou MIXC	Qianjiang New City, Hangzhou	2046	40	–	656,000	–	–	656,000	
Guangzhou & Pearl River Delta									
Nanhai Plaza	Nanhai Avenue, Foshan	2045	100	–	640,000	–	–	640,000	

⁽¹⁾ Including basement retail area

The Shanghai ICC complex is home to the International APM mall, which was recently completed and now being fitted out. It is on Huai Hai Zhong Road in the Puxi commercial and retail zone. This new shopping centre will promote the concept of late-night shopping in Puxi and position itself as a trendy luxury shopping centre. The mall will feature top international retailer flagships and an IMAX cinema, plus a food zone developed in collaboration with a noted restaurant consultant offering a wide variety of local and international fare and al fresco dining. There will also be a premium supermarket and a range of entertainment options. The mall will cover 1.3 million square feet and over 90 per cent of the retail area has already been committed to. It will open in the second quarter of next year.

Beijing APM mall is in the prime Wangfujing shopping area. It covers over a million square feet and is one of the hottest shopping spots in the city with leading international retailers, attracting many young local customers. It also houses a large selection of mainland and international restaurants. Sales and rents remained steady during the period under review. Reconfigurations to give the mall a distinctive layout are nearly finished. Many areas have been redesigned and express escalators have been added to stimulate traffic flow. The revamp will be accompanied by a refined mix of top tenants including many well-known international retailers.

Investment Properties Under Development

The Group's property investment portfolio continues to grow and currently holds more than 8.4 million square feet of offices under development and another 6.7 million square feet of shopping mall space in the pipeline in major mainland cities.

The Group has a 50 per cent stake in the Guangzhou Hong Cheng shopping mall project under development in the Tianhe retail zone in Guangzhou. The mall will feature extraordinary architecture and will cover nearly 900,000 square feet. It will also be connected to the Tianhe metro station for easy transport. This mall, after completion, will strengthen the Group's network of shopping malls on the mainland.

Property Investment

The Group has a 35 per cent interest in an integrated residential/commercial complex being developed in Minhang in Shanghai. It will cover over four million square feet, made up of a grand shopping mall, deluxe apartments, grade-A offices and a five-star hotel. The complex will be easily accessible as it is above the Xinzhuang metro station and close to the express rail. The mall will account for around 40 per cent of the project's floor area, and it is set to become a new focal point for entertainment and shopping for residents of Minhang District and its environs.

Other integrated projects under development include Tianhui Plaza in Guangzhou, Chengdu ICC, Suzhou ICC and Nanjing ICC. These projects are at prime locations well connected with extensive transport infrastructure. They will include premium office space, up-market shopping malls, and premium hotels. Their gradual completions will help boost the Group's presence on the mainland. Details about these projects can be found on pages 38 to 40.

Property Related Businesses

Hotels

The hospitality industry in Hong Kong had another thriving year with higher numbers of arrivals by both business travellers and tourists. The Group's portfolio of premium hotels in Hong Kong did well during the year under review in this favourable business environment, registering solid growth in room revenue with average occupancy staying high at over 90 per cent.

The Four Seasons Hotel Hong Kong is now in its seventh year and has built an international reputation as one of the world's great hotels. It leads the market in terms of revenue per available room, which continued to show decent growth during the year. The hotel's numerous accolades include a five-star rating for the Four Seasons Spa from the *Forbes Travel Guide* and coveted three-star designations for Caprice and Lung King Heen in the 2012 *Michelin Guide*, making it the only hotel in the world with two Michelin three-star restaurants. The Group has a 50 per cent interest in the Four Seasons Hotel Hong Kong.

The Ritz-Carlton, Hong Kong celebrated its first anniversary with international distinctions such as being included in the Best of the Best Hotel 2012 by *Robb Report* and the Best New Hotel in the 2012 Hot List by *Condé Nast Traveler*. Its Tin Lung Heen Chinese restaurant received one star in the 2012 *Michelin Guide* just eight months after opening and Ozone was named the top Hong Kong cocktail bar by *DestinAsian* and Best New Restaurant Design by *Architectural Digest*. The hotel has gradually built up a strong customer base since opening that boosted its occupancy.

Business at W Hong Kong performed well during the year with increased occupancy and impressive growth in room rate. It was selected as one of China's Top 100 Hotels of 2011 by *Travel + Leisure China*. The hotel saw impressive growth in revenue from food and beverage outlets during the year, and has opened a new hot spot — Woobar. The new bar offers what's new in fashion, music and design with a wide range of innovative cocktails.

The Royal Garden has offered fresh experiences for customers now that all the guest rooms and suites are open following major renovations that have reinforced the hotel's competitiveness. Its premium food and beverage outlets, which have been highly praised by customers, continued to do well. The hotel's total revenue showed a healthy growth during the year.

The Royal Plaza Hotel achieved marked growth with increases in average room rate and room revenue. The food and beverage outlets performed well and have earned a number of accolades and awards. The hotel has been recognized by the *Michelin Guide* as "very comfortable" for four consecutive years. The hotel began a renovation programme in March 2012 that is scheduled to be completed in the third quarter of 2013.

Performance was good for the Royal Park Hotel during the period. The hotel has pursued business opportunities with third party portals to cope with the change in booking patterns, generating incremental revenue. Joint promotions with New Town Plaza have also helped enhance returns. The hotel also features Wi-Fi access and al fresco dining so guests can relax and unwind.

The Royal View Hotel saw solid increases in revenue from rooms, dining and catering during the year as a result of the growing economies of the mainland and the Asian region. Its exhibitions at wedding expos this year for greater exposure helped generate substantial growth in its banquet business. The Royal View will pursue strategies to provide more diverse, high-quality service to travellers in order to maintain business growth in the coming years.

The Ritz-Carlton Shanghai, Pudong celebrated its second anniversary. It showed significant progress in its business with much higher occupancy as compared to the previous year. It has also quickly built a reputation as the preferred choice for discerning travellers; being voted by the readers of *Condé Nast Traveler* as the Best Hotel in the World. Several high-profile celebrity weddings gave the hotel's social business a major boost and its restaurants have won numerous local and international accolades.

Property Related Businesses

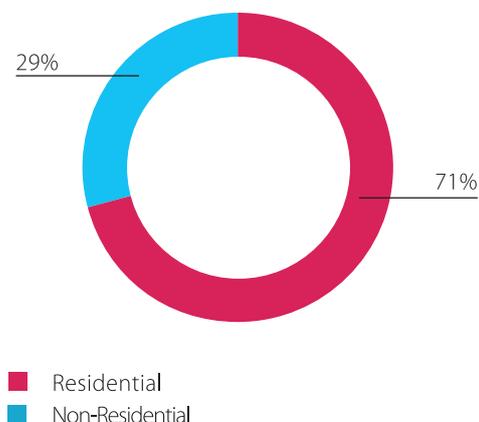
The Crowne Plaza Hong Kong Kowloon East opened for business in late September 2012 and the Holiday Inn Express Hong Kong Kowloon East will soon commence operation. The hotels above MTR Tseung Kwan O Station will fill the void of premium accommodation in the area and diversify the Group's hotel portfolio. The five-star Crowne Plaza has 359 well-appointed guest rooms and suites with excellent views, along with a magnificent wedding garden and one of the largest pillar-free ballrooms in the territory capable of accommodating 80 tables. The Holiday Inn Express will have 300 guest rooms offering comfortable, no-frills service for business and leisure travellers. These new additions will further strengthen the Group's market position in Hong Kong's hotel business.

Property Management

Superior property management service is one of the factors that set the Group's developments apart. Its principal property management subsidiaries are the Hong Yip Service Company Limited and Kai Shing Management Services Limited. They manage a combined total of over 242 million square feet of properties, made up of nearly 173 million square feet of residential developments and over 69 million square feet of commercial premises in Hong Kong and on the mainland. Hong Yip and Kai Shing have both earned many accolades, including gold Reader's Digest Trusted Brand awards for property management.

The year under review saw Hong Yip take over management of the Group's new Imperial Cullinan, One Regent Place and Peak One residential developments, while Kai Shing assumed stewardship of the Avignon and Lime Stardom residences.

Floor Area Managed by Hong Yip and Kai Shing by Usage



Imperial Cullinan is an exceptional residence in West Kowloon overlooking Victoria Harbour and features superb home services such as minor repairs, laundry, banqueting and more, all provided by Hong Yip subsidiary Royal Elite Service.

Kai Shing is always striving for innovation and excellence. It developed an interactive property-management mobile phone application for International Commerce Centre that provides a route indicator using GPS. Other apps for residential projects Avignon and Lime Stardom let users check availability of club facilities and offer handover tips and useful information.

Hong Yip won a Grand Excellence award for Employers from the Employees Retraining Board for giving career development opportunities to trainees under the Manpower Development Scheme. Kai Shing won a fourth successive Hong Kong gold award for Environmental Excellence (property management), and a China Quality Management award for Nanhai Plaza on the mainland.

Construction

The construction division completed projects totalling 6.5 million square feet in terms of construction floor area during the year. Completed projects included premium residences Imperial Cullinan, One Regent Place, Lime Stardom, Avignon, The Wings and luxury houses Shouson Peak, Twelve Peaks and 50 Stanley Village Road. The Crowne Plaza and Holiday Inn Express hotels and Vega Suites, all in Tseung Kwan O, were also completed during the year. The division's turnover was HK\$9,600 million (on a progressive completion basis). Another HK\$360 million (on a progressive completion basis) was recorded by joint-venture companies.

Property Related Businesses

Major residential developments in progress include i•UniQ Residence, i•UniQ Grand, Century Gateway, Chatham Gate, The Wings II and Riva, as well as projects at Kowloon Inland Lot 11175 in Ho Man Tin, Area 55A in Tung Chung, Fanling Sheung Shui Town Lot 202, Yuen Long Town Lot 507 and Ha Yau Tin in Yuen Long. Notable commercial developments in progress include Elite Centre, Kowloon Commerce Centre Tower B, 49 King Yip Street and Kwun Tong Inland Lot 173. Other addition and alteration projects are also under way.

The construction division has several wholly-owned subsidiaries operating related businesses to complement its activities. These provide construction-related services to the Group and third-party clients such as electrical and fire-prevention systems, construction plant and machinery and landscaping. The division also supplies concrete to the Group and external contractors through an associate.

The construction division follows the Group's policy of providing safe and healthy working environments, with specific standards for all its operations. It employs various measures in planning and on construction sites to reduce the impacts of developments, and the division also ensures that suppliers and contractors follow the Group's environmental policies.

Insurance and Mortgage Services

Sun Hung Kai Properties Insurance Limited registered double-digit growth in premium turnover and bottom line during the year under review as a result of higher demand for coverage from the commercial sector and building projects. The company will maintain growth by expanding its business portfolio through different market channels and deploying more resources to restructure and upgrade its products to suit evolving customer needs.

The financial services division, which is made up of the Hung Kai Finance Company Limited and Honour Finance Company Limited, has continued to offer mortgages, deposit-taking and other financial services to support the Group's property development business. The division remained profitable over the year despite intense competition.

Telecommunications and Information Technology

Telecommunications

SmarTone delivered robust results in service revenue and net profit during the year, driven by increased average revenue per user and growth in customer numbers despite increasing competition.

SmarTone will continue to innovate with new proprietary services and focus on customer care. The company switched on its 4G network in August, with a focus on total customer experience and commitment to excellence.

A recognized brand and ample financial resources will allow SmarTone to take advantage of the increasing adoption of data services. The Group remains confident in SmarTone's prospects and will continue to hold its stake in the company as a long-term investment.

Information Technology

SUNeVision recorded another profitable year with further contributions from its data centre businesses.

iAdvantage remained a major carrier-neutral data centre service provider in Hong Kong with a quality and stable customer base in the financial service, telecommunications, information technology and public administration sectors. It excels in providing quality professional service to meet the increasingly-stringent requirements of customers.

iAdvantage took up additional space in Sha Tin and invested further in data centre infrastructure. Overall data centre occupancy was satisfactory. The company will continue its pursuit of growth and is looking for additional data centre space. SUNeVision's last-mile connectivity business also provides quality service to customers.

Infrastructure and Other Businesses

Transport Infrastructure Operations and Management

The Group's 100 per cent ownership of the Wilson Group gives it an important role in the development of Hong Kong's transport infrastructure through its parking, tunnel, bridge and toll road management businesses.

Wilson Parking won a significant number of new public and private parking contracts during the year under review and continues to lead the local parking industry with some 300 car parks. Wilson's outstanding service and reputation earned it recognitions including Hong Kong Leaders' Choice — Excellent Brand of Car Park Services Management and Hong Kong Housing Authority Best Carpark Operator awards in 2011.

Wilson's business continues to expand and its quality standards are rising. A Wilson subsidiary now manages a total of 40 km of roadways made up of four bridges and six tunnels. It is also a leader in operations and maintenance for major road infrastructure including the Tsing Ma and Tsing Sha control areas. Traffic on the tunnels, bridges and roads managed by Wilson continued to increase as a result of the growing local economy and business went smoothly during the year.

Wilson's technology division sources and supplies a wide range of highly-innovative equipment. It secured a contract to provide speed-enforcement cameras for the Tsing Ma and Tsing Sha control areas during the year, and it installed its first car-searching system for parking lots in Hong Kong.

Autotoll Limited is 50 per cent owned by the Wilson Group and it remained the leader in automatic toll collection with more than 260,000 vehicle subscribers and telematics with 9,000 users. Autotoll won government contracts to build and maintain a range of intelligent transport and logistics information systems, bolstering Wilson's position as a leading operator in the industry.

Expansion of Wilson's car park management portfolio and parking systems on the mainland continued and the company also won new parking contracts in Macau.

The Group has a 70 per cent interest in the Route 3 (CPS) Company, which has a 30-year build-operate-transfer franchise on the dual three-lane north-south expressway between Yuen Long and Ting Kau until 2025. The expressway consists of the 3.8-kilometre Tai Lam Tunnel and the 6.3-kilometre Tsing Long Highway. It provides a direct link from the mainland and the northwest New Territories to the Hong Kong International Airport, the container terminals in Kwai Chung, Disney theme park and the urban areas. The route offers a safe, convenient and fuel- and time-saving journey for commuters travelling from the city to the mainland. Traffic rose steadily during the year.

The Group owns 33.3 per cent of the publicly-listed Transport International Holdings. The company's franchised bus operations were faced with a continuously-challenging operating environment because of persistently-high fuel prices, the shift of passengers to the expanding rail network and inflationary pressure.

Infrastructure and Other Businesses

Sky100 Hong Kong Observation Deck

The Sky100 Hong Kong Observation Deck is on the 100th floor of International Commerce Centre above the Airport Express Kowloon Station, offering a 360-degree panorama of the city. Operations have been running smoothly since it opened last year, and it has become one of the major tourist attractions in the territory with double-digit growth in visitor numbers in recent months compared with the same period last year. Sky100 intends to retain its leading position as one of the 'must-see' attractions for locals and overseas visitors, and it will step up its promotion and marketing by working closely with the Hong Kong Tourism Board and local and overseas travel agents to increase awareness and attendance. It will also explore business opportunities in school programmes, MICE (meetings, incentive travels, conventions, exhibitions) business and wedding banquets.

Port Business

Hoi Kong Container Services Company Limited is a wholly-owned subsidiary of the Group and a leading provider of comprehensive midstream container handling service to intra-Asia shipping lines. It operates four berths and 3.3 hectares of container yard space at a prime location in Kwai Tsing. Operating costs rose significantly during the year, but the company remained profitable as a result of increased productivity.

The River Trade Terminal in Tuen Mun is an important centre for trade between Hong Kong and the Pearl River Delta. It handles and consolidates containers and break-bulk cargo, and offers container storage and repair and other port-related services from a 65-hectare, 49-berth site. It implemented tight cost control amid the uncertain global economy and weak maritime trade. The Group has a 50 per cent joint-venture interest.

Air Transport and Logistics Business

The Airport Freight Forwarding Centre Company Limited operates a premier air-freight facility from 1.5 million square feet of warehousing and office space at the Hong Kong International Airport. High warehouse demand generated by the buoyant retail sector lifted both occupancy and rents during the year. However, expected weakening in the air cargo market might undermine the company's performance in the second half of 2012.

The Hong Kong Business Aviation Centre Limited holds the franchise to serve private aircraft flying in and out of Hong Kong. The growing recognition of business aviation as a time-saving tool has made it increasingly popular in Asia, particularly on the mainland, and the company set a new record in 2011, handling some 7,000 take offs and landings. A new 4,000-square-metre hangar opened in May 2012. It accommodates six additional jets and provides greater choice for aircraft maintenance. The Group owns 35 per cent of the company.

Waste Management

Care for the environment has long been a central tenet of the Group's business philosophy, and it makes a tangible contribution to an eco-friendly Hong Kong with 20 per cent stakes in Green Valley Landfill and South China Transfer. Business was steady for both during the year.

The South East New Territories Landfill in Tseung Kwan O covers 100 hectares and has the capacity to handle 43 million cubic metres of waste. Green Valley Landfill operates the landfill and is responsible for the long-term aftercare. South China Transfer oversees the territory's largest refuse transfer station, on Stonecutters Island, which can process 2,250 tonnes of municipal solid waste per day. It has a treatment facility capable of handling 460 tonnes grease-trap waste per day and producing a by-product that can be converted into bio-fuel for industrial use.

Corporate Finance

Prudent financial management is one of the Group's long-term strategies, which has helped it weather crises in the past.

The Group had a strong financial position as at 30 June 2012, with low gearing and abundant liquidity. This was evident from its low net debt to shareholders' funds ratio of 16.4 per cent and high level of deposit of HK\$14,338 million with banks.

Prudent financial management and a well-balanced business model led both Moody's and Standard & Poor's to affirm the Group's A1 and A+ ratings, with negative outlooks — among the highest for Hong Kong property companies by either agency.

The Group always looks for opportunities to expand its funding sources and extend its debt maturities. It issued a US\$775 million five-year bond, US\$900 million ten-year bond, JPY5,000 million five-year bond and HK\$1,114 million in five- to fifteen-year bonds under its Medium Term Note Programme during the financial year.

The Group has an excellent credit rating and solid cash flows, which earn the trust of banks, and a deep pool of unsecured, committed stand-by banking facilities provides the Group with ample liquidity for development requirements.

The Group will maintain excellent relationships with bankers and credit agencies and keep them well informed of its latest developments.

The majority of the Group's borrowings are denominated in Hong Kong dollars, so they pose an insignificant foreign exchange risk. The Group has no speculative positions in derivatives.

Financial Review

Review of Results

Profit attributable to the Company's shareholders for the year ended 30 June 2012 was HK\$43,080 million, a decrease of HK\$5,017 million or 10.4% compared to HK\$48,097 million for the last year. The reported profit has included an increase in fair value of investment properties net of related deferred taxation and non-controlling interests of HK\$22,076 million (2011: HK\$26,996 million).

Underlying profit attributable to the Company's shareholders for the year ended 30 June 2012, excluding the net effect of fair value changes in the valuation of investment properties, increased by HK\$199 million or 0.9% to HK\$21,678 million compared to HK\$21,479 million for the last year. Net rental income grew 16.4% to HK\$11,069 million, boosted primarily by sustained positive rental reversions as well as increased contribution from the newly completed investment properties including ICC office in Hong Kong, Shanghai IFC and first phase of Shanghai ICC on the mainland. Profit from property sales decreased by HK\$3,573 million to HK\$13,074 million, mostly owing to the absence of the one-off contribution from The Orchard Residences in Singapore in last year. Telecommunication segment contributed an operating profit of HK\$1,385 million, a significant increase of HK\$418 million or 43.2% over the last year, on the back of continuous strong growth in service revenue which was driven by both increasing usage of data services and number of customer. Hotel profit increased impressively by 86.6% to HK\$1,032 million, driven by resilient inbound tourism as well as full year contribution from the two newly completed hotels, The Ritz Carlton, Hong Kong and The Ritz Carlton Shanghai, Pudong.

Financial Resources and Liquidity

(a) Net debt and gearing

As at 30 June 2012, the Company's shareholders' funds increased by HK\$39,594 million to HK\$346,559 million, equivalent to an increase of 12.9%, to HK\$132.5 per share (30 June 2011: HK\$119.4 per share).

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 30 June 2012, calculated on the basis of net debt to Company's shareholders' funds, was 16.4% compared to 17.1% at 30 June 2011. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 13.0 times compared to 16.9 times for the previous year.

As at 30 June 2012, the Group's gross borrowings totalled HK\$71,266 million. Net debt, after deducting bank deposits and cash of HK\$14,338 million, amounted to HK\$56,928 million, an increase of HK\$4,391 million since 30 June 2011. The maturity profile of the Group's gross borrowings is set out as follows:

	30 June 2012	30 June 2011
	HK\$ Million	HK\$ Million
Repayable:		
Within one year	9,801	9,682
After one year but within two years	8,799	23,334
After two years but within five years	37,493	17,916
After five years	15,173	9,503
Total bank and other borrowings	71,266	60,435
Bank deposits and cash	14,338	7,898
Net debt	56,928	52,537

Financial Review

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

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

(b) Treasury policies

The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2012, about 80% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 20% 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 2012, about 62% of the Group's bank and other borrowings were denominated in Hong Kong dollars, 20% in US dollars and 18% in Renminbi. The foreign currency borrowings were mainly for financing property projects outside Hong Kong.

The Group's bank and other borrowings are principally arranged on a floating rate basis. For some of the fixed rate notes issued by the Group, interest rate swaps have been used to convert the rates to floating rate basis. As at 30 June 2012, about 66% of the Group's bank and other borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis and 34% were on fixed rate basis. The use of derivative instruments is strictly controlled and solely for management of the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 30 June 2012, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK\$4,273 million and currency swaps (to hedge principal repayment of foreign currency borrowings) in the aggregate notional principal amount of HK\$4,510 million.

As at 30 June 2012, about 44% of the Group's bank deposits and cash were denominated in United States dollars, 35% in Hong Kong dollars, 20% in Renminbi and 1% in other currencies.

Charges of Assets

As at 30 June 2012, certain bank deposits of the Group's subsidiary, Smartone, in the aggregate amount of HK\$9 million, were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK\$22,362 million have been charged, majority of which were for securing their bank borrowings on the mainland. Except for the above charges, all the Group's assets are free from any encumbrances.

Contingent Liabilities

As at 30 June 2012, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint venture companies and other guarantees in the aggregate amount of HK\$1,239 million (30 June 2011: HK\$1,650 million).

Investor Relations

The Group maintains high standards of corporate governance in every aspect of its business and continues to enhance transparency through the timely disclosure of relevant information to the investment community and proactively communicating with stakeholders, including both equity and fixed income investors.

Company news is disseminated through annual and interim reports, periodicals, press releases and public announcements, all of which are available on the Group's website, and press conferences and analyst briefings are convened shortly after results are announced with senior management available to answer questions.

The Group reaches out to investors, analysts and credit agencies by having senior management meet them regularly to explain the Group's strategy, business development and discuss the views on the local property market in general. Other investor-relations initiatives include holding frequent meetings and conference calls, staging non-deal road shows in key international financial centres and participating in major conferences to strengthen relationships with investors worldwide. The Group also proactively responds to significant events such as important business developments of the Group or financial activities through conference calls and other means.

The Group has received many awards from leading financial magazines in recognition of its high-quality management and corporate governance over the years for its seasoned management team, effective investor relations and high standard of corporate governance.

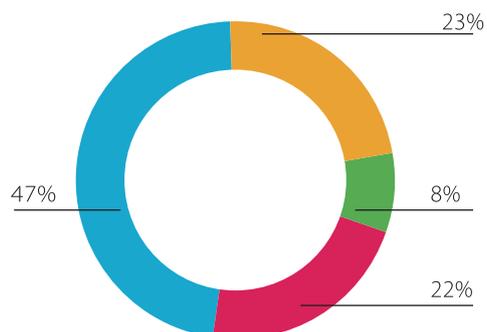
Awards

2011/12 Financial Year

- Best Managed Company and Best Investor Relations in Hong Kong, and Asia's Best Chief Financial Officer by *FinanceAsia* magazine
- Best Companies for Corporate Governance, Best for Disclosure and Transparency, Best for Responsibilities of Management and the Board of Directors and Best for Shareholder's Rights and Equitable Treatment in Hong Kong by *Asiamoney* magazine
- Platinum award for Excellence in Management and Corporate Governance from *The Asset* magazine
- Best Managed Company in the Property Sector in Asia and Best Developer in Hong Kong Overall by *Euromoney* magazine
- Best Investor Relations Company, Best Investor Relations Professional, Best Investor Relations Website/Promotion, Best Environmental Responsibility and Best Corporate Social Responsibility in Hong Kong and Asia's Best Chief Executive Officer (Investor Relations) and Best Chief Financial Officer (Investor Relations) by *Corporate Governance Asia Magazine*

Investor Relations

Communications with the Investment Community in Financial Year 2011/12 (About 1,200 Participants)



- Meetings and Conference Calls
- Overseas Road Shows
- Post-results Briefings and Meetings
- Investor Conferences / Forums

Major Investor Relations Events in 2011/12 Financial Year

Date	Event
2011	
3rd Quarter	<ul style="list-style-type: none"> – Investor conferences in Hong Kong – 2010/11 annual results announcement – Press conference – Analysts briefing – Post-results meetings with fund managers
4th Quarter	<ul style="list-style-type: none"> – Investor conference in Hong Kong – Investor conference in Singapore – Non-deal road show in Europe – Non-deal road show in Japan
2012	
1st Quarter	<ul style="list-style-type: none"> – Non-deal road show in the US – Investor luncheons in Hong Kong – 2011/12 interim results announcement – Press conference – Analysts briefing – Post-results meetings with fund managers – Investor conference in Hong Kong
2nd Quarter	<ul style="list-style-type: none"> – Investor conference call in Hong Kong – Non-deal road show in Europe

Sustainable Development

Sustainable development is an integral part of the Group's belief in Building Homes with Heart. The Group builds quality homes for its customers and enabled the commercial and retail sector to thrive in their businesses—making Hong Kong a better place for all. It undertook a wide range of initiatives during the year to promote environmental protection, care for the less fortunate and education.

The Group published its first sustainability report according to the Global Reporting Initiative G3.1 reporting framework during the year. The report was independently assessed and verified and documents the approach of Group's local core businesses to sustainable development with the plans, action and performance in terms of the economy, business, society, health and safety and the environment. The report is available on the Group's corporate website. A second report will be published in late 2012.

Engaging stakeholders is a key component of the Group's corporate social responsibility strategy. An independently-reviewed stakeholder engagement process was conducted during the year with employees, non-governmental organizations, customers and investors, seeking views on the Group's governance, social and environmental performance.

The Group has been one of the constituents of the Hang Seng Corporate Sustainability and Hang Seng (Mainland and HK) Corporate Sustainability indices since their inception in 2010. This demonstrates the Group's commitment to corporate social responsibility and the achievements made in environmental protection, community, corporate governance and more.

Customer Service

The Group puts customers first and is constantly looking for new ways to exceed their expectations. It places great emphasis on building long-term relationships with customers and fosters two-way communication with them through various channels to understand their needs. Senior management regularly visit local and mainland residents to listen to their opinions.

The Group understands that buyers want high-quality homes, and it has inter-departmental handover teams that do thorough checks on all units to ensure they meet exacting standards before owners take possession. The teams provided attentive service to homebuyers over the past year in the newly completed projects including Avignon, Imperial Cullinan, Lime Stardom, One Regent Place and Valais in Hong Kong and Chengdu Jovo Town Phase 1B on the mainland.

Group property management subsidiaries Hong Yip and Kai Shing offer premium customer care in the properties they manage. The companies use advanced technology to keep up with changing customer needs and to offer exceptional convenience. Numerous awards were received during the year in recognition of their outstanding achievements.

Residents of Group developments enjoy personalized service tailored to their needs. Imperial Cullinan has a round-the-clock butler and concierge service to offer premier customer care including a professional house manager, fine dining, laundry and lease management. Mobile phone apps were developed for the convenience of new owners of Avignon, Imperial Cullinan and Lime Stardom, offering property information, clubhouse booking, handover tips, checklists and more.

Skilled property management teams offer commercial tenants secure and pleasant working environments, and 24-hour customer hotlines are available. Caring service extends beyond tenants to visitors and the community. An air-conditioned footbridge linking Kowloon Commerce Centre to the MTR station opened during the year, offering greater convenience to tenants and locals as well as enhancing the community environment. The Group offers the finest service to shopping centre customers and tenants. It has customer care ambassadors who offer attentive service and collect feedback. A fourth SHKP Malls Serving with Heart Customer Care Ambassador election was held during the year based on votes by the public and a mystery-shopper assessment. The elections help raise service standards and the images of Group malls. The Group also has tenant care programmes to build and strengthen relationships with tenants that include seminars and workshops on the skills and knowledge tenants need to stay competitive.

Sustainable Development

New technology was applied to enhance customer care during the year including a new mobile phone app for International Commerce Centre that has a route indicator, shuttle bus information, GPS tracking and comprehensive transport information that show users all the possible routes to and from the development. There was also a car-searching system for New Town Plaza that lets shoppers find their vehicles in the car park easily and digitized directories in major Group malls for added convenience.

The SHKP Club was set up 16 years ago to provide two-way communication with the community. This largest property membership club in Hong Kong offers property-related benefits to its 310,000 members including exclusive previews of the Group's new projects in Hong Kong and on the mainland, member-buyer incentive programmes, shopping privileges, leisure and recreational benefits. All these help build and maintain long-term relationships with members.

Environmental Protection and Promotion

The Group respects the natural environment. It integrates environmental considerations in all its operations from planning and procurement through to construction and development and on to property management, to reduce the ecological impacts of its developments. The company intends to acquire green building certification for all new projects.

Many of the Group's Hong Kong and mainland projects earned international environmental certification. It had 14 projects certified under the Hong Kong Building Environmental Assessment Method (BEAM) and four certified under Leadership in Energy and Environmental Design (LEED) in Hong Kong and on the mainland as at 30 June 2012. Kowloon Commerce Centre Tower B under construction received LEED gold pre-certification from the US Green Building Council during the year, following full LEED gold certification for Tower A. Shanghai IFC also got full LEED gold certification during the year and the Forest Hills project in Guangzhou Tianhe received LEED Core and Shell Development pre-certification.

International Commerce Centre at Kowloon Station received ISO 50001 Energy Management Systems certification from the Hong Kong Quality Assessment Authority for its energy-consumption monitors and facility management systems to analyse data on the building's energy distribution and consumption patterns, along with a series of improvement measures to save energy and reduce carbon emissions. It was the first building in Hong Kong to attain this professional recognition.

Mitigating climate change is a major challenge, but the Group believes that managing energy consumption in a responsible manner helps reduce operating costs and greenhouse gas emissions. More than 130 Group buildings have conducted voluntary carbon audits since 2008. The practice will be reviewed on a regular basis and the aim is to eventually conduct audits on all properties the Group manages. Nearly 70 buildings managed by the Group received Carbon 'Less' certificates in the 2011 Hong Kong Awards for Environmental Excellence, accounting for nearly half of the certificates granted.

Outstanding property management and innovative green concepts won Hong Yip and Kai Shing multiple green awards during the year. The Group received five honours including a gold for Grand Century Place shopping arcade and office towers in the 2011 Hong Kong Awards for Environmental Excellence (Property Management Sector). In addition, Millennium City 1 received the Grand Award (Existing Building — Hong Kong: Facilities Management) in the Green Building Award 2012 from the Hong Kong Green Building Council and Professional Green Building Council, in recognition of its effort to engage tenants and the community in its Green Certificate scheme and other eco initiatives. The Group's horticultural teams also won more than 20 honours including four golds in the 2012 Best Landscape awards given out by the Leisure and Cultural Services Department.

Sustainable Development

The Group began its SHKP G Power campaign last year to collect and expand green initiatives under one banner. It encompasses eco-friendly management, sponsorships and activities to encourage employees, customers, business partners and the community at large to care about the planet. A dedicated website and facebook page were also created to spread the green messages.

The Group works closely with green groups. It organizes eco-related events and enlists the participation of residents, tenants and staff. A Love Nature Campaign during the year included several beach clean ups with the participation of more than 1,000 staff members and student volunteers. Signing the Energy Saving Charter drafted by the Environment Bureau and the Council for Sustainable Development during the year committed many major Group shopping malls to reducing energy consumption for air conditioning from June to September 2012. The Group also had over 200 developments take part in the Earth Hour lights-out campaign organized by the World Wildlife Fund and participated in the Friends of the Earth Power Smart contest. It also took part in the Take a 'Brake' Low Carbon Action — Corporate Green Driving awards presented by the Friends of the Earth, Green Power and WWF and won golds for improving fuel efficiency and reducing fuel consumption.

The Group and the Community

The Group is committed to the sustainable development of Hong Kong and making a positive contribution to the community. It also encourages its employees, business partners and customers to help address social needs. In addition, it takes a responsible manner in its supply chain, especially for construction workers employed through contractors. The Group has long supported community and educational programmes, encouraging reading and writing and promoting social harmony. Employee volunteering is encouraged throughout the Group from top management to frontline staff.

The Group provides timely assistance to the needy through its Building Homes with Heart Caring Initiative and it puts on festive events for the underprivileged. More than 10,000 seniors and less-fortunate individuals took part in festive Caring Initiative events. The Group collaborated with the Social Welfare Department and elderly community centres to treat about 2,000 seniors living in Kwun Tong and Kwai Tsing to Chinese New Year lunches and deliver lucky bags to elderly people around Hong Kong. The Group also worked with social welfare groups to distribute rice dumplings to seniors, the intellectually handicapped, low-income families and others to celebrate the Dragon Boat Festival. Staff volunteers used their expertise in construction to do basic household decoration for the underprivileged living in public housing estates or those with special needs. Senior management joined staff volunteers to help elderly households affected by the redevelopment of Tung Tau Estate to inspect new flats, tile floors and install lights during the year.

Sustainable Development

The Group believes that reading enriches an individual, broadens intellectual horizons and helps social development, and it has supported many educational and youth development programmes over the years. It has been promoting reading and writing through SHKP Book Club since 2005. An array of new initiatives and annual programmes was held during the year. The first SHKP Reading Index survey was announced in July 2012 as a systematic measure of the Hong Kong's public reading habits and overall reading culture. The index will be updated annually to reflect developments in reading habits and culture. A Letter to My Family SHKP Book Review Competition encouraging communication and harmony among family members received about 7,000 entries. The Group staged a fourth Young Writers' Debut competition, this time extended to the mainland to develop talented young writers and promote cultural exchange. Past competitions have helped 23 young writers make their debuts. The Group ran its fifth Read To Dream programme that has taken more than 5,200 underprivileged students to the Hong Kong Book Fair with allowances to buy books and reading-related activities over the years. Over a thousand of underprivileged children took part in the programme this year. The Group-sponsored, free monthly *Books4You* magazine is now in its fifth year of publication.

Other educational initiatives during the year included the nineteenth instalment of the Sun Hung Kai Properties Nobel Laureates Distinguished Lectures with The Chinese University of Hong Kong that had 2010 Nobel laureate in chemistry Ei-ichi Negishi and 2010 laureate in economics Peter A. Diamond giving public lectures. The Group has been providing an array of scholarship programmes through its SHKP-Kwoks' Foundation since 2002 in both Hong Kong and on the mainland. The Foundation offers scholarships and grants at a number of renowned mainland and overseas universities for promising students. It also subsidizes various mainland tertiary education and training programmes. More than 6,000 individuals have benefitted since the Foundation began.

The SHKP Club runs loving home campaigns every year to encourage healthy, harmonious family lives. The theme for the year was Loving Home with All Your Heart. The Club spreads this message through the SHKP Club Cherish Your Family facebook page, exhibitions at Group malls, competitions, seminars, surveys and workshops. Its Taste of Love competition calling for stories about special moments with family was a success with more than 6,000 entries, and the Club's online activities and competitions drew over 200,000 responses during the year. Ma Wan Park promotes loving life, family and the Earth, as well as positive values through its facilities and activities. Ma Wan Park Nature Garden offers free access and organized various activities during the year including a Tree Blossom programme that encourages people to learn more about trees and nature, plus Solar Cooking and Art Jam workshops.

The Group's SHKP Volunteer Team was founded in 2003 and now has almost 2,000 members. It also formed a Sunshine Team for children and young people to instil the spirit of serving the community in the younger generation. The team put in more than 80,000 hours in 2011, working with volunteer groups to help the elderly, youth, the disabled and underprivileged. The Volunteer Team started a three-year Sun Tin Mentorship project with Tung Wah Group of Hospitals Jockey Club Tin Shui Wai Integrated Services Centre in 2009 to enhance young people's self-confidence and resilience. The programme ended this year and some of the participants have joined the Sunshine Team to do volunteer service.

Sustainable Development

The Group's contributions to society have earned recognition. The Group won a 2011/12 President's Award and the 2011/12 Fifth Top Donor Award (Companies, Organizations & Individuals) from the Community Chest and it has been one of the highest fundraising corporations in the Community Chest Corporate Challenge for 17 years in a row. The Group and its subsidiaries, residential developments, shopping malls and hotels received numerous Caring Company designations from the Hong Kong Council of Social Service, which included eight '10 Consecutive Years Caring Company' titles. Almost 30 entities have had the Caring Company title for five years or more.

The Group encourages its staff to participate in charity and fundraising events. The Group and the Hong Chi Association held their eighth Hong Chi Climbathon Charity Stair Run with Group staff teaming up with Hong Chi students to climb the relay challenge. The Group also sponsored the Ngong Ping Charity Walk for the sixth year and its staff team came first in the 17-km corporate category.

The Group supports community groups by providing free event space in its shopping malls. It also leases office space to social organizations either for free or for token rent.

Staff Development and Personal Growth

The Group employs over 35,000 people and believes that they are its most valuable asset. It strongly believes in engaging staff and giving them training and career development opportunities. The Group's training places emphasis on supporting long-term organizational development, facilitating team synergy and enhancing individual competence.

Long-term organization development is encouraged by significant efforts to strengthen the company culture, develop high-potential staff and ensure that employees comply with work safety requirements and support green initiatives.

All new staff go through a comprehensive orientation programme to understand the Group's mission and values. The New Staff Adaptation Programme involves devising an appropriate training plan for new staff to facilitate their adaptation to their new roles and working environments. New staff get to know the Group's corporate culture and understand its businesses and background through training and online learning. Regular service seminars and workshops are arranged to cultivate a strong service mindset and sharpen staff communication skills with customers. The Group's Service Excellence programme for property management has been running since 1999 to encourage frontline staff to work as a team to provide quality service.

The Group has had Management Trainee and Graduate Engineer programmes since 2002 to take in high-caliber graduates from local, mainland and overseas universities and offer them job rotations, mentoring and other activities to prepare them for progression to professional and senior roles. Talented staff are offered leadership development training, supported by a personal development plan and group coaching sessions to enhance their potential and performance. Representatives from Human Resources and Group Training then review the progress with the individual upon completion of the coaching. Some high-performing managerial staff attend programmes at prestigious overseas universities each year, and the Group provides customized executive coaching for selected managerial staff.

Sustainable Development

The Group puts great emphasis on work safety and environmental protection, with work-safety seminars and workshops on construction sites and in offices. There are also staff competitions for innovative ideas to enhance work safety. Seminars on environmental protection provide staff with skills and knowledge to support the Group's green initiatives, and regular tips on being safe and green are provided to all staff through the company intranet. Regular public affairs seminars update staff on key issues in society and encourage participation in community service.

Team synergy and performance is advanced by programmes tailored to different functions and departments for particular needs. Mainland offices also provide training in management and technical skills and company-orientation programmes to help local staff better understand the Group's business and corporate culture. Some mainland staff take structured on-the-job training in Hong Kong. Experienced Hong Kong staff are assigned to mainland offices to spread Hong Kong practices, while Hong Kong staff who will be assigned to the mainland go through various preparatory courses. A first mainland projects conference was held during the year, which had regional heads from different cities discussing experience and strategic planning with senior management.

The Group enhances individual competency by providing extensive training. It held courses for over 40,000 attendees during the year on a wide spectrum of technical skills and professional development topics including leadership, communication and customer service. Staff at all levels are also eligible for external training sponsorship for job-related courses ranging from short seminars to degree programmes up to the master's level. A wide range of self-learning programmes, including online videos of in-house seminars, books and magazines and multi-media learning materials are available in the Group's training library along with e-learning programmes and reference materials on the Group's intranet. The Group also publishes a quarterly staff training newsletter.

Staff are encouraged to achieve a balance between work and life with seminars and workshops on stress management and mental health. The Group additionally arranges interest classes, sports events and recreational functions for staff, some of which are open to families, to promote a balanced and healthy work life. Regular tips on how to live and work better are channeled through the intranet to all staff.

Corporate Governance Report

Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting the Group's businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders. Details of the Group's investor relations initiatives and the recognition it has received for good management and corporate governance are set out under Investor Relations on page 55.

Corporate Governance Practices

Rigorous standards of corporate governance enhance the Group's accountability and transparency, earning the confidence of shareholders and the public. The Company complied with the code provisions of the Code on Corporate Governance Practices (the "Former Code") during the period from 1 July 2011 to 31 March 2012 and of the new Corporate Governance Code (the "New Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period from 1 April 2012 to 30 June 2012, except that there is no separation of the roles of Chairman and Chief Executive and the former Chairman did not attend the annual general meeting of the Company ("AGM") held on 8 December 2011 due to other commitment.

The Board of Directors of the Company (the "Board") continues to monitor and review the Company's corporate governance practices to ensure compliance.

Board of Directors

Composition

The Board currently has 18 Directors – seven Executive Directors, five Non-Executive Directors and six Independent Non-Executive Directors. Further details of the composition of the Board are set out on page 2.

During the year ended 30 June 2012 and up to the date of this annual report, the changes to the composition of the Board were as follows:

- Madam Kwong Siu-hing (the former Chairman and a Non-Executive Director) and Mr. Lo Chiu-chun, Clement (a Non-Executive Director) retired as Directors at the closure of the 2011 AGM. Following her retirement, Madam Kwong ceased to be the Chairman;
- Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were appointed as joint Chairmen with effect from the closure of the 2011 AGM;
- Mr. Chan Kai-ming, an Executive Director, passed away on 28 March 2012;
- Mr. Lui Ting, Victor was appointed as an Executive Director with effect from 12 April 2012;
- Dr. Leung Nai-pang, Norman and Mr. Leung Kui-king, Donald were appointed as Independent Non-Executive Directors both with effect from 1 July 2012;
- Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were appointed as Alternate Directors to Messrs. Kwok Ping-Kwong, Thomas and Kwok Ping-luen, Raymond respectively with effect from 13 July 2012; and
- Messrs. Wong Chik-wing, Mike and Lui Ting, Victor, both being the Executive Directors, were appointed as Deputy Managing Directors with effect from 13 July 2012.

Corporate Governance Report

Directors give sufficient time and attention to the Group's affairs. The Company also requests the Directors to disclose to the Company annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved. 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 bring independent judgment and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account.

In compliance with the new requirement under Rule 3.10(A) of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the board, two new Independent Non-Executive Directors were appointed effective on 1 July 2012. Subsequent to these appointments, the Company has six Independent Non-Executive Directors representing one-third of the members of the Board. In addition, as required under Rule 3.10 of the Listing Rules, at least one of the Independent Non-Executive Directors has appropriate professional qualifications or accounting or related financial management expertise. No Independent Non-Executive Director has served the Company for more than nine years.

The Company has received from each Independent Non-Executive Director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all Independent Non-Executive Directors are independent. Notwithstanding Dr. Fung Kwok-lun, William's non-executive directorship in The Hongkong and Shanghai Banking Corporation Limited, being an associate of HSBC Trustee (C.I.) Limited ("HSBC Trustee") which in turn is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance holding certain shares of the Company as a trustee of certain trusts (the "Trusts"), the Company is of the view that Dr. Fung Kwok-lun, William is independent since he cannot control the decision making process of HSBC Trustee in relation to the exercise of the voting rights in respect of the shares in the Company held under the Trusts.

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-Executive Directors and the roles and functions of the Directors is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

Madam Kwong Siu-hing, the former Chairman, is the mother of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, who are brothers. Also Madam Kwong Siu-hing is the sister of Mr. Kwong Chun. Mr. Kwok Kai-fai, Adam is a son of Mr. Kwok Ping-kwong, Thomas and a nephew of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond. Mr. Kwok Ho-lai, Edward is a son of Mr. Kwok Ping-luen, Raymond and a nephew of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas. In addition, Sir Po-shing Woo is the father of Mr. Woo Ka-biu, Jackson. Save as disclosed above, there are no family or other material relationships among members of the Board.

Board Meetings

The full Board held four regular meetings and four non-regular meetings during the year ended 30 June 2012. The Directors discussed the overall strategies of the Group, monitored financial and operational performance, approved the annual and interim results of the Group, the appointments of Directors and the grant of share options, as well as other significant matters at the Board meetings.

Corporate Governance Report

A tentative schedule for regular Board meetings for each year is provided to Directors prior to the commencement of each calendar year. In addition, at least 14 days' notice of all regular Board meetings is given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. An agenda and accompanying Board papers are sent to all Directors at least three days in advance of every regular Board meeting or committee meeting.

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

The attendance record of the Directors at the Board meetings held during the year ended 30 June 2012 is set out below:

Directors	Meetings attended/held
Executive Directors	
Kwok Ping-kwong, Thomas	6/8
Kwok Ping-luen, Raymond	6/8
Wong Chik-wing, Mike	8/8
Lui Ting, Victor <i>(appointed with effect from 12 April 2012)</i>	2/2
Chan Kui-yuen, Thomas	5/8
Kwong Chun	8/8
Chan Kwok-wai, Patrick	7/8
Chan Kai-ming <i>(passed away on 28 March 2012)</i>	2/4
Non-Executive Directors	
Lee Shau-kee	5/8
Kwok Ping-sheung, Walter	0/8
Woo Po-shing	*7/8
Kwan Cheuk-yin, William	7/8
Wong Yick-kam, Michael	8/8
Kwong Siu-hing <i>(retired on 8 December 2011)</i>	1/2
Lo Chiu-chun, Clement <i>(retired on 8 December 2011)</i>	1/2
Independent Non-Executive Directors	
Yip Dicky Peter	7/8
Wong Yue-chim, Richard	8/8
Li Ka-cheung, Eric	6/8
Fung Kwok-lun, William	6/8

* attended by his Alternate Director, Mr. Woo Ka-biu, Jackson

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 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. Directors are given sufficient time for discussion at the Board meetings. Where queries are raised by Directors, prompt and full responses will be given if possible.

Corporate Governance Report

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in a physical 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.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

Chairmen

Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were appointed as joint Chairmen following the retirement of Madam Kwong Siu-hing as the Chairman and a Non-Executive Director with effect from the closure of the AGM held on 8 December 2011. Both of them continue to serve as joint Managing Directors. This was at variance with code provision A.2.1 of the Former Code and the New Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Although the positions of chairman and managing director are not separate, the powers and authorities have not been concentrated as the responsibilities have been shared by two individuals, namely the two joint Chairmen and Managing Directors. Besides, all major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are six Independent Non-Executive Directors and five Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

The joint Chairmen are 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 of which they are members.

During the year ended 30 June 2012, the joint Chairmen held a meeting with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the Executive Directors.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or Alternate Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates 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. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

A briefing session was organised for Directors in December 2011 to update the Directors on the new amendments to the corporate governance code and associated Listing Rules. Also, briefings on the directors' duties were given to the newly appointed Executive Director, Independent Non-Executive Director and Alternate Directors.

Corporate Governance Report

During the period from 1 April 2012 to 30 June 2012, the Directors also participated in the following trainings:

Directors	Type of trainings
Executive Directors	
Kwok Ping-kwong, Thomas	A, B, C
Kwok Ping-luen, Raymond	A, B, C
Wong Chik-wing, Mike	A, C
Lui Ting, Victor <i>(appointed with effect from 12 April 2012)</i>	A, C
Chan Kui-yuen, Thomas	A, C
Kwong Chun	A, C
Chan Kwok-wai, Patrick	A, C
Non-Executive Directors	
Lee Shau-kee	A, C
Kwok Ping-sheung, Walter	C
Woo Po-shing	C
Kwan Cheuk-yin, William	A, C
Wong Yick-kam, Michael	A, B, C
Woo Ka-biu, Jackson <i>(Alternate Director to Woo Po-shing)</i>	A, C
Independent Non-Executive Directors	
Yip Dicky Peter	A, C
Wong Yue-chim, Richard	A, B, C
Li Ka-cheung, Eric	A, C
Fung Kwok-lun, William	A, B, C

A : attending seminars and/or conferences and/or forums

B : giving talks at seminars and/or conferences and/or forums

C : reading newspapers, journals and updates relating to the economy, general business, real estate or director's duties and responsibilities etc.

Compliance with Model Code

The Company 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 the Company's securities. Having made specific enquiry with Directors, all Directors confirmed that they complied with the Model Code during the year ended 30 June 2012.

Executive Committee

The Executive Committee was established in 1977 and currently consists of all Executive Directors and five full time executive personnel of the Group, who were appointed with effect from 15 June 2012.

The Executive Committee meets regularly and is primarily responsible for formulating business policies, making decisions on key business issues and policies, facilitating the approval of certain corporate actions and exercising the powers and authority delegated by the Board in respect of matters which arise between regularly scheduled Board meetings.

Corporate Governance Report

To comply with the requirement under the New Code in respect of the responsibilities for performing the corporate governance duties, the Board has delegated its responsibilities to the Executive Committee to develop, review and monitor the policies and practices on corporate governance of the Group and make recommendations to the Board, to review and monitor the Company's policies and practices on the legal and regulatory compliance, to review and monitor the code of conduct and ethical behaviour applicable to the Directors and employees and the training and continuous professional development of Directors and senior management, and to review the Company's compliance with the Former Code and the New Code and disclosures in the corporate governance report.

The attendance record of the existing members at the Committee meetings held during the year ended 30 June 2012 is set out below:

Committee members	Meetings attended/held
Kwok Ping-kwong, Thomas	41/46
Kwok Ping-luen, Raymond	42/46
Wong Chik-wing, Mike	43/46
Lui Ting, Victor <i>(appointed with effect from 12 April 2012)</i>	10/10
Chan Kui-yuen, Thomas	43/46
Kwong Chun	41/46
Chan Kwok-wai, Patrick	42/46
So Chung-keung, Alfred*	1/1
Tung Chi-ho, Eric*	1/1
Chow Kwok-yin, Eric*	1/1
Wong Chin-wah, Jimmy*	1/1
Yung Sheung-tat, Sandy*	1/1

* appointed with effect from 15 June 2012

The Executive Committee reviewed the Company's compliance with the Former Code and the New Code and the regulatory and statutory requirements during the year under review, and the disclosures of this corporate governance report.

Remuneration Committee

The Remuneration Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director. Other members of the Committee are Dr. Li Ka-cheung, Eric and Mr. Kwan Cheuk-yin, William, who was appointed with effect from 9 December 2011. Mr. Lo Chiu-chun, Clement ceased to be a member with effect from 8 December 2011 following his retirement as a Director. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors.

The Company has adopted the model to delegate the determination of the remuneration packages of individual Executive Directors to the Remuneration Committee. The Committee is responsible for formulating and recommending remuneration policy to the Board and reviewing and making recommendations on compensation-related issues. The fees for Directors are subject to the approval of the shareholders at the general meetings in accordance with the Articles of Association of the Company. The Committee consults with joint Chairmen on its proposals and recommendations if necessary, and also has access to independent professional advice if necessary. The Committee is also provided with sufficient resources enabling it to perform its duties. The Remuneration Committee's specific terms of reference are posted on the websites of the Company and HKEx.

Corporate Governance Report

The Remuneration Committee held a meeting during the year ended 30 June 2012 and reviewed the directors' fees and the emoluments of the Executive Directors. The Committee also recommended to increase the fees for Directors and members of the Audit, Remuneration and Nomination Committees. The attendance record of the members at the Committee meeting is set out below:

Committee members	Meeting attended/held
Wong Yue-chim, Richard	1/1
Li Ka-cheung, Eric	1/1
Kwan Cheuk-yin, William <i>(appointed on 9 December 2011)</i>	1/1
Lo Chiu-chun, Clement <i>(ceased to be a member on 8 December 2011)</i>	N/A

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. Other members of the Committee are Messrs. Kwan Cheuk-yin, William and Yip Dicky Peter. All members are Non-Executive Directors and the majority of them is 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 the Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary. The Nomination Committee's specific terms of reference are posted on the websites of the Company and HKEx.

During the year ended 30 June 2012, the Nomination Committee held a meeting and discussed and reviewed the composition of the Board and the re-election of all the retiring Directors at the forthcoming 2012 AGM. The attendance record of the members at the Committee meeting is set out below:

Committee members	Meeting attended/held
Wong Yue-chim, Richard	1/1
Kwan Cheuk-yin, William	1/1
Yip Dicky Peter	1/1

During the year under review, the Committee recommended to the Board for approval of the appointments of joint Chairmen, an Executive Director and two Independent Non-Executive Directors. In July 2012, the Committee also recommended the appointments of two Deputy Managing Directors and two Alternate Directors to the Board for approval.

Corporate Governance Report

All Directors have formal letters of appointment setting out the key terms of their appointments. In accordance with the Articles of Association of the Company, one-third of the Directors are required to retire from office by rotation and are eligible for re-election at each AGM and each Director should be subject to retirement by rotation at least once every three years. Non-Executive Directors are subject to a term of approximately two years commencing from the date of the AGM at which they are re-elected and expiring at the AGM to be held two years thereafter, and they shall be eligible for re-election at that AGM upon the expiry of their term of office.

Audit Committee and Accountability

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. The Directors also acknowledge their responsibility 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. Board members are provided with monthly updates, including contracted property sales updates, projects launched, upcoming projects, leasing updates and financial position, which give the Directors a balanced and understandable assessment of the performance, position and prospects of the Group. Management provides all relevant information to the Board, giving its members sufficient explanation and information it needs to discharge their responsibilities. A statement by the auditor of the Company in respect of their reporting responsibilities is set out in the Independent Auditor's Report.

In compliance with Rule 3.21 of the Listing Rules, an Audit Committee was established in 1999 and is chaired by Dr. Li Ka-cheung, Eric, an Independent Non-Executive Director. Other members of the Committee are Messrs. Yip Dicky Peter and Wong Yick-kam, Michael. All members are Non-Executive Directors and the majority of them is 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 financial statements of the Group's annual reports and accounts, and interim reports before submitting them to the Board;
- reviewing the Group's financial controls, internal control and risk management systems;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control system including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- considering major investigation findings on 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;

Corporate Governance Report

- reporting to the Board on matters relating to the Audit Committee under the Former Code and the New Code;
- meeting with the external auditor to discuss issues regarding audit at least once a year in the absence of management; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters.

The Audit Committee is provided with sufficient resources enabling it to perform its duties. The Audit Committee's specific terms of reference are posted on the websites of the Company and HKEx.

The Audit Committee held three meetings during the year ended 30 June 2012 and reviewed the interim and final results of the Group and discussed and approved financial report for the year ended 30 June 2011. The Committee also reviewed the Group's internal control system and internal audit activities, and discussed audit plans for the year ended 30 June 2012. The attendance record of the members at the Committee meetings is set out below:

Committee members	Meetings attended/held
Li Ka-cheung, Eric	3/3
Yip Dicky Peter	3/3
Wong Yick-kam, Michael	3/3

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

The Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditor and ensures that 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 that for the year ended 30 June 2012 and thereafter to the date of this annual report, they 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 Deloitte Touche Tohmatsu for the year ended 30 June 2012 amounted to approximately HK\$13 million and HK\$4 million, respectively. The non-audit services mainly consist of taxation, review, consultancy and other reporting services.

Internal Control

The Board has the overall responsibility for maintaining sound and effective internal control system to safeguard the Group's assets and stakeholders' interests, as well as for reviewing the effectiveness of the system. The Board conducts regular reviews of the Group's internal control system, which was developed based on the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) principles as follows:

- (i) Control environment – laying the foundation for the other components of internal control, providing discipline and structure. Factors include integrity, ethical values and competence of personnel, authority and responsibility assignment, direction provided by the Board and effectiveness of the management.

Corporate Governance Report

- (ii) Risk assessment – the identification and analysis of risks underlying the achievement of objectives, including the risks relating to the changing regulatory and operating environment, as a basis for determining how such risks should be mitigated and managed.
- (iii) Control activities – the policies and procedures that help to ensure management directives are carried out and any actions that may be needed to address risks to achieving company objectives are taken. These include such activities as approvals, authorizations, verifications, performance reviews, security of assets and segregation of duties.
- (iv) Information and communication – the processes and systems to identify, capture and communicate pertinent information in a timely manner. Such information can be internally or externally-generated, operational, financial or compliance-related, and the flow of information can be up, across or down the organization, so that all staff can effectively carry out their responsibilities.
- (v) Monitoring – the processes that assess the adequacy and quality of the internal control system's performance over time. These processes include ongoing monitoring activities and separate evaluations. Deficiencies in internal control should be reported upstream with serious matters to the top management and the Board.

The internal control system aims at safeguarding assets from inappropriate use, maintaining proper accounts and ensuring compliance with regulations. Management is primarily responsible for the design, implementation and maintenance of the internal controls. 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 Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. Policies and procedures are laid down for its key business processes and business units covering project development, tendering, sales and leasing, financial reporting, human resources and computer systems.

The Group's Code of Conduct, freely accessible on the Group's intranet, is maintained and communicated to all staff for compliance. In addition, a Whistleblowing Policy was established for staff to raise concerns about suspected misconducts, malpractices or improprieties relating to the Group.

The Board conducted a review of the Group's internal control system for the year ended 30 June 2012, including financial, operational and compliance controls, and risk management functions. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee, executive management and both internal and external auditors. The annual review also considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function.

The Group's Internal Audit Department has been established for more than 20 years and the department has direct access to the Audit Committee. The department has rights to access all records, assets and personnel as stipulated in the Internal Audit Charter. The department follows a risk-and-control-based approach to formulate the audit plan. 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 are given to areas with relatively higher risks. The audit plan is reviewed and approved by the Audit Committee annually. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The department monitors the follow-up actions agreed upon in response to recommendations.

Corporate Governance Report

Delegation by the Board

The Board directs and approves the Group's overall strategies. Given the diversity and volume of the Group's businesses, responsibilities for execution and daily operations are delegated to the management. The Board gives clear directions as to the management's power, and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

During the year under review, the Board delegated its responsibilities in relation to corporate governance and legal and regulatory compliance of the Group to the Executive Committee. In addition, a Special Committee was established in March 2012 and is empowered to mainly act as the liaison and to handle the related matters on behalf of the Company in connection with an investigation relating to certain Directors.

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 Board established a shareholders' communication policy setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the shareholders are timely, transparent, accurate and open. Information would be communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are also available on the website of the Company. The Company's website provides shareholders with the corporate information, such as principal business activities and major property projects, the development of corporate governance and the corporate social responsibilities of the Group. For efficient communication with shareholders and in the interest of environmental protection, arrangements were made to allow shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company's AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit, Remuneration and Nomination Committees and the external auditor also attend the AGM to answer questions from shareholders.

AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the AGM.

Corporate Governance Report

Shareholder(s) holding not less than one-twentieth of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting pursuant to Section 113 of the Companies Ordinance of Hong Kong (the "Ordinance"). The requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company. Besides, Section 115A of the Ordinance provides that (i) shareholder(s) representing not less than one-fortieth of the total voting rights of all shareholders of the Company or (ii) not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK\$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant shareholder(s) at the registered office of the Company.

The 2011 AGM was held on 8 December 2011. The attendance record of the Directors at the meeting is set out below:

Directors	AGM attended/held
Executive Directors	
Kwok Ping-kwong, Thomas	1/1
Kwok Ping-luen, Raymond	1/1
Wong Chik-wing, Mike	1/1
Chan Kui-yuen, Thomas	1/1
Kwong Chun	1/1
Chan Kwok-wai, Patrick	1/1
Chan Kai-ming <i>(passed away on 28 March 2012)</i>	1/1
Non-Executive Directors	
Lee Shau-kee	0/1
Kwok Ping-sheung, Walter	0/1
Woo Po-shing	0/1
Kwan Cheuk-yin, William	1/1
Wong Yick-kam, Michael	1/1
Kwong Siu-hing <i>(retired on 8 December 2011)</i>	0/1
Lo Chiu-chun, Clement <i>(retired on 8 December 2011)</i>	0/1
Independent Non-Executive Directors	
Yip Dicky Peter	1/1
Wong Yue-chim, Richard	1/1
Li Ka-cheung, Eric	1/1
Fung Kwok-lun, William	1/1

At the 2011 AGM, amendments to the Articles of Association of the Company relating to the chairing of Board meetings and general meetings by joint Chairmen of the Company were approved by the shareholders of the Company. An updated version of the Memorandum and Articles of Association of the Company is available on the websites of the Company and HKEx.

Directors' Report

The Directors present their report for the year ended 30 June 2012:

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, hotel operation, telecommunications, transportation, infrastructure and logistics. Other ancillary and supporting businesses, which are described under principal subsidiaries, jointly controlled entities and associates on pages 168 to 175, are integrated with the main business of the Group. An analysis of the Group's performance for the year by reportable and operating segments in business operation and geographical area is set out in note 2 to the financial statements.

Group Profits

Profit after taxation, including shares of results from jointly controlled entities and associates, amounted to HK\$43,809 million (2011: HK\$48,788 million). After taking non-controlling interests into account, profit attributable to the Company's shareholders was HK\$43,080 million (2011: HK\$48,097 million).

Dividends

An interim dividend of HK\$0.95 per share (2011: HK\$0.95 per share) was paid on 27 April 2012. The Board of Directors of the Company (the "Board") recommend a final dividend of HK\$2.40 per share (2011: HK\$2.40 per share), making a total dividend of HK\$3.35 per share for the full year ended 30 June 2012 (2011: HK\$3.35 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2012 Annual General Meeting"), will be payable in cash, with an option for the shareholders of the Company (the "Shareholders") to receive new and fully paid shares of nominal value of HK\$0.50 each in the share capital of the Company in lieu of cash, or partly in cash or partly in shares under the scrip dividend scheme (the "Scrip Dividend Scheme"). A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to the Shareholders on or about Wednesday, 28 November 2012.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the 2012 Annual General Meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about Thursday, 20 December 2012 to the Shareholders whose names appear on the register of members of the Company on Friday, 23 November 2012.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's ordinary shares during the year ended 30 June 2012.

Share Capital

Movements in the share capital of the Company during the year are shown in note 28 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 30 to the financial statements and on page 119 respectively.

Directors' Report

Fixed Assets

Movements in fixed assets during the year are shown in notes 10 and 11 to the financial statements.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 6.

Development and Investment Properties

Particulars of major development and investment properties in Hong Kong held by the Group are set out on pages 29 and 34 respectively; and particulars of major development and investment properties on the mainland held by the Group are set out on pages 41 and 44 respectively.

Directors

The list of Directors is set out on page 2 and their biographical information are set out on pages 99 to 110.

During the year, Madam Kwong Siu-hing and Mr. Lo Chiu-chun, Clement retired from office by rotation and did not seek re-election at the annual general meeting of the Company held on 8 December 2011 (the "2011 Annual General Meeting"). Following the retirement of Madam Kwong Siu-hing, she ceased to be the Chairman of the Company. Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond were appointed as joint Chairmen of the Company with effect from the closure of the 2011 Annual General Meeting. Mr. Chan Kai-ming passed away on 28 March 2012. Mr. Lui Ting, Victor was appointed as an Executive Director of the Company with effect from 12 April 2012. All other Directors held office for the whole year.

Furthermore, Dr. Leung Nai-pang, Norman and Mr. Leung Kui-king, Donald were appointed as Independent Non-Executive Directors of the Company both with effect from 1 July 2012. Mr. Kwok Kai-fai, Adam and Mr. Kwok Ho-lai, Edward were appointed as Alternate Directors to Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond respectively, and Mr. Wong Chik-wing, Mike and Mr. Lui Ting, Victor were appointed as Deputy Managing Directors of the Company, all with effect from 13 July 2012.

In accordance with Article 95 of the Company's articles of association (the "Articles of Association"), Mr. Lui Ting, Victor will hold office until the next following general meeting of the Company and Dr. Leung Nai-pang, Norman and Mr. Leung Kui-king, Donald will hold office until the 2012 Annual General Meeting. All of them will be eligible for re-election.

In addition, in accordance with Article 104(A) of the Articles of Association, Mr. Kwok Ping-kwong, Thomas, Dr. Lee Shau-kee, Mr. Yip Dicky Peter, Professor Wong Yue-chim, Richard, Dr. Fung Kwok-lun, William, Mr. Kwan Cheuk-yin, William, Mr. Wong Yick-kam, Michael and Mr. Chan Kwok-wai, Patrick will retire from office by rotation, and being eligible, will offer themselves for re-election at the 2012 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 a confirmation of his independence pursuant to the independence guidelines under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that the Company considered all the Independent Non-Executive Directors are independent.

Directors' Report

Directors' and Chief Executives' Interests

As at 30 June 2012, 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 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 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

1. 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 ¹	Total	% of shares in issue as at 30.06.2012
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests	Total				
Kwok Ping-kwong, Thomas	2,026,195	304,065	—	413,503,195 ^{2&3}	415,833,455	100,000			
						(personal interests)	48,000	415,981,455	15.90
						(family interests)			
Kwok Ping-luen, Raymond	76,894	—	—	416,726,278 ^{2&4}	416,803,172	100,000		416,903,172	15.94
Lee Chau-kee	486,340	—	343,000 ⁵	—	829,340	—		829,340	0.03
Wong Chik-wing, Mike	200,950	—	—	—	200,950	100,000		300,950	0.01
Lui Ting, Victor	60,000	—	—	—	60,000	80,000		140,000	0.01
Wong Yue-chim, Richard	—	1,000	—	—	1,000	—		1,000	0.00
Li Ka-cheung, Eric	—	4,028	—	—	4,028	—		4,028	0.00
Fung Kwok-lun, William	220,000	9,500	—	—	229,500	—		229,500	0.01
Kwok Ping-sheung, Walter ⁶	75,000	—	—	1,087,663,522	1,087,738,522	—		1,087,738,522	41.58
Woo Po-shing	1,335,131	—	—	—	1,335,131	—		1,335,131	0.05
Wong Yick-kam, Michael	171,319	—	—	—	171,319	—		171,319	0.01
Chan Kui-yuen, Thomas	—	66,000	126,500 ⁷	—	192,500	100,000		292,500	0.01
Kwong Chun	702,722	339,358	—	—	1,042,080	100,000		1,142,080	0.04
Chan Kwok-wai, Patrick	—	—	—	—	—	100,000		100,000	0.00
Woo Ka-biu, Jackson	—	1,000	—	—	1,000	—		1,000	0.00
(Alternate Director to Woo Po-shing)									

Notes:

- These underlying shares held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company, details of which are set out in the section headed "Share Option Schemes" below.
- Each of Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond was deemed to be interested in 392,963,316 shares in the Company respectively by virtue of each of them being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. Of the said shares, 28,764,614 shares in the Company represented the same interests and were duplicated between these two Directors.

Directors' Report

In addition, on 30 September 2010, the trustee of certain discretionary trusts (the "Trustee"), which was then indirectly interested in a total of 1,081,739,328 shares in the Company, informed the Company that consequent upon a re-organization of such trusts, the "interests" as deemed under the provisions of the SFO of the various Kwok family members who are and one of them was Director(s) of the Company in the said 1,081,739,328 shares in the Company with effect from 29 September 2010 were as follows:-

1. Madam Kwong Siu Hing continues to be interested in all the said 1,081,739,328 shares in SHKP.
2. Each of Mr Kwok Ping Kwong Thomas and Mr Kwok Ping Luen Raymond is interested in 371,286,430 shares out of the said 1,081,739,328 shares in SHKP.
3. Mr Kwok Ping Sheung Walter is not interested in any of the said 1,081,739,328 shares in SHKP."

Subsequent to the above notification from the Trustee on 30 September 2010 and up to 30 June 2012, a total of 39,621,392 shares in the Company were acquired and the Trustee's interests in the shares of the Company increased from 1,081,739,328 shares to 1,121,360,720 shares.

3. In addition to the deemed interests as stated in Note 2 above, Mr. Kwok Ping-kwong, Thomas was also deemed to be interested in another 20,539,879 shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.
4. In addition to the deemed interests as stated in Note 2 above, Mr. Kwok Ping-luen, Raymond was also deemed to be interested in another 23,762,962 shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.
5. 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 39.88% held by Henderson Land Development Company Limited ("Henderson Land"). Henderson Land was taken to be 61.92% 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 Part XV of the SFO.
6. Mr. Kwok Ping-sheung, Walter has informed the Company that "I had been given certain information about my share interest in the Company which I found to have serious discrepancy with what my understanding is. My share interest in the Company is under dispute". The interests of Mr. Kwok Ping-sheung, Walter in the Company as disclosed here is based on the latest form of disclosure notification dated 23 September 2009 given under Part XV of the SFO.
7. These shares were held by a company which was 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 as at 30.06.2012
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-kwong, Thomas	—	2,140,000 ¹	2,140,000	—	2,140,000	0.09
Kwok Ping-luen, Raymond	—	3,485,000 ^{1&2}	3,485,000	—	3,485,000	0.15
Wong Chik-wing, Mike	218,000	—	218,000	—	218,000	0.01
Lui Ting, Victor	356	—	356	—	356	0.00
Wong Yick-kam, Michael	200,000	—	200,000	—	200,000	0.01
Kwong Chun	600,000	—	600,000	—	600,000	0.03

Notes:

1. Of these shares in SUNeVision, Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were deemed to be interested in 2,140,000 shares by virtue of them being beneficiaries of certain discretionary trusts, which represented the same interests and were therefore duplicated amongst these two Directors for the purpose of Part XV of the SFO.
2. In addition to the deemed interests as stated in Note 1 above, Mr. Kwok Ping-luen, Raymond was also deemed to be interested in another 1,345,000 shares in SUNeVision by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.
3. Mr. Kwok Ping-sheung, Walter has informed the Company that "My share interest in SUNeVision is under dispute". The "no interest" position of Mr. Kwok Ping-sheung, Walter in SUNeVision as disclosed here is based on the latest form of disclosure notification dated 23 September 2009 given under Part XV of the SFO.

Directors' Report

(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 as at 30.06.2012
	Other interests	Total			
Kwok Ping-luen, Raymond	4,475,534 ¹	4,475,534	—	4,475,534	0.43

Note:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SmarTone by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.

(c) Transport International Holdings Limited ("Transport International")

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 30.06.2012
	Personal interests (held as beneficial owner)	Total			
Kwok Ping-luen, Raymond	393,350	393,350	—	393,350	0.10
Kwok Ping-sheung, Walter	61,522	61,522	—	61,522	0.02

Directors' Report

- (d) Each of Messrs. 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 shares held through corporation	Attributable % of shares in issue through corporation as at 30.06.2012	Actual shares held through corporation	Actual % interests in issued shares as at 30.06.2012
Splendid Kai Limited	2,500	25	1,500 ¹	15.00
Hung Carom Company Limited	25	25	15 ¹	15.00
Tinyau Company Limited	1	50	1 ¹	50.00
Open Step Limited	8	80	4 ¹	40.00

Note:

1. Messrs. 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 two Directors for the purpose of Part XV of the SFO. These shares were held by corporations under certain discretionary trusts, in which Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were deemed to be interested by virtue of them being beneficiaries for the purpose of Part XV of the SFO.

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

Name of associated corporation	Total number of shares held	% of shares in issue as at 30.06.2012
Anbok Limited	2 ²	50.00
Billion Ventures Limited	1 ³	50.00
Central Waterfront Property Holdings Limited	100 ⁴	100.00
Central Waterfront Property Investment Holdings Limited	50 ⁵	50.00
CWP Limited	1 ⁶	50.00
Daily Win Development Limited	100 ⁷	25.00
E Man – Sanfield JV Construction Company Limited	1 ⁸	50.00
Everise (H.K.) Limited	1 ⁹	50.00
Fullwise Finance Limited	2 ²	50.00
Gold Sky Limited	1 ¹⁰	50.00
Jade Land Resources Limited	1 ¹¹	25.00
Karnold Way Limited	2,459 ¹²	24.59
Maxfine Development Limited	3,050 ¹³	33.33
Royal Peninsula Management Service Company Limited	1 ¹⁴	50.00
Special Concept Development Limited	1 ¹¹	25.00
Star Play Development Limited	1 ¹⁵	33.33
Tartar Investments Limited	300 ¹⁶	30.00
Teamfield Property Limited	4,918 ¹⁷	49.18
Topcycle Development Limited	1 ¹⁸	50.00
Topcycle Project Management Limited	1 ¹⁸	50.00
World Space Investment Limited	4,918 ¹⁷	49.18

Directors' Report

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 39.88% held by Henderson Land. Henderson Land was taken to be 61.92% 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. He was taken to be interested in the 343,000 shares in the Company held by Superfun by virtue of Part XV 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. Dr. Lee Shau-kee was taken to be interested in Henderson Land 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 ("Chico"). This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
4. *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. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
5. *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. Prominence was wholly-owned by HK China Gas which was 39.88% held by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
6. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Starland. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
7. *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. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
8. *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. Dr. Lee Shau-kee was taken to be interested in Henderson Land 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. Dr. Lee Shau-kee was taken to be interested in Henderson Land 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. Dr. Lee Shau-kee was taken to be interested in Henderson Land 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. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*

Directors' Report

12. *Dr. Lee Shau-kee was deemed to be interested in the 2,459 shares held through Chico. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land 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 100% held by Henderson (China) Investment Company Limited of which 100% was held by Andco 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. Dr. Lee Shau-kee was taken to be interested in Henderson Land 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. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
15. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Benewick Limited. This corporation was 100% held by Dorway Investment Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
16. *Dr. Lee Shau-kee was deemed to be interested in the 300 shares held through Kenforce Investment Limited. This corporation was wholly-owned by Henderson China Properties Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
17. *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, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
18. *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. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executives 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 in 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

1. Share option scheme of the Company

The Company by an ordinary resolution passed at its extraordinary general meeting held on 5 December 2002 adopted a share option scheme (the "Scheme"). On 12 July 2010 and 11 July 2011, the Company granted 4,840,000 and 2,982,000 share options respectively. Each share option entitling the grantee to subscribe for one ordinary share of nominal value of HK\$0.50 each in the capital of the Company under the Scheme.

Particulars of the share options granted under the Scheme and their movements during the year ended 30 June 2012 were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				Balance as at 01.07.2011	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2012
(I) Directors								
Kwok Ping-kwong, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015 ¹	100,000	—	—	—	100,000
Kwok Ping-luen, Raymond	12.07.2010	111.40	12.07.2011 to 11.07.2015 ¹	100,000	—	—	—	100,000
Wong Chik-wing, Mike	12.07.2010	111.40	12.07.2011 to 11.07.2015 ¹	100,000	—	—	—	100,000
Lui Ting, Victor (appointed on 12.04.2012)	12.07.2010	111.40	12.07.2011 to 11.07.2015 ¹	N/A	—	—	—	80,000
Chan Kui-yuen, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015 ¹	100,000	—	—	—	100,000
Kwong Chun	12.07.2010	111.40	12.07.2011 to 11.07.2015 ¹	100,000	—	—	—	100,000
Chan Kwok-wai, Patrick	11.07.2011	116.90	11.07.2012 to 10.07.2016 ²	N/A	100,000 ³	—	—	100,000
Chan Kai-ming (passed away on 28.03.2012)	12.07.2010	111.40	12.07.2011 to 11.07.2015 ¹	100,000	—	—	—	100,000
(II) Associate of a Director								
	12.07.2010	111.40	12.07.2011 to 11.07.2015 ¹	48,000	—	—	—	48,000
(III) Other employees								
	12.07.2010	111.40	12.07.2011 to 11.07.2015 ¹	4,056,000	—	—	(224,000)	3,752,000
	11.07.2011	116.90	11.07.2012 to 10.07.2016 ²	N/A	2,882,000 ³	—	(116,000) ⁴	2,766,000
Total				4,704,000	2,982,000	—	(340,000)	7,346,000

Notes:

- The share options can be exercised up to 30% of the grant during the period from 12 July 2011 to 11 July 2012, up to 60% of the grant during the period from 12 July 2012 to 11 July 2013 and in whole or in part of the grant during the period from 12 July 2013 to 11 July 2015.

Directors' Report

2. *The share options can be exercised up to 30% of the grant during the period from 11 July 2012 to 10 July 2013, up to 60% of the grant during the period from 11 July 2013 to 10 July 2014 and in whole or in part of the grant during the period from 11 July 2014 to 10 July 2016.*
3. *The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$118.30 per share.*
4. *This figure included 48,000 share options which were not accepted by an employee.*
5. *The accounting policy adopted for the share options is set out in note 1u to the financial statements.*

Save as disclosed above, there were no outstanding share options under the Scheme during the year ended 30 June 2012.

The fair values of the share options granted by the Company were determined by using the Black-Scholes model which is one of the models to estimate the fair value of a share option. The total value of the share options granted on 11 July 2011 under the Scheme amounting to approximately HK\$57,916,400 was estimated based on the following variables and assumptions:

Risk free interest rate	1.27% ¹
Expected volatility	22.60% ²
Expected dividend	2.40% ³
Expected life of the share options	5 years ⁴

Notes:

1. *This represented the approximate yield of 5-year Exchange Fund Note traded on 11 July 2011.*
2. *This represented the annualized volatility of the closing price of the shares of the Company in the year preceding the date of grant.*
3. *This represented the yield of the expected dividend, being the historical dividend of the shares of the Company in the year preceding the date of grant.*
4. *This was based on the assumption that there was no material difference between the expected volatility over the whole life of the share options and the historical volatility of the shares of the Company in the year preceding the date of grant.*

The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

Directors' Report

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

1. The purpose of the Scheme is to provide incentives to the participants.
2. The participants of the Scheme are employees including the Executive Directors of the Company and its subsidiaries.
3. The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme must not exceed 30% of the issued share capital of the Company from time to time. As at 13 September 2012, the number of shares of the Company available for issue in respect thereof is 231,810,736 shares, representing approximately 8.86% of the issued shares of the Company.
4. The total number of shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) granted under the Scheme in any 12-month period to each grantee must not exceed 1% of the shares of the Company in issue.
5. The exercise period of any share option granted under the Scheme shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.
6. The Board has the authority to determine the minimum period for which a share option must be held before it can vest. The Scheme itself does not specify any minimum holding period.
7. The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK\$1.00 from each grantee.
8. The exercise price of a share option to subscribe for shares of the Company shall not be less than the highest of:
 - the closing price of the shares of the Company 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 the Company 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 Scheme shall be valid and effective till 4 December 2012.

Directors' Report

2. Share option schemes of the subsidiaries

(I) SUNeVision

By an ordinary resolution of SUNeVision passed at its annual general meeting held on 3 December 2002, SUNeVision adopted a share option scheme (the "SUNeVision Old Scheme"). The SUNeVision Old Scheme became effective on 5 December 2002 following the passing of an ordinary resolution approving the same by the then Shareholders at the extraordinary general meeting of the Company held on the same day. During the year ended 30 June 2012, there were no outstanding share options under the SUNeVision Old Scheme.

At the extraordinary general meeting of SUNeVision held on 1 November 2011 (the "SUNeVision EGM"), an ordinary resolution was passed by the shareholders of SUNeVision (the "SUNeVision Shareholders") for approving the adoption of a new share option scheme (the "SUNeVision Proposed Scheme") and the termination of the SUNeVision Old Scheme. The SUNeVision Proposed Scheme would take effect upon fulfillment of the following conditions:

- (a) the passing of an ordinary resolution by the SUNeVision Shareholders in the SUNeVision EGM:
 - (i) approving the adoption of the SUNeVision Proposed Scheme and authorising the directors of SUNeVision to grant options to subscribe for shares of SUNeVision (the "SUNeVision Shares") thereunder and to allot and issue SUNeVision Shares pursuant to the exercise of any options granted under the SUNeVision Proposed Scheme; and
 - (ii) approving the termination of the SUNeVision Old Scheme;
- (b) the passing of an ordinary resolution by the Shareholders in the 2011 Annual General Meeting approving the adoption of the SUNeVision Proposed Scheme and the termination of the SUNeVision Old Scheme;
- (c) the Main Board Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any SUNeVision Shares to be issued pursuant to the exercise of options under the SUNeVision Proposed Scheme; and
- (d) the SUNeVision Shares being listed on the main board (the "Main Board") of the Stock Exchange and being de-listed from the growth enterprise market ("GEM") of the Stock Exchange and the commencement of dealings in the SUNeVision Shares on the Main Board.

The termination of the SUNeVision Old Scheme would take effect when the SUNeVision Proposed Scheme took effect upon fulfillment of all the conditions as set out in the SUNeVision Proposed Scheme.

SUNeVision published an announcement on 10 June 2012 stating that the requirements under the Listing Rules for the proposed transfer of listing of the SUNeVision Shares from GEM to the Main Board (the "Transfer of Listing") had not been fully met, and the application for the Transfer of Listing could not be renewed before the deadline. As a result, the conditions for the SUNeVision Proposed Scheme could not be fulfilled, and the SUNeVision Proposed Scheme could not take effect. No share options can therefore be granted under the SUNeVision Proposed Scheme.

Directors' Report

- (A) The major terms of the SUNeVision Old Scheme are as follows:
1. The purpose of the SUNeVision Old Scheme is to provide incentives to the participants.
 2. The participants of the SUNeVision Old 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 SUNeVision.
 3. The total number of shares of SUNeVision which may be issued upon exercise of all share options to be granted under the SUNeVision Old Scheme and any other share option schemes of SUNeVision shall not in aggregate exceed 10% of the total number of shares of SUNeVision in issue as at the date of approval of the SUNeVision Old Scheme. The 10% limit may be refreshed with the approval of the SUNeVision Shareholders in general meeting. The maximum number of shares of SUNeVision which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the SUNeVision Old Scheme and any other share option schemes of SUNeVision must not exceed 30% of the shares of SUNeVision in issue from time to time (or such higher percentage as may be allowed under the GEM Listing Rules). As at 13 September 2012, being the date of this report, the number of shares of SUNeVision available for issue in respect thereof is 197,333,417 shares, representing approximately 8.50% of the issued shares of SUNeVision.
 4. The total number of shares of SUNeVision issued and to be issued upon exercise of the share options granted under the SUNeVision Old Scheme to each participant (including exercised, cancelled and outstanding share options) in any 12-month period shall not exceed 1% of the total number of shares of SUNeVision in issue. As at 13 September 2012, being the date of this report, the total number of shares of SUNeVision in issue is 2,322,229,531.
 5. A share option granted under the SUNeVision Old Scheme may be exercised at any time during the option period after the share option has been granted by the board of SUNeVision. A share option period is a period to be determined by the board of SUNeVision at its absolute discretion and notified by the board of SUNeVision to each grantee as being the period during which a share option may be exercised, such period shall not be longer than ten years from the date of grant of the share option.
 6. Unless otherwise determined by the board of SUNeVision and specified in the offer letter at the time of the offer, there is neither any performance target that needs to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised.
 7. The acceptance of an offer of the grant of the share 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 a share option to subscribe for shares of SUNeVision shall be at least 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 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.
 9. The SUNeVision Old Scheme shall be valid and effective up to and inclusive of 2 December 2012 unless otherwise terminated under the terms of the SUNeVision Old Scheme.

Directors' Report

(B) The major terms of the SUNeVision Proposed Scheme are as follows:

1. The purpose of the SUNeVision Proposed Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the SUNeVision group and to provide SUNeVision with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as the board of SUNeVision may approve from time to time.
2. The participants of the SUNeVision Proposed Scheme include (i) any 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 the substantial shareholder of SUNeVision, provided that the board of SUNeVision shall have absolute discretion to determine.
3. The total number of shares of SUNeVision which may be issued upon exercise of all options to be granted under the SUNeVision Proposed Scheme and any other share option schemes of SUNeVision shall not in aggregate exceed 10% of the total number of shares of SUNeVision in issue as at the date of approval of the SUNeVision Proposed Scheme by the SUNeVision Shareholders. The 10% limit may be refreshed with the approval of the SUNeVision Shareholders in general meeting. The maximum number of shares of SUNeVision which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SUNeVision Proposed Scheme and any other share option schemes of SUNeVision must not exceed 30% of the total number of shares of SUNeVision in issue from time to time (or such higher percentage as may be allowed under the Listing Rules).
4. The total number of shares of SUNeVision issued and to be issued upon exercise of the share options granted under the SUNeVision Proposed Scheme and any other share option schemes of SUNeVision to each participant (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the total number of shares of SUNeVision in issue.
5. A share option granted under the SUNeVision Proposed Scheme may be exercised at any time during the option period after the share option has been granted by the board of SUNeVision. A share option period is a period to be determined by the board of SUNeVision at its absolute discretion and notified by the board of SUNeVision to each grantee as being the period during which a share option may be exercised and in any event, such period shall not be longer than ten years from the date of grant of the share option.
6. Unless otherwise determined by the board of SUNeVision and specified in the offer letter at the time of the offer, there is neither any performance target that needs to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised.

Directors' Report

7. The acceptance of an offer of the grant of the share 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 a share option to subscribe for shares of SUNeVision shall be at least 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 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.
9. The SUNeVision Proposed Scheme shall be valid and effective for a period of ten years commencing on the day on which the SUNeVision Proposed Scheme takes effect.

(II) **SmarTone**

SmarTone once adopted a share option scheme (the "SmarTone Old Scheme") which became effective on 15 November 2002. In addition, by an ordinary resolution passed at the annual general meeting of SmarTone held on 2 November 2011, SmarTone adopted a new share option scheme (the "SmarTone New Scheme") and terminated the SmarTone Old Scheme. The termination of the SmarTone Old Scheme and the adoption of the SmarTone New Scheme became effective on 8 December 2011 following the passing of an ordinary resolution approving the same by the Shareholders at the 2011 Annual General Meeting.

Pursuant to the terms of the SmarTone Old Scheme and the SmarTone New Scheme (collectively the "SmarTone Schemes"), SmarTone granted or may grant share options to the participants, including directors and employees of SmarTone group, to subscribe for shares of SmarTone. No further share options can be granted under the SmarTone Old Scheme upon its termination. However, for the outstanding share options granted and yet to be exercised under the SmarTone Old Scheme, the existing rights of the grantees are not affected.

Directors' Report

During the year ended 30 June 2012, SmarTone granted share options to various participants of SmarTone pursuant to the SmarTone Schemes to subscribe for a total of 1,942,500 shares in the capital of SmarTone. The movements of the share options granted under the SmarTone Schemes during the year ended 30 June 2012 were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise Period	Number of share options				
				Balance as at 01.07.2011	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2012
SmarTone Old Scheme								
(I) Directors of SmarTone	10.02.2003	4.60	02.05.2003 to 01.05.2012 ¹	167,000	—	(167,000) ²	—	—
	05.02.2004	4.50	05.02.2005 to 04.02.2014 ³	1,940,000	—	(1,940,000) ²	—	—
	13.06.2011	12.78	13.06.2012 to 12.06.2016 ⁴	12,000,000	—	—	—	12,000,000
(II) Other employees of SmarTone	05.02.2004	4.50	05.02.2005 to 04.02.2014 ³	2,907,000	—	(2,361,000) ⁵	—	546,000
	13.06.2011	12.78	13.06.2012 to 12.06.2016 ⁴	22,177,500	—	(568,500) ⁵	(1,525,000)	20,084,000
	30.09.2011	13.12	30.09.2012 to 29.09.2016 ⁶	N/A	840,000 ⁷	—	(75,000)	765,000
	31.10.2011	14.96	31.10.2012 to 30.10.2016 ⁸	N/A	150,000 ⁹	—	—	150,000
	30.11.2011	13.02	30.11.2012 to 29.11.2016 ¹⁰	N/A	277,500 ¹¹	—	—	277,500
SmarTone New Scheme								
(III) Other employees of SmarTone	30.12.2011	13.52	30.12.2012 to 29.12.2016 ¹²	N/A	375,000 ¹³	—	—	375,000
	29.02.2012	16.56	01.03.2013 to 28.02.2017 ¹⁴	N/A	300,000 ¹⁵	—	—	300,000
Total				39,191,500	1,942,500	(5,036,500)	(1,600,000)	34,497,500

Notes:

- The share options can be exercised up to one-third of the grant from 2 May 2003, up to two-thirds of the grant from 2 May 2004 and in whole of the grant from 2 May 2005.
- The weighted average closing price of the shares of SmarTone immediately before the date on which the share options were exercised was HK\$15.58 per share.
- The share option can be exercised up to one-third of the grant from 5 February 2005, up to two-thirds of the grant from 5 February 2006 and in whole of the grant from 5 February 2007.
- The share options can be exercised up to one-third of the grant from 13 June 2012, up to two-thirds of the grant from 13 June 2013 and in whole of the grant from 13 June 2014.

Directors' Report

5. *The weighted average closing price of the shares of SmarTone immediately before the date on which the share options were exercised was HK\$15.21 per share.*
6. *The share options can be exercised up to one-third of the grant from 30 September 2012, up to two-thirds of the grant from 30 September 2013 and in whole of the grant from 30 September 2014.*
7. *The closing price of the shares of SmarTone immediately before the date on which the share options were granted was HK\$12.40 per share.*
8. *The share options can be exercised up to one-third of the grant from 31 October 2012, up to two-thirds of the grant from 31 October 2013 and in whole of the grant from 31 October 2014.*
9. *The closing price of the shares of SmarTone immediately before the date on which the share options were granted was HK\$14.76 per share.*
10. *The share options can be exercised up to one-third of the grant from 30 November 2012, up to two-thirds of the grant from 30 November 2013 and in whole of the grant from 30 November 2014.*
11. *The closing price of the shares of SmarTone immediately before the date on which the share options were granted was HK\$13.32 per share.*
12. *The share options can be exercised up to one-third of the grant from 30 December 2012, up to two-thirds of the grant from 30 December 2013 and in whole of the grant from 30 December 2014.*
13. *The closing price of the shares of SmarTone immediately before the date on which the share options were granted was HK\$13.46 per share.*
14. *The share options can be exercised up to one-third of the grant from 1 March 2013, up to two-thirds of the grant from 1 March 2014 and in whole of the grant from 1 March 2015.*
15. *The closing price of the shares of SmarTone immediately before the date on which the share options were granted was HK\$16.48 per share.*

Save as disclosed above, there were no outstanding share options under the SmarTone Schemes during the year ended 30 June 2012.

Directors' Report

The fair values of the share options granted by SmarTone during the year, as calculated by using the bi-nominal option pricing model (the "Bi-nominal Model"), was HK\$5,947,000.

The Bi-nominal Model is one of the generally accepted methodologies to calculate the value of an option. The significant inputs into the Bi-nominal Model in respect of the various grants of share options during the year were as follows:

	Date of grant				
	30.09.2011	31.10.2011	30.11.2011	30.12.2011	29.02.2012
Annual Risk-free interest rate ¹	0.757%	0.887%	0.813%	0.957%	0.532%
Expected option life ²	5 Years	5 Years	5 Years	5 Years	5 Years
Volatility ³	38.21%	40.26%	40.74%	40.87%	41.68%
Dividend yield ⁴	5.5%	5.5%	5.5%	5.5%	5.5%
Exercise price	HK\$13.12	HK\$14.96	HK\$13.02	HK\$13.52	HK\$16.56
Share price at the date of grant	HK\$11.84	HK\$14.60	HK\$13.02	HK\$13.44	HK\$16.56
Fair value per share option	HK\$2.38	HK\$3.50	HK\$3.25	HK\$3.36	HK\$4.20

Notes:

1. *This represented the weighted average yield of the relevant Hong Kong Exchange Fund Notes corresponding to the expected life of the share options as at the date of grant.*
2. *This represented the life of the share options as measured from the date of grant.*
3. *This represented the standard deviation of continuously compounded share returns based on statistical analysis of daily share prices over the last five years from the date of grant.*
4. *This represented the yield of expected dividend which is determined by reference to the historical dividend yield of the shares of SmarTone.*

The value of the share options of SmarTone is subject to a number of assumptions and with regard to the limitation of the Bi-nominal Model. Therefore, the value may be subjective and would change should any of the assumptions change.

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

1. The purpose of the SmarTone Schemes 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 Schemes at the invitation of the directors of SmarTone.

Directors' Report

3. SmarTone can issue share options so that the total number of shares of SmarTone that may be issued upon exercise of all share options to be granted under all the share option schemes of SmarTone does not in aggregate exceed 10% of the shares in issue on the respective date of adoption of each of the SmarTone Schemes. In respect of the SmarTone New 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 share options of SmarTone granted and yet to be exercised under all the share option schemes does not exceed 30% of the shares in issue of SmarTone from time to time. As at 13 September 2012, the number of shares of SmarTone available for issue in respect thereof is 102,948,685 shares which represents approximately 9.93% 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 share 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 in issue of SmarTone.
5. The exercise period of any share option granted under the SmarTone Schemes shall be determined by the board of SmarTone but such period must not exceed ten years from the date of grant of the relevant share option.
6. The SmarTone Schemes do not specify any minimum holding period before the share option can be exercised but the board of SmarTone has the authority to determine the minimum holding period when the share options are granted.
7. Acceptance of offer to grant a share 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 company secretary of SmarTone within 28 days from the date of the making of such offer.
8. The option price per share of SmarTone payable upon the exercise of any share option will be determined by the directors of SmarTone upon the grant of such share option. It will be at least the highest of:
 - the average closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the day of offer of such share option;
 - the closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheet on the day of offer of such share option, which must be a business day; and
 - the nominal value of a share of SmarTone.
9. The SmarTone New Scheme shall be valid and effective for a period of ten years commencing from the adoption of the SmarTone New Scheme on 2 November 2011.

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 in or debenture of the Company or of any other body corporate.

Directors' Report

Interests of Substantial Shareholders and Other Persons

As at 30 June 2012, substantial shareholders of the Company and other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would 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:

	Number of shares held			Total	% of shares in issue as at 30.06.2012
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
(I) Substantial shareholders					
Kwong Siu-hing	21,685	—	1,121,360,720 ¹	1,121,382,405	42.87
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	—	—	1,121,364,763	1,121,364,763 ²	42.86
(II) Other persons					
Adolfa Limited ("Adolfa")	200,309,286	28,764,614	—	229,073,900 ³	8.75
Bertana Limited ("Bertana")	200,309,286	28,764,614	—	229,073,900 ³	8.75
Cyric Limited ("Cyric")	200,309,286	28,764,614	—	229,073,900 ³	8.75
Asporto Limited ("Asporto")	163,889,416	—	—	163,889,416 ³	6.26
Rosy Result Limited ("Rosy Result")	163,889,416	—	—	163,889,416 ³	6.26
Thriving Talent Limited ("Thriving Talent")	163,889,416	—	—	163,889,416 ³	6.26

Notes:

1. Madam Kwong Siu-hing was deemed to be interested in 1,121,360,720 shares in the Company by virtue of her being a founder and/or a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. These shares were the same shares in which HSBC Trustee was deemed to be interested and were therefore duplicated between these two substantial shareholders.
2. On 30 September 2010, HSBC Trustee, as trustee of certain discretionary trusts which was then indirectly interested in a total of 1,081,739,328 shares in the Company, informed the Company that consequent upon a re-organization of such trusts, the "interests" as deemed under the provisions of the SFO of the various Kwok family members who are and one of them was Director(s) of the Company in the said 1,081,739,328 shares in the Company with effect from 29 September 2010 were as follows:-
 - "1. Madam Kwong Siu Hing continues to be interested in all the said 1,081,739,328 shares in SHKP.
 2. Each of Mr Kwok Ping Kwong Thomas and Mr Kwok Ping Luen Raymond is interested in 371,286,430 shares out of the said 1,081,739,328 shares in SHKP.
 3. Mr Kwok Ping Sheung Walter is not interested in any of the said 1,081,739,328 shares in SHKP."
3. Of the shares held respectively by Adolfa, Bertana and Cyric, 28,764,614 shares were held through corporations of which each of Adolfa, Bertana and Cyric was interested in one-third of their entire issued share capital. These 28,764,614 shares represented the same interests and were therefore duplicated amongst these companies. Further, the shares held respectively by Adolfa, Bertana, Cyric, Asporto, Rosy Result and Thriving Talent formed part of the shares in which HSBC Trustee was deemed to be interested.

Save as disclosed above, as at 30 June 2012, the Company was not notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would 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.

Directors' Report

Emolument Policy and Long Term Incentive Schemes of the Group

As at 30 June 2012, the Group employed more than 35,000 employees. The related employees' costs before reimbursements for the year amounted to approximately HK\$7,114 million. Compensation for the Group is made reference to the market, individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.

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

Basis of Determining Emolument to Directors

The same remuneration philosophy is applicable to the Directors of the Company. 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 and other borrowings are set out in notes 23 and 25 to the financial statements.

Interest Capitalized

Interest capitalized during the year amounted to HK\$395 million (2011: HK\$232 million).

Charitable Donations

HK\$69 million (2011: HK\$340 million) was donated during the year.

Directors' Interests in Competing Businesses

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

Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond and their respective alternates, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward (collectively the "Kwok Family") maintain certain interests in businesses which consist of property developments and investments in Hong Kong and Singapore and hotel operation in Hong Kong. As such, they are regarded as being interested in such competing businesses with the Group (the "Excluded Businesses"). However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. The Kwok Family does not have property developments and investments business and hotel operation business in the Mainland China. Therefore they are not regarded as being interested in such Excluded Businesses in the Mainland China. The Group does not have (i) property developments and investments in locations other than Hong Kong, Mainland China and Singapore and (ii) hotel operation in locations other than Hong Kong and Mainland China.

Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond are non-executive directors of Transport International, whose businesses consist of property holdings and development. In this regard, each of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond is regarded as being interested in such Excluded Businesses.

Directors' Report

Mr. Kwok Ping-luen, Raymond is a non-executive director of Wing Tai Properties Limited ("Wing Tai"). The businesses of Wing Tai consist of property development, property investment and management, and hospitality investment and management. Therefore, Mr. Kwok Ping-luen, Raymond is regarded as being interested in such Excluded Businesses.

Mr. Kwok Ping-sheung, Walter has interests in companies which have property development, property investment and management in Hong Kong and Mainland China. Therefore, Mr. Kwok Ping-sheung, Walter is regarded as being interested in such Excluded Businesses during the year. However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial.

Dr. Lee Shau-kee is the chairman and managing director of Henderson Land and Henderson Investment Limited. He is also the chairman of Miramar Hotel and Investment Company, Limited and a non-executive director of Hong Kong Ferry (Holdings) Company Limited. In addition to his directorships, Dr. Lee Shau-kee is also deemed as a substantial shareholder of such companies by virtue of his deemed interest therein under the Listing Rules and the SFO. The businesses of these companies principally consist of investment holding, property development and investment in Hong Kong and Mainland China, hotel operation, project and property management, construction, department store operation, provision of finance and infrastructure, which may be deemed to constitute the Excluded Businesses. As such, he is regarded as being interested in such Excluded Businesses. Dr. Lee Shau-kee is a Non-Executive Director of the Company, who is not involved in the daily management of the Group.

Sir Po-shing Woo is a director of Henderson Development. He was also a non-executive director of Henderson Land until his resignation on 29 February 2012 and Mr. Woo Ka-biu, Jackson ceased to be his alternate director on the same date. Mr. Woo Ka-biu, Jackson was then appointed as an independent non-executive director of Henderson Land with effect from 1 March 2012. The businesses of Henderson Development and Henderson Land principally consist of investment holding, property development and investment in Hong Kong and Mainland China, hotel operation, project and property management, construction, department store operation, provision of finance and infrastructure. In addition, both Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson hold directorships in certain companies including the Kailey Group and/or are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of these companies. The businesses of these companies consist of property development and investment. Accordingly, Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson are regarded as being interested in such Excluded Businesses. Sir Po-shing Woo, being a Non-Executive Director of the Company, and his alternate, Mr. Woo Ka-biu, Jackson, are not involved in the daily management of the Group.

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

Connected Transaction

During the period from the date of the 2010/11 annual report of the Company to the date of this report, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

Directors' Interests in Contracts

Other than as disclosed in note 33 to the consolidated financial statements, 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% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers combined and five largest suppliers combined respectively.

Directors' Report

Auditor

The retiring auditor, Messrs. Deloitte Touche Tohmatsu, has signified their willingness to continue in office. A resolution will be proposed at the 2012 Annual General Meeting to re-appoint them and to authorize the Directors to fix their remuneration.

Audit Committee

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

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 63 to 74.

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 signed for and on behalf of the Board.

Kwok Ping-kwong, Thomas

Chairman & Managing Director

Kwok Ping-luen, Raymond

Chairman & Managing Director

Hong Kong, 13 September 2012

Directors' Biographical Information

Directors

Kwok Ping-kwong, Thomas

Hon DBA, Hon DEng, MSc (Bus Adm), BSc (Eng), FCPA(Aust.), SBS, JP
Chairman & Managing Director (Age: 60)

Mr. Kwok has been Chairman of the Company since December 2011. Prior to the appointment as Chairman of the Company, Mr. Kwok had acted as Vice Chairman of the Company for 21 years. He is also a Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 35 years. Mr. Kwok holds a Master's degree in Business Administration from The London Business School, University of London, and a Bachelor's degree in Civil Engineering from Imperial College, University of London. He also holds an Honorary Doctorate in Engineering from The Hong Kong Polytechnic University and an Honorary Doctorate in Business Administration from The Open University of Hong Kong. He is a fellow of The Hong Kong Management Association and also a fellow of The Australia Certified Public Accountants. Mr. Kwok is also chairman of Route 3 (CPS) Company Limited and joint chairman of IFC Development Limited. He is a non-executive director of SUNeVision Holdings Ltd. and an independent non-executive director of The Bank of East Asia, Limited.

He is chairman of the board of directors of the Faculty of Business and Economics, The University of Hong Kong. He is also an executive vice president and a member of the executive committee of The Real Estate Developers Association of Hong Kong. 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, Mr. Kwok served as a government appointed member of the Commission on Strategic Development, a member of the Exchange Fund Advisory Committee, the Construction Industry Council, the Council for Sustainable Development, Business Facilitation Advisory Committee and as a non-official member of the Provisional Minimum Wage Commission. He also previously served as a board member of the Community Chest of Hong Kong and as a council member of the Hong Kong Construction Association.

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

Mr. Kwok is a son of Madam Kwong Siu-hing who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also a younger brother of Mr. Kwok Ping-sheung, Walter and an elder brother of Mr. Kwok Ping-luen, Raymond. He is the father of Mr. Kwok Kai-fai, Adam, an Alternate Director of the Company.

Save as disclosed above, Mr. Kwok did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas and does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Mr. Kwok received a fee of approximately HK\$115,600 for being Vice Chairman of the Company for the period from 1 July 2011 to 7 December 2011 and being Chairman of the Company for the period from 8 December 2011 to 30 June 2012, and other emoluments of approximately HK\$2.29 million.

Directors' Biographical Information

Kwok Ping-luen, Raymond

Hon LLD, Hon DBA, MBA, MA (Cantab), JP

Chairman & Managing Director (Age: 59)

Mr. Kwok has been Chairman of the Company since December 2011. Prior to the appointment as Chairman of the Company, Mr. Kwok had acted as Vice Chairman of the Company for 21 years. He is also a Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 34 years. Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's 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, and a non-executive director of Transport International Holdings Limited and Wing Tai Properties 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 and vice chairman of the council of The Chinese University of Hong Kong. Mr. Kwok is a son of Madam Kwong Siu-hing who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also a younger brother of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas. He is the father of Mr. Kwok Ho-lai, Edward, an Alternate Director of the Company.

Save as disclosed above, Mr. Kwok did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas and does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Mr. Kwok received a fee of approximately HK\$115,600 for being Vice Chairman of the Company for the period from 1 July 2011 to 7 December 2011 and being Chairman of the Company for the period from 8 December 2011 to 30 June 2012, and other emoluments of approximately HK\$2.52 million.

Dr. the Hon Lee Shau-kee

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

Vice Chairman & Non-Executive Director (Age: 83)

Dr. Lee has been a Non-Executive Director of the Company for the last 40 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 55 years. He is also chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited 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.

Save as disclosed above, Dr. Lee did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Dr. Lee received a fee of HK\$110,000 for being a Vice Chairman of the Company.

Directors' Biographical Information

Wong Chik-wing, Mike

MSc(IRE), FHKIS, RPS (BS), JP

Deputy Managing Director (Age: 56)

Mr. Wong was appointed as a Deputy Managing Director of the Company with effect from 13 July 2012. He joined the Group in 1981 and has been appointed as an Executive Director of the Company since January 1996. He is a member of both the Executive Committee and the Special Committee of the Company. He is currently responsible for project management matters of the Group's development projects. 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.

Mr. Wong did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Mr. Wong received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$17.25 million.

Lui Ting, Victor

BBA

Deputy Managing Director (Age: 58)

Mr. Lui was appointed as an Executive Director and a Deputy Managing Director of the Company with effect from 12 April 2012 and 13 July 2012 respectively. He is also a member of the Executive Committee of the Company. He has joined the Group since 1977 and is currently responsible for the sales and marketing of a number of large residential developments as well as acquisition and disposal of non-core property investment projects of the Group. He holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong.

Mr. Lui did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Lui received a fee of approximately HK\$21,800 for being a Director of the Company for the period from 12 April 2012 to 30 June 2012 and other emoluments of approximately HK\$16.43 million for the financial year ended 30 June 2012.

Yip Dicky Peter

MBA, BBS, MBE, JP

Independent Non-Executive Director (Age: 65)

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of both the Audit Committee and the Nomination Committee of the Company. 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 included 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. Mr. Yip became a general manager of HSBC in April 2005 until his retirement from HSBC on 30 June 2012. He also resigned as the executive vice president of Bank of Communications Co., Ltd. with effect from 1 July 2012.

Directors' Biographical Information

Mr. Yip joined the Institute of International Finance in July 2012 as chief representative for the Asia-Pacific Region. He is also a China consultant of PricewaterhouseCoopers. He is an elected associated member of the Chartered Institute of Bankers, London. Mr. Yip was educated in Hong Kong with an MBA from The University of Hong Kong. He has a Certified Financial Planner certificate issued by the Institute of Financial Planners 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 June 2008, he was elected a member of Shanghai Committee of the Chinese People's Political Consultative Conference. In addition, he is the honorary chairman of Hong Kong Chamber of Commerce in China and a member of Financial Planning Standards Council of 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.

Save as disclosed above, Mr. Yip did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Mr. Yip received fees of HK\$100,000 for being a Director of the Company, HK\$200,000 for being a member of the Audit Committee of the Company and HK\$50,000 for being a member of the Nomination Committee of the Company.

Professor Wong Yue-chim, Richard

SBS, JP

Independent Non-Executive Director (Age: 60)

Professor Wong has been an Independent Non-Executive Director of the Company since May 2005. He is the Chairman of both the Nomination Committee and the Remuneration Committee, and a member of the Special Committee of the Company. He is Professor of Economics at The University of Hong Kong. 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.

Professor Wong serves as an independent non-executive director of CK Life Sciences Int'l, (Holdings) Inc., Great Eagle Holdings Limited, Orient Overseas (International) Limited, Pacific Century Premium Developments Limited and The Link Management Limited as the manager of The Link Real Estate Investment Trust. He is also an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited (whose shares were withdrawn from listing on The Stock Exchange of Hong Kong Limited). In addition, Professor Wong was a member of the managing board of the Kowloon-Canton Railway Corporation.

Save as disclosed above, Professor Wong did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Professor Wong received fees of HK\$100,000 for being a Director of the Company, and HK\$60,000 for being the Chairman of each of the Nomination Committee and the Remuneration Committee of the Company.

Directors' Biographical Information

Dr. Li Ka-cheung, Eric

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

Independent Non-Executive Director (Age: 59)

Dr. Li was appointed as a Non-Executive Director of the Company in May 2005. He is currently an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is also an independent non-executive director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

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) Limited, Hang Seng Bank Limited, China Resources Enterprise, Limited, RoadShow Holdings Limited and Bank of Communications Co., Ltd. He was an independent non-executive director of Meadville Holdings Limited which has voluntarily withdrawn listing on The Stock Exchange of Hong Kong Limited.

Dr. Li is a member of The 11th National Committee of Chinese People's Political Consultative Conference and a convenor cum member of the Financial Reporting Review Panel. He was a former member of the Legislative Council of Hong Kong and the chairman of its Public Accounts Committee and was also a past president of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, Dr. Li did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Dr. Li received fees of HK\$100,000 for being a Director of the Company, HK\$240,000 for being the Chairman of the Audit Committee of the Company and HK\$50,000 for being a member of the Remuneration Committee of the Company. Also, he received other emoluments of a total of HK\$240,000 for being a director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Fung Kwok-lun, William

SBS, OBE, JP

Independent Non-Executive Director (Age: 63)

Dr. Fung has been an Independent Non-Executive Director of the Company since February 2010. He graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred the degrees of Doctor of Business Administration, *honoris causa*, by The Hong Kong University of Science and Technology and by The Hong Kong Polytechnic University.

Dr. Fung has been the group chairman of Li & Fung Limited since 14 May 2012 and before that, was the executive deputy chairman (2011 – May 2012) and the group managing director (1986 – 2011) of Li & Fung Limited. He also serves as a non-executive director of Convenience Retail Asia Limited and Trinity Limited. He is a director of the Fung Global Institute, an independent and non-profit think-tank. Dr. Fung is also an independent non-executive director of VTech Holdings Limited, Shui On Land Limited and The Hongkong and Shanghai Hotels Limited; and an independent director of Singapore Airlines Limited.

Dr. Fung has held key positions in major trade associations. He is the past chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Pacific Economic Cooperation Committee. He has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008.

Dr. Fung does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Dr. Fung received a fee of HK\$100,000 for being a Director of the Company.

Directors' Biographical Information

Dr. Leung Nai-pang, Norman

LLD, GBS, JP

Independent Non-Executive Director (Age: 72)

Dr. Leung was appointed as an Independent Non-Executive Director of the Company with effect from 1 July 2012. He is the executive chairman of Television Broadcasts Limited. He is also the chairman and an independent non-executive director of Transport International Holdings Limited.

Dr. Leung has been active in public service for over 30 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, chairman of the Broadcasting Authority from 1997 to 2002 and council chairman of City University of Hong Kong from 1997 to 2003. He is currently the Pro-Chancellor of City University of Hong Kong and a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials.

Save as disclosed above, Dr. Leung did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Dr. Leung is currently entitled to a fee of HK\$100,000 per annum for being a Director of the Company (*see note below*).

Leung Kui-king, Donald

BSc

Independent Non-Executive Director (Age: 56)

Mr. Leung was appointed as an Independent Non-Executive Director of the Company with effect from 1 July 2012. He graduated from The University of California, Berkeley with a Bachelor of Science degree in Business Administration and completed Harvard University's Advanced Management Program. He is currently an independent non-executive director of Tern Properties Company Limited.

Mr. Leung started his career with Bank of America in 1977 and joined Wardley Limited (a member of HSBC Group) in 1984. He then joined the Company in 1986 and worked until his retirement in 2006.

Save as disclosed above, Mr. Leung did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Leung is currently entitled to a fee of HK\$100,000 per annum for being a Director of the Company (*see note below*).

Note: Subject to the approval by the shareholders of the Company at the 2012 annual general meeting, the fees to be paid to each Chairman, Vice Chairman and other Director for the financial year ending 30 June 2013 will be HK\$320,000, HK\$310,000 and HK\$300,000 respectively.

Directors' Biographical Information

Kwok Ping-sheung, Walter

D.Sc, Msc (Lond), DIC, MICE, JP

Non-Executive Director (Age: 61)

Mr. Kwok has been with the Group for 38 years. Mr. Kwok was Chairman and Chief Executive of the Group from 1990 to 2008. He holds an Honorary Doctor of Science degree and a Master of Science degree in Civil Engineering from the Imperial College of Science and Technology, University of London, and is a member of the Institution of Civil Engineers, U.K. and a Fellow of the Hong Kong Institution of Engineers. He is an Honorary Fellow of the School of Accountancy of The Central University of Finance and Economics in Beijing and Honorary Trustee of Tongji University in Shanghai and Nanjing University. Mr. Kwok is a non-executive director of SUNeVision Holdings Ltd. and Transport International Holdings Limited. He is also a director of Wilson Parking (Holdings) Limited and Hung Cheong Import & Export Company, Limited.

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 past Chairman 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 and Technology.

Mr. Kwok is an Honorary Citizen of Beijing and Guangzhou. Mr. Kwok is a Standing Committee member of the National Committee of the Chinese People's Political Consultative Conference and Honorary President and Vice Chairman of Friends of Hong Kong Association. Mr. Kwok is the committee member of the French Asian Art Society, the Chevalier of the Légion d'Honneur Club Hong Kong Chapter, Honorary President of The Association for the Promotion of Global Chinese Traders Fraternity Ltd. and Honorary Chairman of The Association of Global Chinese Art Collectors Fraternity. Mr. Kwok is a son of Madam Kwong Siu-hing who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also the elder brother of Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond.

Save as disclosed above, Mr. Kwok did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas and does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Mr. Kwok received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$30,000.

Sir Po-shing Woo

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

Non-Executive Director (Age: 83)

Sir Po-shing Woo has been a Non-Executive Director of the Company since August 1972. He is a director of Henderson Development Limited and a consultant of Ashurst Hong Kong. Sir Po-shing Woo resigned as a non-executive director of Henderson Land Development Company Limited with effect from 29 February 2012. He was a non-executive director of Henderson Investment Limited. 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 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 of Hong Kong. He is the father of Mr. Woo Ka-biu, Jackson, an Alternate Director of the Company.

Save as disclosed above, Sir Po-shing Woo did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas, and does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Sir Po-shing Woo received a fee of HK\$100,000 for being a Director of the Company.

Directors' Biographical Information

Kwan Cheuk-yin, William

LLB

Non-Executive Director (Age: 77)

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of the Nomination Committee and the Remuneration Committee of the Company. As a managing partner with the solicitors firm of Woo, Kwan, Lee & Lo, Mr. Kwan has 50 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 Management Committee, vice chairman of the Scout Performing Arts Committee, chairman of Air Activities Committee, elected member of Scout Counsel of Hong Kong, president of the Hong Kong Branch of the King's College London Association, president of the Hong Kong Philatelic Society, life member of the Federation of Inter-Asia Philately, president of FIAP Grand Prix Club, a permanent advisor of Wah Yan (Hong Kong) Past Students Association, a director and honorary secretary of Wah Yan Dramatic Society, a committee member and legal advisor of South China Athletic Association and former vice manager of its Football Section as well as manager of its Ten Pin Bowling Section 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, 2004 and 2009 International 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.

Mr. Kwan did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Mr. Kwan received fees of HK\$100,000 and HK\$50,000 for being a Director and a member of the Nomination Committee of the Company respectively. He also received a fee of approximately HK\$28,000 for being a member of the Remuneration Committee of the Company for the period from 9 December 2011 to 30 June 2012.

Directors' Biographical Information

Wong Yick-kam, Michael

MBA, BBA

Non-Executive Director (Age: 60)

Mr. Wong has been a Non-Executive Director and the Group Principal Advisor of the Company since January 2010. He is also the Chairman of the Special Committee of the Company. He was an Executive Director of the Company from January 1996 to December 2009 and had been with the Group for 28 years before he retired from his executive director's roles. He is also a member of the Audit Committee of the Company. He obtained his Bachelor of Business Administration and Master of Business Administration degrees from The Chinese University of Hong Kong.

Mr. Wong was an executive director of SUNeVision Holdings Ltd., and a non-executive director and a member of the audit committee of SmarTone Telecommunications Holdings Limited. He was also a non-executive director, an alternate director to Mr. Kwok Ping-luen, Raymond and a member of the audit committee of Wing Tai Properties Limited.

Mr. Wong is chairman of the Hong Kong Youth Hostels Association. He is a member of the Government of the Hong Kong Special Administrative Region's Steering Committee on Child Development Fund, Steering Committee on Promotion of Electric Vehicles, Social Welfare Advisory Committee and Steering Committee of the Pilot Green Transport Fund. He is also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, and a member and treasurer of the Council of The Open University of Hong Kong.

Save as disclosed above, Mr. Wong did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Mr. Wong received fees of HK\$100,000 and HK\$200,000 for being a Director and a member of the Audit Committee of the Company respectively.

Chan Kui-yuen, Thomas

B Comm

Executive Director (Age: 66)

Mr. Chan has been an Executive Director of the Company since September 1987. He is also a member of the Executive Committee of the Company. He joined the Group in 1973 and is now responsible for land acquisitions and project planning matters. He graduated from the United College, The Chinese University of Hong Kong and was awarded as honorary university fellowship of The Open University of Hong Kong in 2007. Mr. Chan is a non-executive director of SUNeVision Holdings Ltd.

Mr. Chan is a committee member of Infrastructure Development Services Advisory Committee and China Trade Advisory Committee of Hong Kong Trade Development Council. He is also a committee member of China Sub-Committee of The Real Estate Developers Association of Hong Kong and Land Sub-Committee of Land and Development Advisory Committee. In addition, he is a director of The Hong Kong Vietnam Chamber of Commerce and a member of the MBA Advisory Board of The University of Hong Kong.

In the past, Mr. Chan was a council member of The Open University of Hong Kong and a member of the Health Care Study Group of The Bauhinia Foundation Research Centre. He was also an ordinary member of the Estate Agents Authority.

Save as disclosed above, Mr. Chan did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Mr. Chan received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$11.59 million.

Directors' Biographical Information

Kwong Chun

Executive Director (Age: 83)

Mr. Kwong has been an Executive Director of the Company since October 1992. He is also a member of the Executive Committee of the Company. 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. Mr. Kwong is the younger brother of Madam Kwong Siu-hing who is the mother of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr. Kwong does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. He did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas.

For the financial year ended 30 June 2012, Mr. Kwong received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$4.56 million.

Chan Kwok-wai, Patrick

MBA, FCPA, FCCA, FCPA (Aust.), ACIS, TEP, AFP

Executive Director & Chief Financial Officer (Age: 56)

Mr. Chan has been an Executive Director and the Chief Financial Officer of the Company since July 2009. He is also a member of the Executive Committee of the Company. He obtained a Master of Business Administration degree from the University of Warwick, England in 1993. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants ("ACCA") as well as the CPA Australia. He is also a member of The Institute of Chartered Secretaries and Administrators and Society of Trust and Estate Practitioners, and associate financial planner of the Institute of Financial Planners of Hong Kong.

Mr. Chan started his career at Ernst & Young and worked for a number of banks and listed companies in Hong Kong. He joined Hang Seng Bank Limited ("Hang Seng") in 1995, of which he became chief financial officer in 1998. He also sat on the executive committee of Hang Seng, and was an executive director of Hang Seng from 2005 till 2009. Mr. Chan was previously a vice-chairman of Hang Seng Bank (China) Limited, and a director, an executive committee member and a remuneration committee member of Industrial Bank Co., Ltd.

Mr. Chan is a member of the Hong Kong Special Administrative Region ("HKSAR") Government Scholarship Fund Investment Committee, the Investment Sub-committee of the Beat Drugs Fund Association HKSAR and Self-financing Post-secondary Education Fund Investment Committee, a council member of the Hong Kong Examinations and Assessment Authority ("HKEAA"), chairman of the finance committee of the HKEAA and a member of the Standing Committee on Language Education and Research. He is also a member of the Admissions, Budgets and Allocations Committee of The Community Chest of Hong Kong and the General Committee of The Chamber of Hong Kong Listed Companies. He is convenor of the Working Group of Finance Directors/Financial Controllers of the Real Estate Developers Association of Hong Kong and a member of the Professional Development Sub-committee of the ACCA Hong Kong. He is a director of Hang Seng School of Commerce, a member of the Board of Governors of Hang Seng Management College Limited, and chairman of the finance committee of both institutions. Mr. Chan is an advisory board member of several universities in Hong Kong and a member of the Investment Committee of the Foundation of Tsinghua University Centre for Advanced Study Co. Ltd.

Save as disclosed above, Mr. Chan did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the financial year ended 30 June 2012, Mr. Chan received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$15.02 million.

Directors' Biographical Information

Kwok Kai-fai, Adam

MBA, BSc

Alternate Director to Kwok Ping-kwong, Thomas (Age: 29)

Mr. Kwok was appointed as an Alternate Director to Mr. Kwok Ping-kwong, Thomas with effect from 13 July 2012. He holds a Bachelor of Science degree in Management Science and Engineering from Stanford University and a Master's degree in Business Administration from Harvard Business School. He worked in an international investment bank prior to joining the Group in November 2008 and currently is a project manager taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region. He is a son of Mr. Kwok Ping-kwong, Thomas, and a nephew of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr. Kwok does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. He did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas.

Kwok Ho-lai, Edward

BA

Alternate Director to Kwok Ping-luen, Raymond (Age: 31)

Mr. Kwok was appointed as an Alternate Director to Mr. Kwok Ping-luen, Raymond with effect from 13 July 2012. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. He has joined the Group since January 2010 and is now a sales and project manager, responsible for feasibility study, marketing and planning of new residential projects of the Group in Hong Kong. Before joining the Group, Mr. Edward Kwok worked in a major international audit firm. He is a son of Mr. Kwok Ping-luen, Raymond, and a nephew of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas. He is also a grandson of Madam Kwong Siu-hing who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr. Kwok does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. He did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas.

Woo Ka-biu, Jackson

MA (Oxon)

Alternate Director to Sir Po-shing Woo (Age: 49)

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. He is also a Practising Solicitor Member on the panel of the Solicitors' Disciplinary Tribunal in Hong Kong. Mr. Woo is currently a partner of Ashurst Hong Kong 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 an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. Following the resignation of Sir Po-shing Woo as a non-executive director of Henderson Land Development Company Limited on 29 February 2012, Mr. Woo ceased to be an alternate director to Sir Po-shing Woo. Mr. Woo was appointed as an independent non-executive director of Henderson Land Development Company Limited with effect from 1 March 2012. He was an alternate director to Sir Po-shing Woo who was a non-executive director of Henderson Investment Limited. In January 2008, Mr. Woo was awarded 2008 World Outstanding Chinese Award by the United World Chinese Association and Honorary Doctor Degrees from The University of West Alabama. He is a son of Sir Po-shing Woo.

Save as disclosed above, Mr. Woo did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas, and does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Directors' Biographical Information

In accordance with the articles of association of the Company, the appointment of Alternate Directors will cease if their appointors cease to be Directors of the Company. In addition, they shall not be entitled to receive from the Company any remuneration in respect of their appointment as Alternate Directors except only such part (if any) of the remuneration otherwise payable to their appointor, as such appointors may by notice in writing to the Company from time to time direct.

All the Directors and Alternate Directors of the Company have not entered into any service contract with the Company. In accordance with the articles of association of the Company, Directors are subject to retirement and re-election at general meetings or annual general meetings of the Company. For the Non-Executive Directors, they are also subject to a term of approximately two years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held two years thereafter, and they shall be eligible for re-election at that annual general meeting upon the expiry of their term of office. The Directors' fees are proposed by the Board and approved by the shareholders at the annual general meeting and their other emoluments are subject to review by the Board from time to time pursuant to the power given to it under the articles of association of the Company with reference to their contribution in terms of time, effort and accomplishments.

Senior Management

The Executive Directors of the Company are also members of senior management of the Group.

Executive Committee

Executive Committee

All Executive Directors of the Company are members of the Executive Committee of the Company. Other members and their profiles are as follows:

So Chung-keung, Alfred

MSc, BSc

Mr. So graduated from the University of Toronto in 1972 and holds a Master degree of Science and a Bachelor degree of Science. He joined the Group in 1978 and is currently responsible for overall property business of the southern China region. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since March 1997.

Tung Chi-ho, Eric

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

Mr. Tung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a member of The Hong Kong Institute of Architects and a registered Architect. Mr. Tung has joined the Group since 1987 and is taking charge of the project management of selected key projects in Hong Kong and the mainland. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since December 1999.

Chow Kwok-yin, Eric

ACIS

Mr. Chow graduated from The Hong Kong Polytechnic University. He is a member of The Institute of Chartered Secretaries and Administrators. Mr. Chow joined the Group in 2000 and is currently responsible for sales and marketing of selected residential projects in Hong Kong and the mainland. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since April 2005.

Wong Chin-wah, Jimmy

BSc(Est Mgt), Cert Ed, MSISV, MHKIS, MAPFM, FHIREA, RPS(GP), RPHM

Mr. Wong holds a Bachelor of Science degree in Estate Management from The University of Singapore and obtained a Certificate in Education from Singapore Teachers' Training College. He is a member of The Singapore Institute of Surveyors and Valuers, The Hong Kong Institute of Surveyors and the Association of Property and Facility Managers. He is also a fellow member of the Hong Kong Institute of Real Estate Administration and registered as a professional surveyor and housing manager. Mr. Wong joined the Group in 1989 and is mainly responsible for one of our property management businesses as well as leasing of key projects in Hong Kong, the mainland and Singapore. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since August 2005.

Yung Sheung-tat, Sandy

BA(Law)Hons

Mr. Yung holds a Bachelor of Arts degree in Law from Middlesex University, England. He has been qualified as a solicitor in Hong Kong since 1987 and was admitted as a solicitor in England and Wales in 1991 and as an advocate and solicitor in Singapore in 1995. Mr. Yung joined the Group in 1996 and is currently the Group General Counsel and Company Secretary of the Company. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since July 2009.

Financial Statements

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Independent Auditor's Report



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 114 to 175, which comprise the consolidated and Parent Company statements of financial position as at 30 June 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of consolidated financial statements that give a true and fair view 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 2012, 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 2012

Consolidated Income Statement

For the year ended 30 June 2012
(Expressed in millions of Hong Kong dollars)

	Notes	2012	2011
Revenue	2(a)	68,400	62,553
Cost of sales		(39,098)	(37,259)
Gross profit		29,302	25,294
Other net income		532	574
Selling and marketing expenses		(2,887)	(2,498)
Administrative expenses		(1,959)	(2,004)
Operating profit before change in fair value of investment properties	2(a)	24,988	21,366
Increase in fair value of investment properties		19,482	25,070
Operating profit after change in fair value of investment properties		44,470	46,436
Finance costs		(1,654)	(1,095)
Finance income		122	62
Net finance costs	3	(1,532)	(1,033)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$3,816 million (2011: HK\$4,696 million)) of:			
Associates		256	171
Jointly controlled entities		5,899	10,573
	2(a) & 9(b)	6,155	10,744
Profit before taxation	4	49,093	56,147
Taxation	7	(5,284)	(7,359)
Profit for the year	2(a)	43,809	48,788
Attributable to :			
Company's shareholders		43,080	48,097
Non-controlling interests		729	691
		43,809	48,788
Dividends	8		
Interim dividend paid		2,484	2,442
Final dividend proposed		6,278	6,168
		8,762	8,610
(Expressed in Hong Kong Dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	9(a)		
Basic and diluted		\$16.63	\$18.71
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	9(b)		
Basic and diluted		\$8.37	\$8.36

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

(Expressed in millions of Hong Kong dollars)

	2012	2011
Profit for the year	43,809	48,788
Exchange difference on translating financial statements of foreign operations		
– exchange difference arising during the year	712	1,917
– exchange difference released on disposal of foreign operations	–	(47)
	712	1,870
Cash flow hedge		
– fair value losses on effective hedging instruments	–	(1)
– fair value losses transferred to income statement	1	2
	1	1
Available-for-sale investments		
– fair value (losses)/gains	(29)	475
– fair value gains transferred to income statement on disposal	(29)	(26)
	(58)	449
Share of other comprehensive income of associates and jointly controlled entities		
– exchange difference on translating financial statements of foreign operations	119	645
– fair value (losses)/gains on available-for-sale investments	(1)	3
	118	648
Other comprehensive income for the year	773	2,968
Total comprehensive income for the year	44,582	51,756
Total comprehensive income attributable to:		
Company's shareholders	43,792	50,916
Non-controlling interests	790	840
	44,582	51,756

Consolidated Statement of Financial Position

As at 30 June 2012
(Expressed in millions of Hong Kong dollars)

	Notes	2012	2011
Non-current assets			
Investment properties	10	233,867	212,863
Fixed assets	11	18,591	17,896
Associates	13	3,825	3,249
Jointly controlled entities	14	45,690	38,686
Loan receivables	15	587	275
Other financial assets	16	3,522	3,362
Intangible assets	17	4,699	5,049
		310,781	281,380
Current assets			
Properties for sale	18	117,144	98,861
Inventories		437	479
Debtors, prepayments and others	19	24,159	23,453
Other financial assets	21	711	1,126
Bank deposits and cash	22	14,338	7,898
		156,789	131,817
Current liabilities			
Bank and other borrowings	23	(9,801)	(9,682)
Trade and other payables	24	(22,256)	(20,452)
Deposits received on sales of properties		(3,120)	(3,525)
Taxation		(6,750)	(5,141)
		(41,927)	(38,800)
Net current assets			
		114,862	93,017
Total assets less current liabilities			
		425,643	374,397
Non-current liabilities			
Bank and other borrowings	25	(61,465)	(50,753)
Deferred taxation	26	(12,451)	(10,610)
Other long-term liabilities	27	(768)	(839)
		(74,684)	(62,202)
NET ASSETS			
		350,959	312,195
CAPITAL AND RESERVES			
Share capital	28	1,308	1,285
Share premium and reserves		345,251	305,680
Shareholders' funds			
		346,559	306,965
Non-controlling interests			
		4,400	5,230
TOTAL EQUITY			
		350,959	312,195

Directors:

Kwok Ping-kwong, Thomas
Kwok Ping-luen, Raymond

Parent Company Statement of Financial Position

As at 30 June 2012
(Expressed in millions of Hong Kong dollars)

	Notes	2012	2011
Non-current assets			
Subsidiaries	12	30,213	30,148
Current assets			
Debtors, prepayments and others	19	-	7
Amounts due from subsidiaries	20	100,747	90,470
Bank deposits and cash		26	8
		100,773	90,485
Current liabilities			
Trade and other payables	24	(40)	(20)
		100,733	90,465
Net current assets			
NET ASSETS		130,946	120,613
CAPITAL AND RESERVES			
Share capital	28	1,308	1,285
Share premium and reserves	30	129,638	119,328
SHAREHOLDERS' FUNDS		130,946	120,613

Consolidated Statement of Cash Flows

For the year ended 30 June 2012
(Expressed in millions of Hong Kong dollars)

	Notes	2012	2011
Operating activities			
Cash generated from operations	31(a)	10,163	36
Hong Kong profits tax paid		(1,865)	(4,106)
Outside Hong Kong tax paid		(149)	(276)
Net cash from/(used in) operating activities		8,149	(4,346)
Investing activities			
Purchase of jointly controlled entities		-	(1,914)
Purchase of other financial assets		(435)	(131)
Net repayments (advances to)/from associates and jointly controlled entities		(2,924)	1,948
Additions to fixed assets		(2,156)	(2,255)
Additions to investment properties		(3,982)	(6,503)
Payment of telecommunications licence fees		(129)	(972)
Proceeds from disposal of investment properties		601	703
Proceeds from disposal of an associate		-	1
Proceeds from disposal of other financial assets		625	686
Proceeds from disposal of fixed assets		62	21
Proceeds from disposal of subsidiaries	31(b)	-	490
Interest received from investments		99	220
Dividends received from listed investments		96	93
Dividends received from unlisted investments		36	6
Dividends received from associates and jointly controlled entities		2,767	4,804
Loans and advances (made)/repaid		(368)	81
Net cash used in investing activities		(5,708)	(2,722)
Financing activities			
Bank and other borrowings raised		31,433	20,601
Repayment of bank and other borrowings		(21,572)	(5,869)
Increase in amount due to a related company		500	-
Decrease/(increase) in pledged bank deposits		402	(71)
Interest paid		(1,801)	(1,198)
Interest received		121	62
Proceeds from issue of shares by a subsidiary		28	56
Purchase of additional interests in subsidiaries		-	(1,039)
Payment for repurchase of shares by subsidiaries		(7)	(194)
Increase in fundings from non-controlling interests		31	1,776
Dividends paid to shareholders		(4,298)	(7,197)
Dividends paid to non-controlling interests		(452)	(294)
Net cash from financing activities		4,385	6,633
Increase/(decrease) in cash and cash equivalents		6,826	(435)
Cash and cash equivalents at beginning of year		7,411	7,772
Effect of foreign exchange rates changes		6	74
Cash and cash equivalents at end of year	31(c)	14,243	7,411

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

(Expressed in millions of Hong Kong dollars)

	Attributable to Company's shareholders						Non-controlling interests		Total
	Share capital	Share premium	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits	Total	Total	
At 1 July 2010	1,285	36,451	739	765	3,672	220,309	263,221	4,804	268,025
Profit for the year	-	-	-	-	-	48,097	48,097	691	48,788
Other comprehensive income for the year	-	-	1	452	2,366	-	2,819	149	2,968
Total comprehensive income for the year	-	-	1	452	2,366	48,097	50,916	840	51,756
Recognition of equity-settled share-based payments	-	-	76	-	-	-	76	1	77
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	-	-	1	-	-	(1)	-	-	-
Shares issued by a subsidiary on exercise of share options	-	-	(9)	-	-	-	(9)	9	-
Interim dividend paid	-	-	-	-	-	(2,442)	(2,442)	-	(2,442)
Final dividend paid	-	-	-	-	-	(4,755)	(4,755)	-	(4,755)
Adjustments arising upon acquisition of additional interests in subsidiaries	-	-	(42)	-	-	-	(42)	(1,437)	(1,479)
Release upon disposal of subsidiaries	-	-	-	-	-	-	-	(11)	(11)
Contribution from non-controlling interests	-	-	-	-	-	-	-	1,318	1,318
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(294)	(294)
At 30 June 2011 and 1 July 2011	1,285	36,451	766	1,217	6,038	261,208	306,965	5,230	312,195
Profit for the year	-	-	-	-	-	43,080	43,080	729	43,809
Other comprehensive income/ (expenses) for the year	-	-	1	(56)	767	-	712	61	773
Total comprehensive income for the year	-	-	1	(56)	767	43,080	43,792	790	44,582
Issue of shares, net of expenses	23	4,331	-	-	-	-	4,354	-	4,354
Recognition of equity-settled share-based payments	-	-	65	-	-	-	65	49	114
Shares issued by a subsidiary on exercise of share options	-	-	(2)	-	-	-	(2)	2	-
Interim dividend paid	-	-	-	-	-	(2,484)	(2,484)	-	(2,484)
Final dividend paid	-	-	-	-	-	(6,168)	(6,168)	-	(6,168)
Adjustments arising upon acquisition of additional interests in subsidiaries	-	-	37	-	-	-	37	38	75
Transfer to joint venture	-	-	-	-	-	-	-	(1,205)	(1,205)
Contribution from non-controlling interests	-	-	-	-	-	-	-	2	2
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(506)	(506)
At 30 June 2012	1,308	40,782	867	1,161	6,805	295,636	346,559	4,400	350,959

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies

a. Basis of preparation

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

b. Changes in accounting policies

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations of Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ²
HKFRS 7 (Amendment)	Disclosures – transfers of financial assets ³ Transfers of financial assets ³
HK (IFRIC)-INT 14 (Amendment)	Prepayments of a minimum funding requirement ²

¹ Amendments that are effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 January 2011

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

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

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

b. Changes in accounting policies (cont'd)

Up to the date of approval for the issuance of the consolidated financial statements, the HKICPA has issued a number of new and revised standards, amendments and interpretations which are not yet effective for the year. These include the following which may be relevant to the Group.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle ⁵
HKAS 1 (Amendments)	Presentation of items of other comprehensive income ⁴
HKAS 19 (as revised in 2011)	Employee benefits ⁵
HKAS 27 (as revised in 2011)	Separate financial statements ⁵
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ⁵
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ⁶
Amendments to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities ⁵
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures ⁷
HKFRS 9	Financial instruments ⁷
HKFRS 10	Consolidated financial statements ⁵
HKFRS 11	Joint arrangements ⁵
HKFRS 12	Disclosure of interests in other entities ⁵
HKFRS 13	Fair value measurement ⁵

⁴ Effective for annual periods beginning on or after 1 July 2012

⁵ Effective for annual periods beginning on or after 1 January 2013

⁶ Effective for annual periods beginning on or after 1 January 2014

⁷ Effective for annual periods beginning on or after 1 January 2015

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

c. 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(g) and note 1(h) 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 income statement from the effective dates of acquisition and 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.

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Non-controlling interests in the net assets or liabilities consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

d. 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 telecommunications, revenue from hotel operation, revenue from transportation, infrastructure and logistics and revenue derived from other business activities including property management, construction, financial services, internet infrastructure, enabling services and department store. It does not include the revenue of associates and jointly controlled entities.

e. 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 bases:

(i) Property sales

Revenue from sale of properties is recognized when the significant risks and rewards of ownership of the properties are transferred to the buyers. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

(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 basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(v) Construction

Revenue in respect of building construction job is recognized based on the stage 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.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

e. *Revenue recognition (cont'd)*

(viii) **Telecommunications**

Revenue from telecommunication service is recognized when the services are rendered. Revenue from sales of handsets and related accessories is recognized upon the transfer of risks and rewards of ownership.

(ix) **Toll income**

Toll income is recognized upon the passage of vehicles through tunnel.

(x) **Department store**

Revenue from sale of goods and commission income from concession and consignment sales from department store operations are 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) **Others**

Other revenue including property management service fee, car parking management fee and insurance income are recognized when the services are rendered.

f. *Subsidiaries*

A subsidiary is an entity controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are carried in the Company's financial statements at cost less impairment loss.

g. *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 income statement to the extent of the Group's share of post-acquisition profits less losses.

Interests in associates are accounted for in the consolidated statement of financial position under the equity method and are carried at cost as adjusted for post acquisition changes in the Group's share of their results and other comprehensive income less any identified impairment loss.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

h. 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 income statement to the extent of the Group's share of post-acquisition profits less losses whereas accounted for in the Company's income statement only to the extent of dividend income.

Interests in jointly controlled entities are accounted for in the consolidated statement of financial position under the equity method and are carried at cost as adjusted for post-acquisition changes in the Group's share of their results and other comprehensive income less any identified impairment loss whereas in the Company's statement of financial position 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 recognized in the financial statements its share of jointly controlled assets and any liabilities incurred jointly with other venturers 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 income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group and their amounts can be measured reliably.

i. Intangible assets

(i) Telecommunication licences

A unified 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 issuance and renewal of the relevant mobile licences, the cost thereof, which is the discounted value of the minimum annual fees payable over the licence period as specified in the respective licencing agreement 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 are charged to the consolidated income statement in the year in which they are incurred.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

i. Intangible assets (cont'd)

(i) Telecommunication licences (cont'd)

Variable annual payments on top of the minimum annual payments, if any, are recognized in the consolidated income statement as incurred.

(ii) 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 is tested annually for impairment loss and carried at cost less accumulated impairment losses. Impaired losses recognized on goodwill are not reversed. 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 the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in the income statement.

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.

(iii) Concession assets

The Group has entered into a service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructures. Under the arrangement, the Group carries out the construction of toll road for the granting authority and receives in exchange a right to operate the toll road and the entitlement to toll fees collected from users of the toll road. The assets including the cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement are recorded as intangible assets. Once the underlying infrastructure of the concession arrangement is completed, the concession assets are amortized over the term of the concession on a straight line basis.

j. Financial assets, financial liability and equity

The Group classifies its financial assets into 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.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise marketable securities held for trading. At each year end 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)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

j. 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 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 year end 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 other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gains or losses previously recognized in equity are removed from equity and recognized in profit or loss. Any impairment loss on available-for-sale investments is immediately recognized in profit or loss. Impairment loss recognized on available-for-sale investments will not reverse through income statement 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 year end 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.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

k. *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 derivative contracts are 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 hedging instruments in hedges 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. For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other income line item. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair values of currency swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

l. *Properties*

(i) **Investment properties**

Investment properties are properties held for long term rental income or capital appreciation or both. These include completed properties, those under construction and properties that are being redeveloped for continuing use as investment properties.

Investment properties are carried at fair value based on valuation performed by an independent professional valuer on a market value basis related to individual properties, and separate values are not attributed to land and buildings. Changes in fair values are recognized in income statement in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected to arise from its disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is included in income statement in the period in which the asset is derecognized.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

l. Properties (cont'd)

(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. Any gain or loss on disposal of a hotel property is recognized in the income statement.

(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 year end 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. Any gain or loss on disposal of other properties is recognized in the income statement.

m. Depreciation

(i) Hotel properties

Depreciation is provided on hotel property and on its integral fixed plant and calculated on a straight line basis to write off their costs less accumulated impairment losses over the shorter of the term of the lease and estimated useful lives at rates ranging from 0.68% to 20% 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 telecommunications 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 10% to 50% per annum. No depreciation is provided on network equipment under construction.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

m. Depreciation (cont'd)

(iv) Other properties

The cost of leasehold land and construction cost of buildings thereon are depreciated on a straight line basis over the shorter of the term of the lease and their estimated useful lives.

(v) Other fixed assets

Other fixed assets including equipment, furniture, fixtures, vessels 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 4% to 33.3% per annum.

n. 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 for the portion that is attributable to the hedged risk when accounting for fair value hedges set out in note 1(k) 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.

o. Inventories

Inventories comprising mainly building materials, hotel stocks, handsets and consumable goods are stated at the lower of cost and net realizable value. Cost is calculated on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

p. Translation of foreign currencies

Foreign currency transactions during the year are converted into functional currency at the market rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at closing rates of exchange ruling at the year end date. Exchange differences arising in these cases are dealt with in the income statement.

The assets and liabilities of overseas subsidiaries, associates and jointly controlled entities expressed in their respective functional currencies are translated into Hong Kong dollars at the closing rates of exchange ruling at the year end date whereas the income statement are translated at average exchange rates for the year. Exchange differences arising on translation are recognized in other comprehensive income.

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 financial statements and the corresponding 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies (cont'd)

r. Provision

Provisions are recognized when the Group has a present obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle that obligation and the amount of obligation can be reliably estimated.

s. Segment reporting

Reportable and operating segments are presented in a manner consistent with the Group's internal financial reporting. This is the measure reported to the Group's management for the purpose of resources allocation and assessment of segment performance.

t. Retirement benefit costs

The retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Group's defined contribution schemes and the Mandatory Provident Fund Schemes.

u. Share-based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted at the grant date and expensed on a straight line basis over the relevant vesting periods with a corresponding increase in capital reserves within equity. At the end of the reporting period, 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 during the vesting period, if any, is recognized in income statement such that the calculated expense reflects the revised estimates with a corresponding adjustment to capital reserves.

At the time when the share options are exercised, the amount previously recognized in capital reserves will be transferred to share premium. When the share options are forfeited, lapsed or cancelled, after the vesting date or are still not exercised on the expiry date, the amount previously recognized in capital reserves will be transferred to retained profits.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

2 Segment Information

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

(a) Segment revenue and results

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

For the year ended 30 June 2012

	The Company and its subsidiaries		Associates and jointly controlled entities		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	35,044	12,504	209	114	35,253	12,618
Mainland China	878	293	820	118	1,698	411
Singapore	–	–	81	45	81	45
	35,922	12,797	1,110	277	37,032	13,074
Property rental						
Hong Kong	9,925	7,625	2,260	1,881	12,185	9,506
Mainland China	1,496	1,007	118	96	1,614	1,103
Singapore	–	–	645	460	645	460
	11,421	8,632	3,023	2,437	14,444	11,069
Hotel operation	3,089	827	631	205	3,720	1,032
Telecommunications	9,952	1,385	–	–	9,952	1,385
Transportation, infrastructure and logistics	3,275	936	2,619	161	5,894	1,097
Other businesses	4,741	984	278	20	5,019	1,004
	68,400	25,561	7,661	3,100	76,061	28,661
Other net income		532		–		532
Unallocated administrative expenses		(1,105)		–		(1,105)
Operating profit before change in fair value of investment properties		24,988		3,100		28,088
Increase in fair value of investment properties		19,482		3,873		23,355
Operating profit after change in fair value of investment properties		44,470		6,973		51,443
Net finance costs		(1,532)		(206)		(1,738)
Profit before taxation		42,938		6,767		49,705
Taxation						
– Group		(5,284)		–		(5,284)
– Associates		–		(21)		(21)
– Jointly controlled entities		–		(591)		(591)
Profit for the year		37,654		6,155		43,809

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

2 Segment Information (cont'd)

(a) Segment revenue and results (cont'd)

For the year ended 30 June 2011

	The Company and its subsidiaries		Associates and jointly controlled entities		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	32,245	10,756	5,752	2,882	37,997	13,638
Mainland China	3,985	888	524	100	4,509	988
Singapore	–	–	3,972	2,021	3,972	2,021
	36,230	11,644	10,248	5,003	46,478	16,647
Property rental						
Hong Kong	8,824	6,680	1,988	1,599	10,812	8,279
Mainland China	1,054	725	104	72	1,158	797
Singapore	–	–	639	435	639	435
	9,878	7,405	2,731	2,106	12,609	9,511
Hotel operation	2,055	362	539	191	2,594	553
Telecommunications	6,631	967	–	–	6,631	967
Transportation, infrastructure and logistics	3,194	830	2,532	115	5,726	945
Other businesses	4,565	868	214	38	4,779	906
	62,553	22,076	16,264	7,453	78,817	29,529
Other net income		574		–		574
Unallocated administrative expenses		(1,284)		–		(1,284)
Operating profit before change in fair value of investment properties		21,366		7,453		28,819
Increase in fair value of investment properties		25,070		4,795		29,865
Operating profit after change in fair value of investment properties		46,436		12,248		58,684
Net finance costs		(1,033)		(166)		(1,199)
Profit before taxation		45,403		12,082		57,485
Taxation						
– Group		(7,359)		–		(7,359)
– Associates		–		(28)		(28)
– Jointly controlled entities		–		(1,310)		(1,310)
Profit for the year		38,044		10,744		48,788

Other businesses comprise revenue and profit derived from other activities including property management, construction, mortgage and other loan financing, internet infrastructure, enabling services and department store.

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

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

2 Segment Information (cont'd)

(b) Segment assets and liabilities

The Group's assets and liabilities by reportable and operating segments are analysed as follows:

	The Company and its subsidiaries	Associates and jointly controlled entities	Total assets	Total liabilities
At 30 June 2012				
Property development				
Hong Kong	111,922	1,862	113,784	(8,915)
Mainland China	22,568	4,342	26,910	(3,476)
Singapore	–	609	609	–
	134,490	6,813	141,303	(12,391)
Property investment				
Hong Kong	186,594	30,955	217,549	(2,824)
Mainland China	49,198	4,462	53,660	(1,241)
Singapore	–	3,596	3,596	–
	235,792	39,013	274,805	(4,065)
Hotel operation	11,049	1,151	12,200	(350)
Telecommunications	6,049	–	6,049	(3,851)
Transportation, infrastructure and logistics	5,174	2,361	7,535	(1,008)
Other businesses	3,605	177	3,782	(2,755)
	396,159	49,515	445,674	(24,420)
Bank deposits and cash			14,338	–
Other financial assets			4,233	–
Bank and other borrowings			–	(71,266)
Unallocated corporate assets/(liabilities)			3,325	(1,724)
Taxation			–	(6,750)
Deferred taxation			–	(12,451)
Total assets/(liabilities)			467,570	(116,611)
At 30 June 2011				
Property development				
Hong Kong	96,446	1,901	98,347	(9,225)
Mainland China	19,593	4,984	24,577	(3,011)
Singapore	–	950	950	–
	116,039	7,835	123,874	(12,236)
Property investment				
Hong Kong	168,616	24,266	192,882	(2,607)
Mainland China	46,459	3,189	49,648	(1,323)
Singapore	–	3,195	3,195	–
	215,075	30,650	245,725	(3,930)
Hotel operation	10,760	1,212	11,972	(304)
Telecommunications	5,557	–	5,557	(3,578)
Transportation, infrastructure and logistics	5,385	2,091	7,476	(999)
Other businesses	3,037	147	3,184	(2,235)
	355,853	41,935	397,788	(23,282)
Bank deposits and cash			7,898	–
Other financial assets			4,488	–
Bank and other borrowings			–	(60,435)
Unallocated corporate assets/(liabilities)			3,023	(1,534)
Taxation			–	(5,141)
Deferred taxation			–	(10,610)
Total assets/(liabilities)			413,197	(101,002)

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

2 Segment Information (cont'd)

(c) Other segment information

The Group's depreciation and amortization and additions to segment assets by reportable and operating segments are analysed as follows:

	Depreciation and amortization charged to consolidated income			
	statement		Additions to segment assets	
	2012	2011	2012	2011
Property development for sale	11	10	29,234	22,869
Property investment for rental	–	–	4,177	6,379
Hotel operation	328	257	993	1,246
Telecommunications	602	535	940	688
Transportation, infrastructure and logistics	358	360	35	82
Other businesses	211	185	188	222
Unallocated corporate assets	28	27	18	16
	1,538	1,374	35,585	31,502

(d) Geographical information

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

	2012	2011
Hong Kong	65,270	56,959
Mainland China	2,770	5,312
Others	360	282
	68,400	62,553

An analysis of the Group's non-current assets by geographical location is as follows:

	2012			2011		
	The Company and its subsidiaries	Associates and jointly controlled entities	Consolidated	The Company and its subsidiaries	Associates and jointly controlled entities	Consolidated
Hong Kong	205,983	36,506	242,489	188,138	29,617	217,755
Mainland China	50,910	8,804	59,714	47,496	8,173	55,669
Singapore	–	4,205	4,205	–	4,145	4,145
Others	264	–	264	174	–	174
	257,157	49,515	306,672	235,808	41,935	277,743
Loan receivables			587			275
Other financial assets			3,522			3,362
Total non-current assets			310,781			281,380

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

3 Net Finance Costs

	2012	2011
Interest expenses on		
Bank loans and overdrafts	1,175	811
Other loans wholly repayable within five years	357	117
Other loans not wholly repayable within five years	416	302
	1,948	1,230
Notional non-cash interest accretion	101	97
Less : Amount capitalized	(395)	(232)
	1,654	1,095
Interest income on bank deposits	(122)	(62)
	1,532	1,033

Finance costs have been capitalized for properties under development at rates ranging from 1.98% to 8.18% per annum (2011: 1.31% to 7.04%).

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 statement of financial position 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)

4 Profit before Taxation

	2012	2011
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	21,449	23,147
Cost of other inventories sold	4,189	1,905
Depreciation and amortization of hotel properties	261	198
Depreciation of other properties, plant and equipment	927	841
Amortization of intangible assets (included in cost of sales)	350	335
Operating lease rentals for land and buildings, transmission sites and leased lines	1,072	969
Staff costs (including directors' emoluments and retirement schemes contributions)	5,054	4,471
Share-based payments	114	77
Auditors' remuneration	18	15
Impairment loss of available-for-sale investments	23	–
Fair value losses on financial assets at fair value through profit or loss	83	–
Loss on disposal of fixed assets	–	23
and crediting:		
Dividend income from:		
listed investments	96	93
unlisted investments	36	6
Interest income from:		
listed debt securities	71	86
unlisted debt securities	8	7
Profit on disposal of available-for-sale investments	65	88
Profit on disposal of financial assets at fair value through profit or loss	–	13
Fair value gains on financial assets at fair value through profit or loss	–	98
Profit on disposal of fixed assets	17	–

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

5 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	Salaries, allowances and benefits		Discretionary bonuses	Retirement scheme contributions	(Note d) Share-based payments	2012 Total emoluments	2011 Total emoluments
	Fees						
Executive Directors							
Kwok Ping-kwong, Thomas	0.15	1.88	0.21	0.17	0.81	3.22	3.87
Kwok Ping-luen, Raymond	0.31	1.93	0.22	0.18	0.81	3.45	4.10
Wong Chik-wing, Mike	0.10	10.14	6.38	0.73	0.81	18.16	17.93
Lui Ting, Victor (Note a)	0.02	1.15	1.15	0.11	0.14	2.57	–
Chan Kui-yuen, Thomas	0.13	4.61	6.52	0.43	0.81	12.50	12.79
Kwong Chun	0.10	2.46	2.10	–	0.81	5.47	5.89
Chan Kwok-wai, Patrick	0.10	5.82	8.91	0.29	1.11	16.23	14.80
Non-Executive Directors							
Lee Shau-kee	0.11	–	–	–	–	0.11	0.11
Kwok Ping-sheung, Walter	0.13	–	–	–	–	0.13	0.13
Woo Po-shing	0.10	–	–	–	–	0.10	0.10
Kwan Cheuk-yin, William	0.18	–	–	–	–	0.18	0.15
Wong Yick-kam, Michael	0.30	–	–	–	–	0.30	0.30
Independent Non-Executive Directors							
Yip Dicky Peter	0.35	–	–	–	–	0.35	0.35
Wong Yue-chim, Richard	0.22	–	–	–	–	0.22	0.22
Li Ka-cheung, Eric	0.63	–	–	–	–	0.63	0.63
Fung Kwok-lun, William	0.10	–	–	–	–	0.10	0.10
Past Directors							
Kwong Siu-hing (Note b)	0.05	–	–	–	–	0.05	0.12
Lo Chiu-chun, Clement (Note b)	0.07	–	–	–	–	0.07	0.15
Chan Kai-ming (Note c)	0.07	5.34	0.34	0.19	0.81	6.75	5.19
Total 2012	3.22	33.33	25.83	2.10	6.11	70.59	66.93
Total 2011	3.33	28.30	23.87	1.95	9.48		

The above analysis included three (2011: three) individuals whose emoluments were among the five highest pay in the Group.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

5 Directors' Emoluments and Five Highest Paid Individuals (cont'd)

Details of the emoluments paid to the remaining two (2011: two) individuals are:

	2012	2011
Salaries, allowances and benefits in kind	14.90	13.17
Discretionary bonuses	18.02	15.69
Retirement scheme contributions	1.42	1.05
Share-based payments (Note d)	15.20	1.99
	49.54	31.90

Number of employees whose emoluments fell within:

Emoluments Band		Number of employees	Number of employees
HK\$M	HK\$M		
13.5	– 14.0	–	1
14.5	– 15.0	1	–
18.0	– 18.5	–	1
34.5	– 35.0	1	–
		2	2

Notes:

- (a) Mr. Lui Ting, Victor was appointed as an Executive Director on 12 April 2012. The emoluments from 1 July 2011 up to the date of appointment as an Executive Director were HK\$14.53 million. He was one of the five highest paid individuals of the Group for the year ended 30 June 2012 with total emoluments of HK\$17.10 million.
- (b) Madam Kwong Siu-hing and Mr. Lo Chiu-chun, Clement retired from Non-Executive Director of the Company on 8 December 2011.
- (c) Mr. Chan Kai-ming ceased to be an Executive Director on 28 March 2012. His salaries, allowances and benefits included HK\$2.94 million for leave pay and service gratuity.
- (d) Share-based payments are the fair values of share options granted to employees (including directors), which are determined at the date of grant and expensed over the vesting period.

6 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 5% to 10% on the employees' salary.

With effect from 1 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 income statement as incurred.

Total contributions to the retirement schemes made by the Group during the year amounted to HK\$244 million (2011: HK\$216 million). Forfeited contributions for the year of HK\$2 million (2011: HK\$1 million) were used to reduce the existing level of contributions.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

7 Taxation

	2012	2011
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	3,313	2,608
Under provision in prior years	17	1,115
	3,330	3,723
Tax outside Hong Kong	275	503
	3,605	4,226
Deferred taxation charge		
Change in fair value of investment properties	1,156	2,682
Other origination and reversal of temporary differences	523	451
	1,679	3,133
	5,284	7,359

(a) Hong Kong profits tax is provided at the rate of 16.5% (2011: 16.5%) based on the estimated assessable profits for the year. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rate:

	2012	2011
Profit before share of results of associates, jointly controlled entities and taxation	42,938	45,403
Tax at Hong Kong profits tax rate of 16.5% (2011: 16.5%)	7,085	7,492
Effect of different tax rates of subsidiaries operating outside Hong Kong	738	2,057
Net effect of non-deductible expenses and non-taxable income	(2,588)	(3,285)
Utilization/recognition of tax losses not previously recognized	(36)	(50)
Tax losses and other temporary differences not recognized	22	45
Under provision in prior years	17	1,115
Others	46	(15)
Tax expenses	5,284	7,359

(c) During the year ended 30 June 2011, a settlement agreement was reached with Inland Revenue Department in respect of the tax assessments for certain subsidiaries of the Group for certain prior years and a total sum HK\$1,115 million was recognized by the Group for this settlement.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

8 Dividends

	2012	2011
Dividends recognized as distribution during the year:		
2011 final dividend of HK\$2.40 per share based on 2,570 million shares (2011: 2010 final dividend of HK\$1.85 per share based on 2,570 million shares)	6,168	4,755
2012 interim dividend of HK\$0.95 per share based on 2,615 million shares (2011: HK\$0.95 per share based on 2,570 million shares)	2,484	2,442
	8,652	7,197
Proposed final dividend of HK\$2.40 per share based on 2,616 million shares (2011: HK\$2.40 per share based on 2,570 million shares)	6,278	6,168

9 Earnings Per Share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK\$43,080 million (2011: HK\$48,097 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,590,366,413 (2011: 2,570,039,181). The diluted earnings per share is based on 2,590,524,743 (2011: 2,570,556,026) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 158,330 (2011: 516,845) shares deemed to be issued at no consideration if all outstanding options had been exercised.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK\$21,678 million (2011: HK\$21,479 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2012	2011
Profit attributable to the Company's shareholders as shown in the consolidated income statement	43,080	48,097
Increase in fair value of investment properties	(19,482)	(25,070)
Effect of corresponding deferred tax charges	1,156	2,682
Realized fair value gains of investment properties disposed net of deferred tax	674	378
Share of results of associates and jointly controlled entities		
– fair value gains of investment properties	(3,873)	(4,795)
– effect of corresponding deferred tax charges	57	99
	(21,468)	(26,706)
Non-controlling interests	66	88
Net effect of changes in the valuation of investment properties	(21,402)	(26,618)
Underlying profit attributable to the Company's shareholders	21,678	21,479

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

10 Investment Properties

The Group

(a) Movement during the year

	Completed	Under development	Total
Valuation			
At 1 July 2010	156,290	27,711	184,001
Additions	523	6,759	7,282
Transfer upon completion	12,193	(12,193)	–
Transfer from			
– properties under development	130	–	130
– properties for sale	–	201	201
– deposits for acquisition of properties	–	26	26
Disposals	(510)	–	(510)
Transfer to			
– properties for sale	–	(4,975)	(4,975)
– other properties	(6)	–	(6)
Exchange difference	779	865	1,644
Increase in fair value	19,304	5,766	25,070
At 30 June 2011 and 1 July 2011	188,703	24,160	212,863
Additions	574	3,602	4,176
Transfer upon completion	8,374	(8,374)	–
Transfer from			
– properties under development	–	264	264
– properties for sale	–	2,026	2,026
– other fixed assets	7	–	7
Disposals	(475)	–	(475)
Transfer to			
– properties for sale	–	(2,055)	(2,055)
– joint venture	–	(3,253)	(3,253)
– other properties	(11)	–	(11)
Exchange difference	593	250	843
Increase in fair value	17,027	2,455	19,482
At 30 June 2012	214,792	19,075	233,867

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

10 Investment Properties (cont'd)

(b) Value of properties shown above comprises:

	2012	2011
Properties in Hong Kong held under		
Long lease (not less than 50 years)	28,744	27,007
Medium-term lease (less than 50 years but not less than 10 years)	156,420	140,405
Properties outside Hong Kong held under		
Long lease (not less than 50 years)	1,417	1,309
Medium-term lease (less than 50 years but not less than 10 years)	47,286	44,142
	233,867	212,863

(c) Investment properties revaluation

The Group's investment properties were valued at 30 June 2012 and 30 June 2011 by Knight Frank Petty Limited, an independent professional valuer, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors. For the completed investment properties, valuation is arrived at on the basis of capitalization of net income with due allowance for the reversionary income potential and by making reference to comparable market sale and purchase transactions for similar properties. For the investment properties under development, valuation is arrived at by making reference to comparable market sale and purchase transactions and valuing the properties as if they were completed, taking into account construction costs already incurred and future construction costs required for completion of the development.

(d) Profit on disposal of the Group's investment properties during the year amounted to HK\$126 million (2011: HK\$193 million).

(e) Gross rental income and direct operating expenses from investment properties during the year amounted to HK\$10,915 million (2011: HK\$9,384 million) and HK\$2,787 million (2011: HK\$2,339 million) respectively.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

11 Fixed Assets

	Hotel properties	Properties under development	Other properties	Network equipment	Other fixed assets	Total
The Group						
(a) Movement during the year						
Cost						
At 1 July 2010	7,598	3,891	4,905	3,938	3,192	23,524
Additions	222	805	27	585	636	2,275
Transfer upon completion	2,339	(2,691)	260	–	92	–
Transfer from completed investment properties	–	–	6	–	–	6
Disposals	(8)	–	–	(1,044)	(141)	(1,193)
Transfer to completed investment properties	–	(130)	–	–	–	(130)
Exchange difference	–	–	–	–	13	13
At 30 June 2011 and 1 July 2011	10,151	1,875	5,198	3,479	3,792	24,495
Additions	242	737	111	728	367	2,185
Transfer upon completion	–	(161)	161	–	–	–
Transfer from completed investment properties	–	–	11	–	–	11
Disposals	–	–	–	(229)	(261)	(490)
Transfer to						
– completed investment properties	–	–	(6)	–	(8)	(14)
– investment properties under development	–	(264)	–	–	–	(264)
Exchange difference	–	–	–	–	7	7
At 30 June 2012	10,393	2,187	5,475	3,978	3,897	25,930
Accumulated depreciation						
At 1 July 2010	1,508	–	1,162	2,211	1,818	6,699
Charge for the year	198	–	107	383	351	1,039
Disposals	–	–	–	(1,014)	(134)	(1,148)
Exchange difference	–	–	–	–	9	9
At 30 June 2011 and 1 July 2011	1,706	–	1,269	1,580	2,044	6,599
Charge for the year	261	–	110	398	419	1,188
Transfer to completed investment properties	–	–	–	–	(7)	(7)
Disposals	–	–	–	(219)	(226)	(445)
Exchange difference	–	–	–	–	4	4
At 30 June 2012	1,967	–	1,379	1,759	2,234	7,339
Net book value at 30 June 2012	8,426	2,187	4,096	2,219	1,663	18,591
Net book value at 30 June 2011	8,445	1,875	3,929	1,899	1,748	17,896

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

11 Fixed Assets (cont'd)

(b) Net book value of properties shown above comprises:

	2012	2011
Properties in Hong Kong held under		
Long lease (not less than 50 years)		
Hotel properties	1,039	946
Other properties	2,280	2,296
	3,319	3,242
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	5,671	5,756
Properties under development	1,809	1,646
Other properties	1,816	1,633
	9,296	9,035
Properties outside Hong Kong held under		
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	1,716	1,743
Properties under development	378	229
	2,094	1,972
	14,709	14,249

12 Subsidiaries

The Company

	2012	2011
Unlisted shares, at cost	30,213	30,148

Particulars regarding principal subsidiaries are set out in the section headed "Principal Subsidiaries" of the Annual Report 2012.

13 Associates

The Group

	2012	2011
Unlisted shares, at cost less impairment loss	36	36
Hong Kong listed shares, at cost	585	585
Share of post-acquisition reserves	2,371	2,208
	2,992	2,829
Amounts due from associates	833	420
	3,825	3,249
Market value of Hong Kong listed shares	1,946	2,984

Amounts due from associates are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders except for the amounts of HK\$578 million (2011: HK\$165 million) which are interest bearing at market rates.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

13 Associates (cont'd)

The Group's effective interest in the revenues, results, assets and liabilities of its associates are summarised below:

	2012	2011
Non-current assets	3,212	3,887
Current assets	2,605	1,362
Current liabilities	(892)	(955)
Non-current liabilities	(1,933)	(1,465)
Net assets	2,992	2,829
Revenue	2,448	2,369
Fair value change of investment properties net of related deferred tax	104	39
Profit for the year	256	171

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2012.

14 Jointly Controlled Entities

The Group

	2012	2011
Unlisted shares, at cost less impairment loss	3,028	2,225
Share of post-acquisition reserves	31,993	28,714
	35,021	30,939
Amounts due from jointly controlled entities	10,669	7,747
	45,690	38,686

Amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders except for the amounts of HK\$4,303 million (2011: HK\$556 million) which are interest bearing at market rates.

The Group's effective interest in the revenues, results, assets and liabilities of its jointly controlled entities are summarised below:

	2012	2011
Non-current assets	54,435	55,364
Current assets	13,747	12,851
Current liabilities	(10,916)	(18,621)
Non-current liabilities	(22,245)	(18,655)
Net assets	35,021	30,939
Revenue	5,213	13,895
Fair value change of investment properties net of related deferred tax	3,712	4,657
Profit for the year	5,899	10,573

Particulars regarding principal jointly controlled entities are set out in the section headed "Principal Jointly Controlled Entities" of the Annual Report 2012.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

15 Loan Receivables

The Group

	2012	2011
Loan receivables	623	290
Less: Amount due within one year included under current assets	(36)	(15)
	587	275

Loan receivables include mortgage loan receivables which are secured on properties and repayable by monthly instalments with various tenors not more than 20 years at the year end date and carry interest at rates with reference to banks' lending rates.

As at 30 June 2012, 2% (2011: 3%) of loan receivables have been overdue but not impaired, of which 99% (2011: 100%) are aged less than three months since the due dates. These relate to a number of independent customers for whom the creditworthiness, collateral and subsequent settlement after reporting date are assessed and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of loan receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loan receivables directly. The balance and movement of the impairment allowance as at 30 June 2012 and 30 June 2011 is not significant.

16 Other Financial Assets

The Group

	2012	2011
Held-to-maturity debt securities		
Listed debt securities, overseas	–	81
Available-for-sale debt securities		
Listed debt securities, overseas	817	640
Listed debt securities, Hong Kong	151	21
Unlisted debt securities	58	59
	1,026	720
Available-for-sale equity securities		
Listed equity securities, overseas	812	633
Listed equity securities, Hong Kong	1,312	1,447
Unlisted equity securities	372	481
	2,496	2,561
	3,522	3,362
Market value of listed securities		
Listed overseas	1,629	1,354
Listed in Hong Kong	1,463	1,468
	3,092	2,822

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

17 Intangible Assets

The Group

	Concession assets	Goodwill	Telecommunications licences	Total
Cost				
At 1 July 2010	6,930	35	825	7,790
Additions	–	–	1,027	1,027
At 30 June 2011, 1 July 2011 and 30 June 2012	6,930	35	1,852	8,817
Accumulated amortization				
At 1 July 2010	3,082	–	351	3,433
Amortization	258	–	77	335
At 30 June 2011 and 1 July 2011	3,340	–	428	3,768
Amortization	258	–	92	350
At 30 June 2012	3,598	–	520	4,118
Net Book Value at 30 June 2012	3,332	35	1,332	4,699
Net Book Value at 30 June 2011	3,590	35	1,424	5,049

Concession assets represent cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructure, which have finite useful lives of 27 years, and are amortized on a straight line basis.

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. At the year end date, an impairment test was performed by comparing the carrying amount of the business with the recoverable amount.

Telecommunications licences represent the discounted value of the annual fees payable for the telecommunications licences over the licence period, which have finite useful lives ranging from 12 to 15 years, and are amortized on a straight line basis. The corresponding non-current and current portion of these contractual liabilities are recorded in other long-term liabilities and other payables respectively.

18 Properties for Sale

The Group

	2012	2011
Properties pending development for sale	47,399	46,826
Properties under development for sale	54,325	41,796
Stock of completed properties for sale	15,420	10,239
	117,144	98,861

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

19 Debtors, Prepayments and Others

	Notes	2012		2011	
		The Group	The Company	The Group	The Company
Debtors, deposits and prepayments		18,546	–	17,759	7
Deposits for acquisition of properties		4,590	–	5,012	–
Amounts due from customers for contract works	19a	81	–	67	–
Short-term loans		109	–	53	–
Derivative financial instruments	19b	833	–	562	–
		24,159	–	23,453	7

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

Included in debtors, prepayments and others of the Group are trade debtors of HK\$12,846 million (2011: HK\$13,713 million), of which 94% (2011: 97%) are aged less than 60 days, 1% (2011: 1%) between 61 to 90 days and 5% (2011: 2%) more than 90 days.

As at 30 June 2012, 11% (2011: 8%) of trade debtors are past due but not impaired, of which 78% (2011: 89%) are aged less than three month since the due dates. These relate to a number of independent customers for whom there is no recent history of default and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The balance and movement of the impairment allowance as at 30 June 2012 and 30 June 2011 is not significant.

19a. Amounts due from/(to) customers for contract works

The Group

	Notes	2012	2011
Contract costs incurred plus recognized profits			
less recognized losses		646	242
Less: Progress billings		(585)	(196)
		61	46
Represented by:			
Due from customers included in current assets	19	81	67
Due to customers included in current liabilities	24	(20)	(21)
		61	46

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

19 Debtors, Prepayments and Others (cont'd)

19b. Derivative financial instruments

	Notes	2012		2011	
		Assets	Liabilities	Assets	Liabilities
Fair value hedges	19 & 24				
– interest rate swaps		689	–	560	–
– currency swaps		144	–	2	2
		833	–	562	2
Cash flow hedges					
– interest rate swap		–	–	–	1

At the year end 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 swaps (to hedge principal repayment of foreign currency debt) analysed as follows:

	Notional principal amount	
	2012	2011
Fixed-to-floating interest rate swaps maturing		
Within one year	150	371
After one year, but within five years	2,200	2,350
After five years	1,923	1,923
	4,273	4,644
Currency swaps maturing		
Within one year	140	312
After one year, but within five years	490	140
After five years	3,880	–
	4,510	452

The fixed-to-floating interest rate swaps converted the fixed rates to floating rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a weighted average margin of 0.48% (2011: 0.47%) per annum. The currency swaps converted the foreign currency interest rates to Hong Kong dollars fixed and floating rates at effective rate of 4.11% and HIBOR plus weighted average margin of 1.65% respectively. The swaps are measured at fair value at the year end date and the increase in fair value during the year in the amount of HK\$273 million (2011: HK\$17 million) along with the corresponding increase in fair value of the hedged borrowings attributable to the hedged risk of the same amount has been recognized in income statement.

The swap which had converted the floating rate to fixed rate at 2.66% was expired during the year. At the year end date, there was no floating-to-fixed interest rate swap outstanding. At at 30 June 2011, the Group had outstanding cash flow hedge in respect of floating-to-fixed interest rate swap to hedge the exposure to variability in cash flows of the Group's floating interest rate borrowing analyzed as follows :

	Notional principal amount	
	2012	2011
Floating-to-fixed interest rate swap maturing		
Within one year	–	100

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

20 Amounts due from Subsidiaries

The Company

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

21 Other Financial Assets

The Group

	2012	2011
Financial assets at fair value through profit or loss		
Listed equity securities, overseas	30	32
Listed equity securities, Hong Kong	558	612
	588	644
Available-for-sale debt securities maturing within one year		
Listed debt securities, overseas	24	141
Listed debt securities, Hong Kong	20	–
	44	141
Held-to-maturity debt securities maturing within one year		
Listed debt securities, overseas (Market value: HK\$78 million (2011: HK\$265 million))	79	262
Unlisted debt securities, overseas (2011 Market value: HK\$81 million)	–	79
	79	341
	711	1,126

22 Bank Deposits and Cash

Deposits with banks are interest bearing at prevailing market rates. About 35% (2011: 59%) of the Group's bank deposits and cash are denominated in Hong Kong dollars, 44% (2011: 23%) in United States dollars, 20% (2011: 16%) in Renminbi and 1% (2011: 2%) in other currencies.

23 Bank and Other Borrowings

The Group

	Note	2012	2011
Unsecured bank overdrafts		86	76
Long-term bank and other borrowings due within one year	25	9,715	9,606
		9,801	9,682

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

24 Trade and Other Payables

	Notes	2012		2011	
		The Group	The Company	The Group	The Company
Creditors and accrued expenses		20,206	40	17,686	20
Amounts due to customers for contract works	19a	20	-	21	-
Amounts due to non-controlling interests		2,030	-	2,742	-
Derivative financial instruments	19b	-	-	3	-
		22,256	40	20,452	20

Included in trade and other payables of the Group are trade creditors of HK\$2,283 million (2011: HK\$2,179 million), of which 72% (2011: 68%) are aged less than 60 days, 2% (2011: 2%) between 61 to 90 days and 26% (2011: 30%) more than 90 days.

The amounts due to non-controlling interests are interest free, unsecured and have no fixed terms of repayment.

25 Bank and Other Borrowings

The Group

	2012	2011
Unsecured bank overdrafts	86	76
Long-term bank and other loans	71,180	60,359
	71,266	60,435

The maturity of the Group's long-term bank and other loans are as follows:

	Note	2012	2011
Secured bank loans repayable			
Within one year		5,119	150
After one year, but within two years		57	3,824
After two years, but within five years		725	910
After five years		56	-
		5,957	4,884
Unsecured bank loans repayable			
Within one year		1,453	7,089
After one year, but within two years		8,742	16,858
After two years, but within five years		24,828	14,316
		35,023	38,263
Other unsecured loans repayable			
Within one year		2,643	2,367
After one year, but within two years		-	2,652
After two years, but within five years		11,940	2,690
After five years		15,117	9,503
		29,700	17,212
Amount due to a related company repayable			
Within one year		500	-
		71,180	60,359
Less: Amount due within one year included under current liabilities	23	(9,715)	(9,606)
		61,465	50,753

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

25 Bank and Other Borrowings (cont'd)

The fair values of the long-term borrowings as estimated by discounting their future cash flows at the prevailing market borrowing rates at the year end date for similar borrowings are as follows:

	Carrying amount		Fair value	
	2012	2011	2012	2011
Secured bank loans	838	4,734	838	4,734
Unsecured bank loans	33,570	31,174	33,570	31,174
Other unsecured loans	27,057	14,845	28,565	15,489
	61,465	50,753	62,973	51,397

- (a) As at 30 June 2012, the Group had entered into fixed-to-floating interest rate swaps in the aggregate notional amount of HK\$4,273 million (2011: HK\$4,644 million) to hedge the fair value interest rate risk of certain fixed interest rate borrowings (see note 19b). These borrowings and the related hedging derivatives are reported at fair value through income statement.
- (b) Secured bank loans related to bank borrowings of the Group's subsidiaries which are secured by way of legal charges over certain of its assets and business undertakings.
- (c) The above bank loans and other loans are repayable on various dates up to June 2027 (2011: June 2026) and carry interest, after hedging where appropriate, at effective rate per annum of 3.02% (2011: 2.32%) at the year end date.
- (d) The carrying amount of the gross borrowings by currency (after currency swaps) is as follows:

	2012	2011
Hong Kong dollars	44,672	44,968
United States dollars	13,989	4,946
Renminbi	12,529	10,448
Other currency	76	73
	71,266	60,435

- (e) The amount due to a related company is unsecured, bears interest at effective rate per annum of 0.48% by reference to HIBOR plus a margin and has fixed term of repayment. The related company is a company controlled by certain discretionary trusts where certain directors of the Company are the beneficiaries of those trusts.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

26 Deferred Taxation

The Group

The components of the carrying amount of deferred tax balances and the movements during the year are as follows:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Others	Total
At 1 July 2010	2,750	5,079	(648)	8	7,189
Charged to income statement	423	2,682	17	11	3,133
Exchange difference	20	269	(1)	–	288
At 30 June 2011 and 1 July 2011	3,193	8,030	(632)	19	10,610
Charged to income statement	380	1,156	132	11	1,679
Exchange difference	9	153	(1)	1	162
At 30 June 2012	3,582	9,339	(501)	31	12,451

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK\$3,421 million (2011: HK\$3,050 million), of which 7 million (2011: NIL) of tax losses will expire at various dates up to 2017 (2011: NIL). Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

27 Other Long-Term Liabilities

The Group

	2012	2011
Asset retirement and other obligations	61	58
Contractual obligations for telecommunications licences	707	781
	768	839

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

28 Share Capital

	2012		2011	
	Number of shares in million	Amount	Number of shares in million	Amount
Authorized :				
Ordinary shares of \$0.50 each				
At beginning and end of year	2,900	1,450	2,900	1,450
Issued and fully paid :				
Ordinary shares of \$0.50 each				
At beginning of year	2,570	1,285	2,570	1,285
Issue of shares in lieu of cash dividends	46	23	–	–
At end of year	2,616	1,308	2,570	1,285

On 19 January 2012, the Company issued and allotted 45,146,171 new fully paid shares of HK\$0.50 each in the Company at HK\$95.02 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2011 final dividends pursuant to the scrip dividend schemes announced by the Company on 19 December 2011. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 27 April 2012, the Company issued and allotted 550,692 new fully paid shares of HK\$0.50 each in the Company at HK\$117.10 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2012 interim dividends pursuant to the scrip dividend schemes announced by the Company on 19 March 2012. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

29 Share Option Schemes

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, 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 share option scheme granted by the Company and the assessment of fair value of the share options granted during the year are set out in the Directors' Report of the Annual Report 2012.

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. During the year, 2,982,000 share options were granted at HK\$1.00 per lot to a number of directors and employees of the Company and its subsidiaries to subscribe for 2,982,000 ordinary shares in the Company.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

29 Share Option Schemes (cont'd)

The New Scheme (cont'd)

- (i) Movements in share options to subscribe for ordinary shares in the Company under the New Scheme during the year are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2011	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	At 30 June 2012
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	4,704,000	-	-	(224,000)	4,480,000
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	-	2,982,000	-	(116,000)	2,866,000
			4,704,000	2,982,000	-	(340,000)	7,346,000
Weighted average exercise prices (HK\$)			111.40	116.90	-	113.28	113.55

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2010	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	At 30 June 2011
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	-	4,840,000	-	(136,000)	4,704,000
			-	4,840,000	-	(136,000)	4,704,000
Weighted average exercise prices (HK\$)			-	111.40	-	111.40	111.40

30 Share Premium and Reserves

The Company

	Share premium	Capital reserve	Retained profits	Total
At 1 July 2010	36,451	5,281	66,288	108,020
Profit for the year	-	-	18,431	18,431
Final dividend paid for the year ended 30 June 2010	-	-	(4,755)	(4,755)
Interim dividend paid for the year	-	-	(2,442)	(2,442)
Recognition of equity-settled share-based payments	-	74	-	74
At 30 June 2011 and 1 July 2011	36,451	5,355	77,522	119,328
Premium arising from issue of shares, net of expenses	4,331	-	-	4,331
Profit for the year	-	-	14,566	14,566
Final dividend paid for the year ended 30 June 2011	-	-	(6,168)	(6,168)
Interim dividend paid for the year	-	-	(2,484)	(2,484)
Recognition of equity-settled share-based payments	-	65	-	65
At 30 June 2012	40,782	5,420	83,436	129,638

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2012 amounted to HK\$83,436 million (2011: HK\$77,522 million).

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

31 Notes to Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	2012	2011
Operating profit before change in fair value of investment properties	24,988	21,366
Depreciation and amortization	1,538	1,374
Impairment of assets	23	444
Loss on disposal of subsidiaries	-	2
Profit on disposal of investment properties	(126)	(193)
(Profit)/loss on disposal of fixed assets	(17)	23
Profit on disposal of available-for-sale investments	(65)	(88)
Dividend income from investments	(132)	(99)
Interest income	(139)	(170)
Share-based payments	114	77
Exchange difference	46	197
Operating profit before changes in working capital	26,230	22,933
Decrease in properties for sale	11,276	15,986
Additions to properties pending development for sale	(29,090)	(22,806)
Increase in debtors, prepayments and others	(251)	(10,305)
Decrease/(increase) in financial assets at fair value through profit or loss	56	(108)
Increase in trade and other payables	2,347	1,483
Decrease in deposits received on sales of properties	(405)	(7,147)
Cash generated from operations	10,163	36

(b) Disposal of subsidiaries and assets

Analysis of assets and liabilities over which control was lost:

	2012	2011
Net assets disposed of:		
Deposit for acquisition of properties	-	228
Debtors, deposits and prepayments	-	493
Bank deposits and cash	-	38
Trade and other payables	-	(141)
	-	618
Loss on disposal of subsidiaries:		
Consideration received	-	528
Deferred consideration	-	30
Total consideration received and receivable	-	558
Net assets disposed of	-	(618)
Non-controlling interests	-	11
Cumulative exchange difference	-	47
	-	(2)
	2012	2011
Net cash inflow on disposal of subsidiaries:		
Consideration received	-	528
Bank deposits and cash disposed of	-	(38)
	-	490

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

31 Notes to Consolidated Statement of Cash Flows (cont'd)

(c) Analysis of the balance of cash and cash equivalents at end of year

	2012	2011
Bank deposits and cash	14,338	7,898
Bank overdrafts	(86)	(76)
	14,252	7,822
Less: Pledged bank deposits	(9)	(411)
	14,243	7,411

32 Jointly Controlled Assets

The Group

At the year end date, the aggregate amounts of assets and liabilities recognized in the consolidated financial statements relating to the Group's interests in jointly controlled assets are as follows :

	2012	2011
Investment properties	12,233	10,249
Stocks of completed properties for sale	142	190
	12,375	10,439
Trade and other payables	289	225
Taxation	43	58
Deferred taxation	93	70
	425	353
Revenue	646	867
Expenses	198	410

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

33 Related Party Transactions

During the year, the Group undertook various transactions with related parties. The following is a summary of significant transactions, in addition to those disclosed elsewhere in the financial statements, between the Group and related parties, which were carried out in the normal course of the Group's business at similar terms to other customers or suppliers and at market prices:

		Associates		Jointly controlled entities	
		2012	2011	2012	2011
Interest income	(a)	3	–	60	101
Rental income	(b)	–	–	1	1
Rental expenses	(b)	1	–	37	29
Other revenue from services rendered	(c)	103	93	144	1,002
Purchase of goods and services	(c)	–	–	319	322

- (a) The outstanding balances with associates and jointly controlled entities at the year end date are disclosed in notes 13 and 14 respectively.
- (b) The Group has, in the normal course of its business, entered into lease agreements to lease premises to and from related parties. The leases were entered into on normal commercial terms.
- (c) Purchase of goods from and rendering of services to related parties were conducted in the normal course of business at prices and on terms comparable to those contracted with other suppliers/customers of the Group.
- (d) A related company has provided a loan of HK\$500 million to the Group in June 2012. Interest expense for the year is HK\$14,991. The outstanding balance and terms of the loan are disclosed in note 25(e). This loan is a connected transaction which fulfils certain requirements contained in Rule 14A.65(4) of the Listing Rules. It is exempt from any disclosure or other obligations under Chapter 14A of the Listing Rules.

Emoluments to directors (being the key management personnel compensation) are disclosed in note 5.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

34 Contingent Liabilities and Commitments

The Group

At the year end date, the Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

	2012	2011
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	2,424	2,941
Authorized but not contracted for	1,725	2,272
(b) The Group's share of capital commitments of jointly controlled entities		
Contracted but not provided for	866	246
(c) Guarantees given to banks and financial institutions for the borrowings of jointly controlled entities of HK\$1,235 million (2011: an associate and jointly controlled entities of HK\$1,646 million) and other guarantees of HK\$4 million (2011: HK\$4 million).		

The Company

At the year end 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:

	2012	2011
Subsidiaries	65,148	55,636
An associate	–	363
Jointly controlled entities	808	922
	65,956	56,921

35 Operating Lease

At the year end date, the future aggregate minimum lease income receivable by the Group under non-cancellable operating leases for land and buildings is analysed as follows:

	2012	2011
Not later than one year	9,814	8,331
Later than one year but not later than five years	12,683	10,369
Later than five years	1,948	1,627
	24,445	20,327

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

35 Operating Lease (cont'd)

At the year end date, the future aggregate minimum lease charges payable by the Group under non-cancellable operating leases for land and buildings, transmission sites and leased lines is analysed as follows:

	2012	2011
Not later than one year	903	704
Later than one year but not later than five years	1,066	735
Later than five years	789	583
	2,758	2,022

36 Charges of Assets

At the year end date, certain bank deposits of the Group's subsidiary, SmarTone Telecommunications Holdings Limited, in the aggregate amount of HK\$9 million have been pledged for securing guarantees issued by the banks. (2011: HK\$411 million pledged for securing bank guarantees and performance bonds related to telecommunications licences).

At the year end date, certain assets of the Group's subsidiaries with an aggregate carrying value of approximately HK\$22,362 million (including bank deposits and cash of HK\$9 million) (2011: HK\$20,274 million (including bank deposits and cash of HK\$8 million)) have been charged to secure its bank borrowings.

37 Critical Accounting Judgements and Estimations

In the application of the Group's accounting policies, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions used in preparing the financial statements are continually evaluated based on historical experience and other factors that are considered relevant, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Fair value of investment properties

At each year end date, the Group's investment properties are stated at fair value based on the valuation carried out by an independent qualified professional valuer. In determining the fair value, the valuer has based on market value basis which takes into account, inter-alia, certain estimates, including open market rents, appropriate capitalization rates, reversionary income potential, redevelopment potential and comparable market transactions. The management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable.

(b) Impairment of assets

Assets including goodwill and intangible assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. Estimating the value in use of an asset involves estimating the future cash flows expected to arise from its continuing use and from its disposal at the end of its useful life and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

37 Critical Accounting Judgements and Estimations (cont'd)

(c) *Income taxes*

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(d) *Recognition of deferred tax assets*

The amount of the deferred tax assets included in the financial statement of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgements, based on assessment regarding future financial performance, about the amount of future taxable profits and the timing of when these will be realized.

(e) *Assessment of useful economic lives*

Fixed assets and intangibles (other than goodwill) are depreciated or amortized over their useful economic lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value.

(f) *Fair value of financial instruments*

Financial instruments such as available-for-sale securities and derivative financial instruments are measured in the financial statements at fair values. The management uses its judgement in selecting the appropriate valuation technique for financial instruments that are not quoted in an active market. For derivative financial instruments such as interest rate swaps and currency swaps, assumptions are made based on inputs supported by observable market prices or rates.

38 Financial Risk Management

The Group's major financial instruments include investments, amounts due from associates and jointly controlled entities, loans receivables, trade debtors, bank deposits and cash, trade creditors, bank and other borrowings and other long-term liabilities. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments are managed by the Group's financial management policies and practices described below:

(a) *Foreign currency risk*

Foreign currency exposure does not pose a significant risk for the Group as most of the Group's assets, operational cash flows and borrowings are mainly denominated in Hong Kong dollars. The Group aims to minimize its currency risk using forward contracts where feasible and cost effective. The Group's primary foreign currency exposures arise mainly from the property development and investment activities in Mainland China and Singapore, whose net assets are exposed to foreign currency translation risk. Where appropriate, the Group seeks to finance these investments through borrowings denominated in the relevant foreign currencies. Exchange differences arising from the translation of the net investment in these Mainland China and Singapore subsidiaries, associates and jointly controlled entities have been dealt with as an equity movement.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(a) Foreign currency risk (cont'd)

The Group is also exposed to foreign currency risk in respect of its foreign currency borrowings, mainly denominated in United States dollars. Where appropriate, the Group may enter into currency swaps to hedge the currency risks associated with its borrowings. Foreign currency exposure of the Group's other monetary assets/liabilities is minimal.

At 30 June 2012, it is estimated that a 10% increase/decrease in exchange rate of Hong Kong dollars against all other currencies, with all other variables held constant, would increase/decrease the profit before taxation for the year by approximately HK\$510 million (2011: HK\$180 million). The equity would be decreased/increased by HK\$102 million (2011: HK\$86 million).

(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 interest rate risks arise principally from borrowings. Borrowings raised at floating rates expose the Group to cash flow interest rate risk. Interest rate risk is managed by the Group's senior management through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to the Group's businesses and investments.

The Group's borrowings are principally arranged on a floating rate basis. When appropriate, interest rate swaps are used to hedge and manage its long-term interest rate exposure. Speculative derivative transactions are strictly prohibited.

As at 30 June 2012, it is estimated that an increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the profit before taxation for the year by approximately HK\$254 million (2011: HK\$391 million).

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the year end date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for financial year 2011.

(c) Price risk

The Group is exposed to price risk through the Group's certain available-for-sale investments and other financial assets that are measured at fair value at each year end date with reference to the quoted market prices. 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.

As at 30 June 2012, it is estimated that an increase/decrease of 10% in equity prices, with all other variables held constant, would increase/decrease the profit before taxation for the year and total equity by approximately HK\$55 million and HK\$319 million, respectively (2011: HK\$62 million and HK\$294 million, respectively).

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(d) Credit risk

The Group's credit risk is primarily attributable to trade debtors, derivative financial instruments and deposits with banks and financial institutions and held-to-maturity debt securities.

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 year end 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 held-to-maturity debt securities are generally limited to issuers of sound credit and rating.

The Group has no significant concentration of credit risk. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the financial statement after deducting any impairment loss. Except for the financial guarantees given by the Company as set out in note 34, the Group does not provide any other guarantee which would expose the Group to material credit risk.

(e) Liquidity risk

The Group's financial and treasury activities are centrally managed and controlled at the corporate level. 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 undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following tables detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

As at 30 June 2012	Notes	Total contractual undiscounted cash flow					
		Carrying amount	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years	
Creditors and accrued expenses	24	20,206	20,212	14,865	1,588	3,556	203
Amounts due to non-controlling interests	24	2,030	2,030	1,492	-	538	-
Bank and other borrowings	23 & 25	71,266	81,049	11,836	10,459	40,823	17,931
Other long-term liabilities	27	768	1,081	-	183	610	288
Derivative financial instruments	19b	-	-	-	-	-	-
		94,270	104,372	28,193	12,230	45,527	18,422

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(e) Liquidity risk (cont'd)

As at 30 June 2011	Notes	Carrying amount	Total contractual undiscounted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	24	17,686	17,689	13,385	1,145	2,981	178
Amounts due to non-controlling interests	24	2,742	2,742	2,204	–	538	–
Bank and other borrowings	23 & 25	60,435	66,276	11,120	24,509	19,779	10,868
Other long-term liabilities	27	839	1,254	–	173	580	501
Derivative financial instruments	19b	3	4	4	–	–	–
		81,705	87,965	26,713	25,827	23,878	11,547

(f) Fair values

Listed investments are stated at quoted market prices. Unlisted equity investments for which fair values cannot be reliably measured are stated at cost less impairment losses.

The fair values of trade receivables, bank deposits, trade payables, accruals and short-term borrowings approximate to their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of currency swap contracts is determined using quoted forward exchange rates at the year end date.

The carrying amounts of mortgage loan receivables, which carry variable interest rates and reprice with reference to market changes, approximate their fair values.

The carrying amounts of other financial assets and liabilities in the financial statements are not materially different from their fair values.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(f) Fair values (cont'd)

The following tables present the carrying value of financial instruments that are measured at fair value at end of reporting date, categorised across the levels of fair value hierarchy defined as follows:

Level 1 Fair values measured at quoted prices (unadjusted) in active markets.

Level 2 Fair values measured using inputs other than quoted prices where those inputs are based on observable market data.

As at 30 June 2012

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities			
Listed debt securities, overseas	841	-	841
Listed debt securities, Hong Kong	171	-	171
Unlisted debt securities	58	-	58
Available-for-sale equity securities			
Listed equity securities, overseas	812	-	812
Listed equity securities, Hong Kong	1,312	-	1,312
Unlisted equity securities	-	212	212
Financial assets at fair value through profit or loss			
Listed equity securities, overseas	30	-	30
Listed equity securities, Hong Kong	558	-	558
Derivative financial instruments			
Interest rate swaps	-	689	689
Currency swaps	-	144	144
	3,782	1,045	4,827
Financial liabilities			
Derivative financial instruments			
Interest rate swap	-	-	-
Currency swaps	-	-	-
	-	-	-

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(f) Fair values (cont'd)

As at 30 June 2011

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities			
Listed debt securities, overseas	781	–	781
Listed debt securities, Hong Kong	21	–	21
Unlisted debt securities	59	–	59
Available-for-sale equity securities			
Listed equity securities, overseas	633	–	633
Listed equity securities, Hong Kong	1,447	–	1,447
Unlisted equity securities	–	328	328
Financial assets at fair value through profit or loss			
Listed equity securities, overseas	32	–	32
Listed equity securities, Hong Kong	612	–	612
Derivative financial instruments			
Interest rate swaps	–	560	560
Currency swaps	–	2	2
	3,585	890	4,475
Financial liabilities			
Derivative financial instruments			
Interest rate swap	–	1	1
Currency swaps	–	2	2
	–	3	3

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

39 Capital Management

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business and to continue to provide returns for shareholders while maintaining a prudent level of financial leverage.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net debt-to-shareholders' funds ratio. For this purpose the Group defines net debt as total borrowings less bank deposits and cash. Shareholders' funds comprise share capital, share premium and reserves attributable to the Company's shareholders as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt-to-shareholders' funds ratios at the year end were as follows:

	2012	2011
Secured bank loans	5,957	4,884
Unsecured bank and other loans	65,309	55,551
Total borrowings	71,266	60,435
Less: Bank deposits and cash	(14,338)	(7,898)
Net debt	56,928	52,537
Shareholders' funds	346,559	306,965
Net debt-to-shareholders' funds ratio	16.4%	17.1%

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 114 to 175 were approved by the board of directors on 13 September 2012.

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 following list contains only the particulars of subsidiaries as at 30 June 2012 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal subsidiaries were incorporated and are operating in Hong Kong, unlisted and are indirectly held by the Company.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
SUNeVision Holdings Ltd. (Listed in Hong Kong)	2	74.04	Provision of data centre, facilities management, web applications and value added services and installation and maintenance services	232,222,953
SmarTone Telecommunications Holdings Limited (Listed in Hong Kong)	3	66.51	Mobile telephone system operation	103,672,114
Sun Hung Kai Real Estate Agency Limited	6	100	General management & agency	1,000,000
New Town (N.T.) Properties Limited	7	100	Investment holding	2,287,658,338
Hung Kai Finance Company, Limited	9	100	Registered deposit-taking company	100,000,200
Fidelity Finance Company, Limited	6	100	Finance	200
Honour Finance Company, Limited	6	100	Finance	500,000
Sun Hung Kai Properties (Financial Services) Limited	6	100	Finance	100,000
Sun Hung Kai Properties Insurance Limited	6	100	General insurance	75,000,000
Sun Hung Kai Architects and Engineers Limited	6	100	Architectural & engineering	350,000
Sanfield Building Contractors Limited		100	Building construction	12,600,000
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	6	100	Property & facility management	10,000
Mantegna Investment Company Limited	1	100	Property investment	2
				(Note 10) 9,999,998
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 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
Artisland Properties Investment Limited	1	100	Property investment	US\$1
Assured Outcome Limited	1	100	Property investment	US\$1

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
Barnard Enterprises Limited	1	75	Property investment	US\$100
Beauty Marble Investment Limited		100	Property investment	2
Beijing Sun Dong An Co., Ltd.	5a	100	Property investment	US\$129,000,000*
Best Winners Limited	1	100	Property investment	US\$1
Biliboss Ltd.	1	100	Property investment	US\$1
Billion Great Investment Limited		100	Property development	2
Branhall Investments Limited	1	100	Property investment	2
		100		(Note 10) 39,999,998
Buratto Limited	1	100	Property investment	US\$1
Cheerlord Investment Ltd.	1	100	Property investment	US\$1
成都忠捷置業有限公司	5b	91	Property development	RMB213,000,000*
City Lion Investment Limited	1	100	Property investment	US\$1
City Success Limited		100	Property development and investment	2
Connick Limited	1	100	Property investment	US\$1
Cranejoy Limited		100	Property development	350,000,000
Crown World Investment Limited		100	Property development and investment	1
Dictado Company Limited		100	Property investment	200
Dipende Limited	1	100	Property investment	US\$1
Ease Gold Development Limited		100	Property development	2
Easywise Limited		64.3	Property development	1
Entero Company Limited	8	100	Property investment	200
Even Decade Limited	1	100	Property investment	US\$1
Ever Channel Limited		100	Property investment	2
Ever Crystal Limited		100	Property investment	1
Ever Fast Limited		100	Property development and investment	2
Evermax Development 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
Fill Year Limited		100	Property development	2
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
Fortin International Limited	1	100	Property development and investment	US\$1
Fortune Honor Limited		100	Property investment	2
Fortune Yield Investment Limited		100	Property investment	2
佛山市新普房地產開發有限公司	5c	100	Property development and investment	US\$34,000,000*
佛山市新升房地產開發有限公司	5c	80	Property development	US\$70,000,000*
佛山市新鋒房地產開發有限公司	5c	80	Property development	US\$194,000,000*
佛山市新晉房地產開發有限公司	5c	80	Property development	US\$70,000,000*
佛山市新駿房地產開發有限公司	5c	80	Property development	US\$77,000,000*
佛山市新昊房地產開發有限公司	5c	80	Property development	US\$98,000,000*
佛山市新匯房地產開發有限公司	5c	80	Property development	US\$98,000,000*
佛山市新景房地產開發有限公司	5c	80	Property development	US\$77,000,000*

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
東莞創紀房地產開發有限公司	5c	100	Property development	US\$121,000,000*
Full Market Limited		100	Property investment	2
Garudia Limited		100	Property investment	2
General Winner Limited		100	Property development	1
Gleamland Limited	1	100	Property investment	US\$1
Golden Square Properties Enterprises Limited	1	100	Property investment	2
		100		(Note 10) 999,998
Good Venture Limited		100	Property development	1
Goodwick Limited		100	Property development and investment	1
Group Allied Limited		100	Property development and investment	1
廣州九龍湖房地產開發有限公司	5c	60	Property development	604,965,400*
廣州新天房地產發展有限公司	5b	70	Property development	RMB798,000,000*
廣州市匯信房地產開發有限公司	5a	95	Property development	RMB82,000,000*
廣州市佳俊房地產開發有限公司	5c	100	Property development	RMB97,200,000*
Harbour Vantage Limited		100	Property development	2
Headmaster Assets Limited	1	100	Property investment	US\$1
Hero Town Limited	1	100	Property investment	US\$86,500,001
Herowell Limited		100	Property investment	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		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
Joinyield Limited		100	Property development and investment	1
Jugada Company Limited		100	Property investment	2
Kamchatka Company Limited		100	Property investment	200
Kamsford Hong Kong Limited		100	Property investment	16,500,000
Kartasun Limited		100	Property investment	2
Kimrose Investments Ltd.	1	100	Property investment	US\$1
Kintech Investment Limited		100	Property development	1
Laboster Company Limited	6	100	Property investment	2
Lanecove Enterprise Limited	1	100	Property investment	US\$1
Lansmart Limited		100	Property development	2
Large City Investments Limited	1	100	Property investment	US\$1
Lee Bit Kai Investment Company Limited	6	100	Property investment	1,000
Leverson Limited	1, 6	100	Property investment and hotel management	US\$1
Long Tesak Company Limited		100	Property investment	100,000
Lonsale Company Limited		100	Property investment	2
Lorient Holdings Ltd.	1	100	Property investment	US\$1
Lunalite Company Limited		100	Property investment	2

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
Manceton Limited		100	Property investment	2
Masston Limited		100	Property investment	1
Maxwear Limited	1	100	Property investment	US\$1
Mighty Choice Assets Limited	1	100	Property investment	US\$1
Mindano Limited		100	Property investment	10,000
Moscova Company Limited	6	100	Property investment	200
Nixon Cleaning Company Limited		100	Cleaning service	100,000
Obvio Yip Company Limited	6	100	Property development and investment	15,000,000,000
Open Step Limited		60	Property investment	10
Oriental Way Limited		100	Hotel development	1
Pacotilla Company Limited		100	Property investment	200
Partner Sino Assets Limited	1	100	Property investment	US\$1
Pawling Limited	1	100	Property investment	US\$1
Polarland Limited		100	Property development	1
Pontamell Limited	1	100	Property investment	US\$1
Potential Area Limited	1	100	Property investment	US\$1
Profit Richness Ltd.	1	100	Property investment	US\$1
Protasan Limited		100	Property investment	100
Rinnovare Limited	1	100	Property investment	US\$1
Route 3 (CPS) Company Limited		70	Toll road operation	10,000
Senmark Limited		100	Hotel development	2
Shanghai Central Plaza Property Co., Ltd.	5a	80	Property investment	US\$42,000,000*
Shanghai International Commerce Centre Co., Ltd.	5c	100	Property investment	US\$290,500,000*
Shanghai SHK International Commerce Centre Co., Ltd.	5c	100	Property investment	US\$90,000,000*
Shanghai Xin Zhong Hui Property Co., Ltd.	5c	100	Property investment	US\$35,000,000*
Sun Hung Kai Development (Zhang Yang) Ltd.	5c	100	Property development and investment	US\$165,000,000*
Sharp Act Investments Limited	1	100	Property investment	US\$1
Shubbery Company Limited		100	Property investment	200
Shunyue Investments Limited	1	100	Property investment	US\$1
Smart Globe Limited		100	Property development	1
Smithtown Investments Limited	1	100	Property investment	US\$1
Solar Kingdom Limited		100	Property investment	2
Speed Wise Limited	6	100	Property investment	2
Speedway Assets Limited	1	100	Property investment	US\$1
Standard Top Limited		100	Property investment	2
Standtex Limited		100	Property development	1
Startrack Company Limited		100	Property investment	200
Sun Carol Company Limited		100	Property investment	200
Sun Hung Kai Development (China) Limited		100	Investment holding	20,000,000
Sun Hung Kai Development (Lujiazui I) Ltd.	5c	100	Property investment	US\$214,482,000*
Sun Hung Kai Development (Lujiazui II) Ltd.	5c	100	Property investment	US\$121,355,000*

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
Sun Hung Kai ICC (Nanjing) Co., Ltd.	5c	100	Property development and investment	RMB721,914,400*
Sun Hung Kai ICC (Suzhou) Co., Ltd.	5b	90	Property development and investment	RMB1,800,000,000*
新地投資(廣州)有限公司	5c	100	Investment holding	US\$90,000,000*
Sun Hung Kai Secretarial Services Limited	6	100	Secretarial services	200
Sun Yuen Long Centre Management Company Limited		100 75	Property investment and management	(Note 11) 25,000 (Note 12) 25,000
Sunfez Company Limited		100	Property investment	200
Suniland Limited		100	Property development	2
Sunrit Enterprises Limited		100	Property investment	4,000,000
Tainam Holdings Limited	1	100	Property investment	US\$1
Ten Choice Development Limited		100	Property investment	2
Tenuta Limited	1	100	Property investment	US\$1
Tipro Development Limited		100	Property investment	1,000,000
Tonthai Investment Enterprises Limited	1	100	Property investment	US\$1
Town Descant Company Limited		100	Property investment	200
Transport Infrastructure Management Limited		100	Road management	70,000,000
Tsi Mai Company Limited		100	Property investment	200
Uniland Investment Enterprises Limited	1	100	Property investment	US\$1
United Way Investments Limited	4, 6	100	Owner of trade mark	US\$1
		100		(Note 10) US\$83,400
Upper Hill Company Limited	1	100	Property investment	US\$1
Vast Earn Property Corp.	1	100	Property investment	US\$2
Wai Hung Development Company Limited	6	100	Investment holding and property investment	70,000
Warrior Company Limited		100	Property investment	300
Well Famous Enterprise Limited		100	Property investment	1
Well Logic Properties Investment Limited	1	100	Property investment	US\$1
Wellden Limited		100	Property investment	2
Wetland Park Management Service Limited		100	Property development	2
Wilson Parking (Holdings) Limited		100	Investment holding and carpark operation	1,000
Winner Land Enterprises Limited		100	Property investment	2
Wisecity Development Limited		100	Property development	2
Wonder Charm Assets Limited	1	100	Property investment	US\$1
WTC (Club) Limited		100	Club management	200
YATA Limited		100	Department store operation	30,000,000
Zarabanda Company Limited		100	Property investment	2
Zhongshan SHKP Taoyuan Real Estate Development Co. Ltd.	5a	75	Property development	40,000,000*

Principal Subsidiaries

- Notes:
1. *Incorporated in the British Virgin Islands and operating in Hong Kong.*
 2. *Incorporated in the Cayman Islands and operating in Hong Kong.*
 3. *Incorporated in Bermuda and operating in Hong Kong.*
 4. *Incorporated in the British Virgin Islands.*
 5. *Incorporated and operating in the People's Republic of China:*
 - a. *Co-operative joint venture enterprise*
 - b. *Equity joint venture enterprise*
 - c. *Wholly foreign owned enterprise*
 6. *Directly held by the Company.*
 7. *11.89% directly and 88.11% indirectly held by the Company.*
 8. *50% directly and 50% indirectly held by the Company.*
 9. *99.9998% directly and 0.0002% indirectly held by the Company.*
 10. *Redeemable share.*
 11. *"A" share.*
 12. *"B" share.*

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 following list contains only the particulars of jointly controlled entities as at 30 June 2012 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal jointly controlled entities were incorporated and are operating in Hong Kong and unlisted.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share/ Registered capital
⁺ Altomatic Limited		50	Property investment	Ordinary
^{#+} 北京新城廣場房地產有限公司	3	40	Property investment	Registered capital
^{#+} 華潤新鴻基房地產(杭州)有限公司	5	40	Property development and investment	Registered capital
^{#+} Cheerjoy Development Limited		35	Property development	Ordinary
[#] Dragon Beauty International Limited		50	Property development	Ordinary
First Star Development Limited		50	Property development	Ordinary
⁺ Glorious Concrete (H.K.) Limited		50	Manufacturer of ready mixed concrete	Ordinary
^{#+} Green Valley Landfill, Limited		20	Landfill waste disposal facility	Ordinary
^{#+} 廣州市富景房地產開發有限公司	3	33.3	Property development	Registered capital
[#] 廣州宏城廣場房地產開發有限公司	6	50	Property investment	Registered capital
^{#+} 杭州潤鴻置業有限公司	5	40	Property development	Registered capital
IFC Development Limited	1	50	Property investment	Ordinary
Jade Land Resources Limited		25	Property development and investment	Ordinary
Karnold Way Limited		57.52	Finance	Ordinary
[#] Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited		50	Godown operation	Ordinary
⁺ Newfoundworld Investment Holdings Limited	1	20	Investment holding	Ordinary
^{#+} Orchard Turn Holdings Pte. Ltd.	2	50	Investment holding	Ordinary
⁺ Ranny Limited		50	Property investment	Ordinary
^{#+} River Trade Terminal Co. Ltd.	1	50	River trade terminal	Ordinary
[#] Senica International Limited	4	22.5	Investment holding	Ordinary
[#] Shanghai Xintian Real Estate Co., Ltd.	3	35	Property development and investment	Registered capital
^{#+} South China Transfer Limited		20	Solid waste management and environmental services	Ordinary
Special Concept Development Limited		25	Property development and investment	Ordinary
⁺ Splendid Shing Limited		50	Property investment	Ordinary
^{#+} Star Play Development Limited		33.3	Property investment	Ordinary
[#] 祥寶投資(成都)有限公司	5	40	Property development and investment	Registered capital
Teamfield Property Limited		57.52	Property investment	Ordinary
⁺ Tinyau Company Limited		50	Property investment	Ordinary
⁺ Topcycle Development Limited		50	Property development	Ordinary
^{#+} 華潤新鴻基房地產(無錫)有限公司	5	40	Property development	Registered capital
[#] Wolver Hollow Company Limited		50	Property investment	Ordinary
⁺ Xipho Development Company Limited		33.3	Property development	Ordinary

⁺ 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 and operating in Hong Kong.
 2. Incorporated and operating in the Republic of Singapore.
 3. Incorporated and operating in the People's Republic of China as equity joint venture enterprise.
 4. Incorporated in the British Virgin Islands.
 5. Incorporated and operating in the People's Republic of China as wholly foreign owned enterprise.
 6. Incorporated and operating in the People's Republic of China as co-operative joint venture enterprise.

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 following list contains only the particulars of associates as at 30 June 2012 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal associates were incorporated and are operating in Hong Kong and unlisted.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share
^{#+} Transport International Holdings Limited (Listed in Hong Kong)	1	33.28	Public transportation	Ordinary
^{#+} Ranex Investments Limited		29	Property development and investment	Ordinary
^{#+} The Hong Kong School of Motoring Limited		30	Driving School	Ordinary
^{#+} Onluck Finance Limited		35.44	Finance	Ordinary
^{#+} Treasure Peninsula Limited		29	Finance	Ordinary

⁺ *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: 1. *Incorporated in Bermuda and operating in Hong Kong.*