



SUN HUNG KAI PROPERTIES LIMITED

# Premium Brand Solid Foundations

*Annual Report*  
**2010/11**





**International Commerce Centre is the tallest building in Hong Kong and part of a magnificent Victoria Harbour gateway with International Finance Centre on the opposite shore. Its offices with the highest quality and specifications are well complemented by world-class hotels, serviced suites and a shopping mall, forming a new business hub in the territory.**





# **Sun Hung Kai Properties**

2010/11 Annual Report



## Contents

2	Board of Directors and Committees
3	Corporate Information and Information for Shareholders
4	Financial Highlights and Land Bank
6	Group Financial Summary
7	Business Structure
8	Chairman's Statement
20	Review of Operations
82	Corporate Governance
88	Investor Relations
90	Corporate Social Responsibility
96	Financial Review
98	Directors' Report
118	Directors and Organization
136	Financial Contents

# Board of Directors and Committees

## Board of Directors

**Chairman** Kwong Siu-hing<sup>1</sup> (*Non-Executive Director*)

**Executive Directors** Kwok Ping-kwong, Thomas<sup>2</sup> (*Vice Chairman & Managing Director*)  
Kwok Ping-luen, Raymond<sup>2</sup> (*Vice Chairman & Managing Director*)  
Chan Kai-ming  
Chan Kui-yuen, Thomas  
Kwong Chun  
Wong Chik-wing, Mike  
Chan Kwok-wai, Patrick (*Chief Financial Officer*)

**Non-Executive Directors** Lee Shau-kee (*Vice Chairman*)  
Kwok Ping-sheung, Walter  
Woo Po-shing  
Kwan Cheuk-yin, William  
Lo Chiu-chun, Clement<sup>1</sup>  
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

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## Committees

**Executive Committee** Kwok Ping-kwong, Thomas  
Kwok Ping-luen, Raymond  
Chan Kai-ming  
Chan Kui-yuen, Thomas  
Kwong Chun  
Wong Chik-wing, Mike  
Chan Kwok-wai, Patrick

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

**Remuneration Committee** Wong Yue-chim, Richard\*  
Lo Chiu-chun, Clement<sup>3</sup>  
Li Ka-cheung, Eric

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

\* *Committee Chairman*

### Notes:

1. Madam Kwong Siu-hing and Mr. Lo Chiu-chun, Clement will retire from office by rotation at the annual general meeting to be held on 8 December 2011 (the "AGM") and have informed the Company that they will not seek re-election as Directors.
2. Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond have been appointed as joint Chairmen of the Company, such appointment to take effect from the close of the AGM after the passing of the special resolution on the proposed amendments to the articles of association of the Company. They will both continue to serve as Managing Directors and Executive Directors of the Company.
3. Mr. Kwan Cheuk-yin, William has been appointed as a member of the Remuneration Committee in place of Mr. Lo Chiu-chun, Clement with effect from 9 December 2011.

# 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  
30 Harbour Road  
Hong Kong  
Telephone : (852) 2827 8111  
Facsimile : (852) 2827 2862  
Website : www.shkp.com  
E-mail : shkp@shkp.com

### Share Registrars

Computershare Hong Kong  
Investor Services Limited  
Shops 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  
Industrial and Commercial Bank of China  
Mizuho Corporate Bank, Ltd.  
Sumitomo Mitsui Banking Corporation  
Bank of Communications  
BNP Paribas  
Hang Seng Bank Limited  
China Construction Bank

## 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

Telephone : (852) 3766 5787  
Facsimile : (852) 2827 0676  
E-mail : ir@shkp.com

## Financial Calendar for 2010/11

Interim results announcement	: 28 February 2011
Interim dividend paid	: 23 March 2011
Annual results announcement	: 15 September 2011
Closure of register of members <i>(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)</i>	: 5 to 8 December 2011 (both days inclusive)
Annual general meeting	: 8 December 2011
Closure of register of members <i>(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)</i>	: 14 to 16 December 2011 (both days inclusive)
Final dividend payable	: on or about 19 January 2012

## 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 Registrars, 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 Registrars by post or by email or by completing and returning the accompanying Change Request Form.

# Financial Highlights and Land Bank

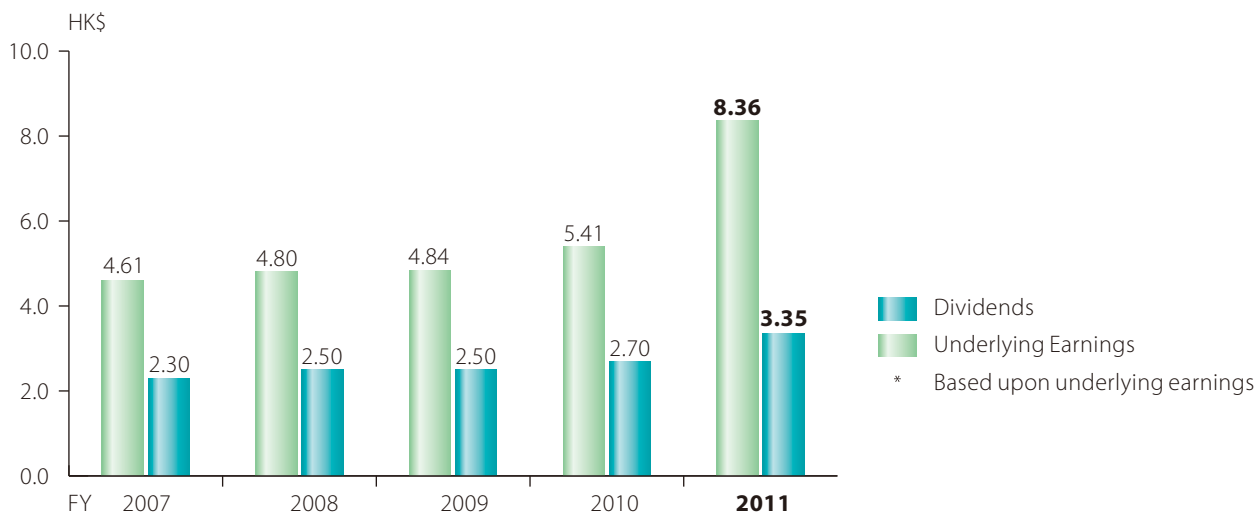
For the year ended 30 June	2011	2010	Change (%)
<b>Financial Highlights (HK\$ million)</b>			
Revenue	<b>62,553</b>	33,211	+88.4
Profit attributable to the Company's shareholders			
– Reported	<b>48,097</b>	30,039 <sup>5</sup>	+60.1
– Underlying <sup>1</sup>	<b>21,479</b>	13,883	+54.7
Gross rental income <sup>2</sup>	<b>12,609</b>	11,082	+13.8
Net rental income <sup>2</sup>	<b>9,511</b>	8,314	+14.4
<b>Financial Ratios</b>			
Net debt to shareholders' funds (%)	<b>17.1</b>	14.1 <sup>5</sup>	+3.0 <sup>3</sup>
Dividend payout (%)	<b>40.1</b>	49.9	-9.8 <sup>3</sup>
<b>Financial Information per Share (HK\$)</b>			
Earnings per share for profit attributable to the Company's shareholders			
– Reported	<b>18.71</b>	11.71 <sup>5</sup>	+59.8
– Underlying	<b>8.36</b>	5.41	+54.5
Dividends			
– Interim dividend	<b>0.95</b>	0.85	+11.8
– Final dividend	<b>2.40</b>	1.85	+29.7
– Full-Year dividend	<b>3.35</b>	2.70	+24.1
Shareholders' funds	<b>119.44</b>	102.42 <sup>5</sup>	+16.6
<b>Land Bank in Hong Kong (gross floor area in million square feet)</b>			
Properties under development <sup>4</sup>	<b>16.5</b>	16.6	-0.6
Completed investment properties	<b>27.7</b>	27.6	+0.4
Total	<b>44.2</b>	44.2	–
<b>Land Bank on the Mainland (gross floor area in million square feet)</b>			
Properties under development	<b>78.6</b>	76.8	+2.3
Completed investment properties	<b>7.5</b>	5.5	+36.4
Total	<b>86.1</b>	82.3	+4.6

Notes:

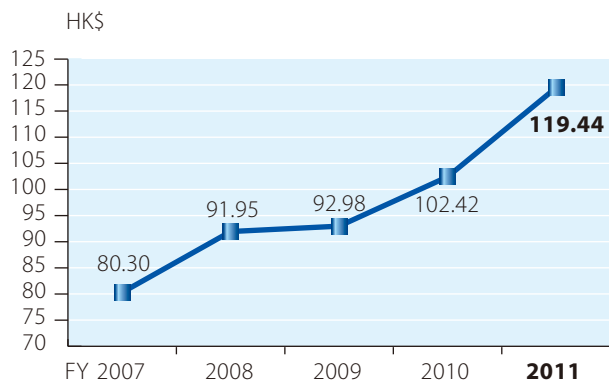
1. Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties
2. Including contributions from jointly controlled entities and associates
3. Change in percentage points, dividend payout based upon underlying profit
4. Excluding over 26 million square feet of farmland in terms of site area
5. Restated for the early adoption of HKAS 12 (amendments)



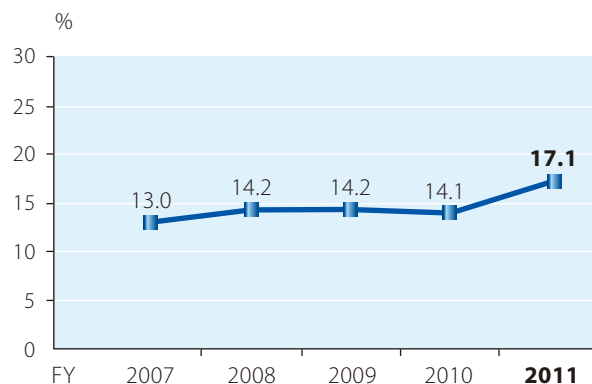
### Underlying Earnings and Dividends per Share\*



### Shareholders' Funds per Share#

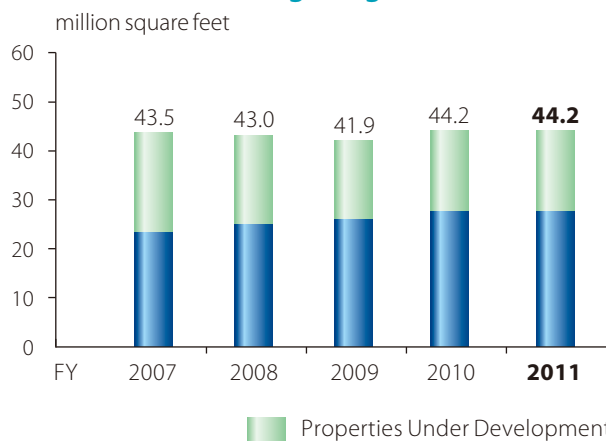


### Net Debt to Shareholders' Funds Ratio#

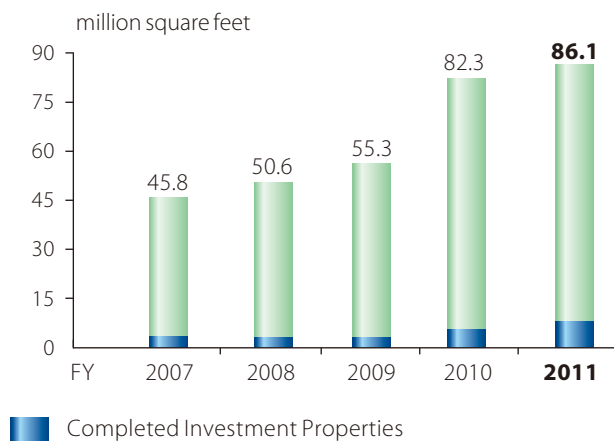


# Comparative figures for FY 2007-2010 were restated for the early adoption of HKAS 12 (Amendments)

### Land Bank in Hong Kong



### Land Bank on the Mainland



# Group Financial Summary

Key Financial Information and Ratios					
Financial year	2011 HK\$	(Restated) <sup>2</sup>			
		2010 HK\$	2009 HK\$	2008 HK\$	2007 HK\$
Reported earnings per share	18.71	11.71	3.89	11.61	9.20
Underlying earnings per share	8.36	5.41	4.84	4.80	4.61
Dividends per share	3.35	2.70	2.50	2.50	2.30
Shareholders' funds at book value per share	119.44	102.42	92.98	91.95	80.30
Net debt / Shareholders' funds (%)	17.1	14.1	14.2	14.2	13.0
Interest cover (times) <sup>3</sup>	16.9	15.9	13.7	7.6	9.2

Key Income Statement Items					
For the year ended 30 June	2011 HK\$M	(Restated) <sup>2</sup>			
		2010 HK\$M	2009 HK\$M	2008 HK\$M	2007 HK\$M
Revenue	62,553	33,211	34,234	24,471	30,994
Operating profit before change in fair value of investment properties	21,366	13,842	13,983	10,728	11,562
Operating profit after change in fair value of investment properties	46,436	30,311	11,329	22,934	20,466
Profit attributable to the Company's shareholders	48,097	30,039	9,984	29,475	22,924
Underlying profit attributable to the Company's shareholders <sup>4</sup>	21,479	13,883	12,415	12,186	11,495

Key Statement of Financial Position Items					
As at 30 June	2011 HK\$M	(Restated) <sup>2</sup>			
		2010 HK\$M	2009 HK\$M	2008 HK\$M	2007 HK\$M
Investment properties and fixed assets <sup>1</sup>	230,759	200,826	180,205	175,610	151,995
Associates and jointly controlled entities	41,935	35,826	31,775	34,100	25,029
Other financial assets and loans	3,637	3,900	3,418	5,259	7,417
Intangible assets <sup>1</sup>	5,049	4,357	4,647	4,971	5,258
Net current assets	93,017	65,170	68,615	64,888	50,667
Non-current liabilities	(62,202)	(42,054)	(45,595)	(44,234)	(37,224)
Net assets	312,195	268,025	243,065	240,594	203,142
Share capital	1,285	1,285	1,282	1,282	1,246
Share premium and reserves	305,680	261,936	237,117	234,490	198,863
Shareholders' funds	306,965	263,221	238,399	235,772	200,109
Non-controlling interests	5,230	4,804	4,666	4,822	3,033
Total Equity	312,195	268,025	243,065	240,594	203,142

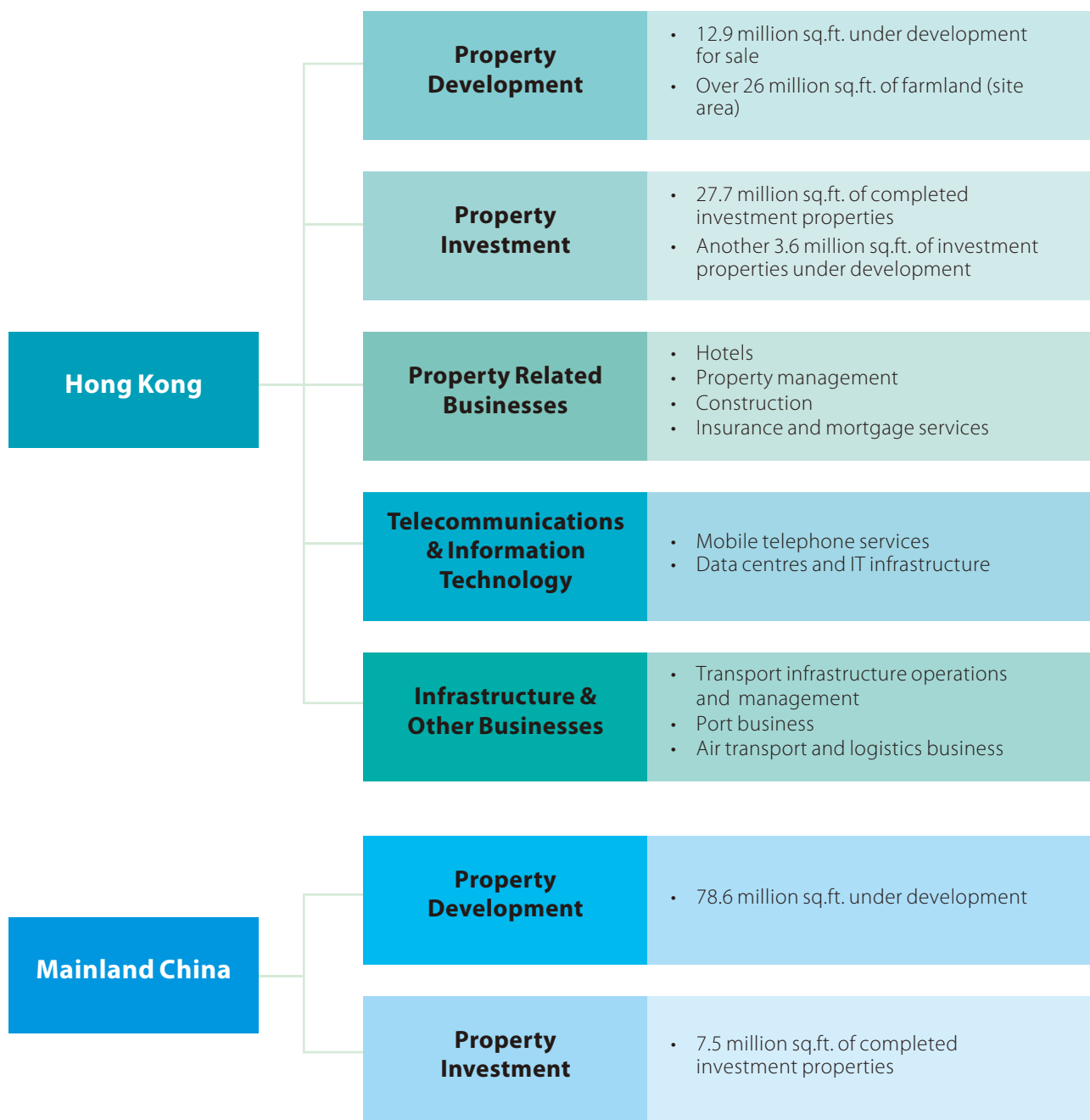
Notes:

- Figures of fixed assets and intangible assets for the years 2007 to 2008 have been restated to reflect the Group's adoption of HK(IFRIC) – 12 "Service Concession Arrangements".
- The Group adopted the amendments to Hong Kong Accounting Standard 12, Deferred tax: recovery of underlying assets. Figures for the years 2007 to 2010 have been restated for comparison purposes.
- Interest cover represents operating profit before change in fair value of investment properties divided by net interest expenses before capitalization.
- 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 2011



The Group's principal subsidiaries and joint venture companies are listed out on pages 190 to 198

# Chairman's Statement



*Deluxe facilities at the Larvotto clubhouse in Island South*



*Valais is integrated with the natural surroundings of Beas River for a comfortable environment*

I am pleased to present my report to the shareholders.

## Results

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2011, excluding the effect of fair-value changes on investment properties, was HK\$21,479 million, an increase of 55 per cent from last year. Underlying earnings per share were HK\$8.36, an increase of 55 per cent from last year.

Reported profit attributable to the Company's shareholders was HK\$48,097 million, compared to HK\$30,039 million last year. Earnings per share were HK\$18.71, an increase of 60 per cent from last year. The reported profit for the year included a revaluation surplus (net of deferred taxation) on investment properties of HK\$26,996 million compared to a revaluation surplus (net of deferred taxation) of HK\$17,005 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 2011. Together with the interim dividend of HK\$0.95 per share, the dividend for the full year will be HK\$3.35, an increase of 24 per cent over 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\$46,478 million, an increase of 209 per cent over last year. Profits generated from property sales also increased 152 per cent to HK\$16,647 million. The Group's

performance in the pre-sale market was also highly encouraging, having sold or pre-sold a record HK\$39,148 million worth of properties in attributable terms during the year.

#### **Rental Income**

Robust rental income growth for the year was derived from higher rents for new leases, continued positive rental reversions and increased contributions from new properties such as International Commerce Centre (ICC) in Hong Kong and Shanghai IFC in mainland China. Gross rental income, including contributions from joint-venture projects rose 14 per cent to HK\$12,609 million and net rental income increased 14 per cent to HK\$9,511 million.

### *Property Business – Hong Kong*

#### **Land Bank**

The Group held a total land bank of 44.2 million square feet in Hong Kong as at June 2011. This included 27.7 million square feet of premium completed investment properties. The other 16.5 million square feet were properties under development.



Relaxing clubhouse restaurant at Aria in Kowloon



Green elements at The Latitude in southeast Kowloon provide a comfortable environment

The Group added four new sites to its development land bank during the year through various means, including land use conversion and public auction. The total developable gross floor area amounted to 2.7 million square feet in attributable terms.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Lot 1927 in DD107 Yuen Long	Residential/Shopping Centre	100	2,333,000
Inland Lot 8963, Stubbs Road Mid-Levels East	Residential	100	181,000
Fanling Sheung Shui Town Lot 202 Fanling	Residential/Shops	100	140,000
157 Shau Kei Wan Road Island East	Residential/Shopping Centre	92	53,000
<b>Total</b>			<b>2,707,000</b>

The Group acquired two residential sites subsequent to the end of the financial year, which will be developed into high-quality residential premises, mainly small-to-medium sized units. The 1.4-million-square-foot development on the waterfront of Tung Chung in the New Territories will enjoy marvellous sea views, and the other one by an MTR station in Tseung Kwan O town centre will have a gross floor area of nearly 800,000 square feet. This will be connected to the Group's nearby residential and integrated projects under construction to build synergy.

The Group holds over 26 million square feet of farmland in terms of site area. Most of this is along existing or planned rail lines in the New Territories and is under land use conversion. Several pieces of farmland in particular are in the advanced stage of the conversion process. The Group will replenish its development land bank via various means when appropriate opportunities arise.

### Property Development

Activity in Hong Kong's residential market has been constrained by further government cooling measures and tightened mortgage financing, while positive factors including still low mortgage interest rates and continuing income growth remained in place. Although transactions in the secondary market slowed in recent months, sales in the primary market were generally good. This activity slowdown should be a natural adjustment conducive to a sustainable and healthy market.

## Chairman's Statement



*One Regent Place in Yuen Long, New Territories is designed for a special lifestyle*



*Modern living at i·UniQ Residence in Island East*

With short-term speculators mostly staying away from the market, demand came mainly from genuine end-users and long-term investors, including some mainland buyers. The government's efforts to increase future land supply should provide more development opportunities for the Group.

The Group achieved exceptional results in the pre-sale market for the year under review, selling or pre-selling HK\$36,897 million of Hong Kong properties, up from last year's HK\$20,562 million. All new projects put on sale, including Valais at Beas River, Larvotto in Island South, One Regent Place in Yuen Long, Avignon on Castle Peak Road and i·UniQ Residence in Island East, were well received by the market. The Group has also sold some non-core offices with good results. Sales since July 2011 have remained encouraging at over HK\$12,000 million, coming mainly from sales of Imperial Cullinan on the West Kowloon waterfront and i·UniQ Grand in Island East.

The Group builds a wide range of premium products with diversified flat mixes to satisfy homebuyers' different aspirations. While deluxe residences with top-class finishes and facilities are built for up-market buyers, small-to-medium sized units, including modern boutique apartments with practical and efficient layouts and full-ranging services, are also available. The Group's dedication to premium quality has earned it a strong brand name, enhancing development margins and making its projects the preferred choice for buyers.

The Group completed seven projects with 2.9 million square feet of attributable gross floor area in Hong Kong during the year, of which 2.3 million square feet are residential.

<b>Project</b>	<b>Location</b>	<b>Usage</b>	<b>Group's Interest (%)</b>	<b>Attributable Gross Floor Area (square feet)</b>
The Latitude	638 Prince Edward Road East San Po Kong	Residential/ Shopping Centre	100	1,230,000
Aria	51 Fung Shing Street Ngau Chi Wan	Residential	100	775,000
Larvotto	8 Ap Lei Chau Praya Road Ap Lei Chau	Residential/Shops	35	320,000
CEO Tower	77 Wing Hong Street Cheung Sha Wan	Industrial	100	254,000
Excel Centre	483A Castle Peak Road Cheung Sha Wan	Office	100	109,000
Lime Habitat	38 Ming Yuen Western Street North Point	Residential	100	87,000
Park Nara	88 Hung Yuen Road Hung Shui Kiu, Yuen Long	Residential	74	83,000
<b>Total</b>				<b>2,858,000</b>

### Property Investment

The leasing market for various types of properties was buoyant over the past year. The robust demand for quality office space was driven by expansion in the corporate sector, and higher mainland visitor spending and continued local consumption growth fuelled demand for retail space. Rents continued to rise with the limited new supplies in both segments and low vacancies.

The Group owns the largest portfolio of quality investment properties in Hong Kong totalling 27.7 million square feet. It is well diversified both in terms of usage and geographic distribution. The rental portfolio recorded increased rents and higher occupancy of over 95 per cent in the year.

#### Office portfolio

International Finance Centre (IFC) and International Commerce Centre (ICC) form the Group's foundations as a leading office landlord with a premium portfolio of 10.1 million square feet, up meaningfully from 6.8 million square feet five years ago. These two flagship projects encompass grade-A offices, up-market shopping malls such as IFC Mall and world-class hotels including a Four Seasons and a Ritz-Carlton. They stand on opposite shores forming a marvellous gateway to Victoria Harbour in a distinctive Hong Kong landmark.

IFC remained near-fully rented. Its prime location at Hong Kong Station, spectacular harbour views and prestige attract leading international financial institutions and corporations. IFC is a preeminent symbol of Hong Kong representing the territory's vigour as an international financial centre.

ICC at Kowloon Station has become an anchor of a new business hub in West Kowloon. Its outstanding quality, high specifications, prime location and comprehensive facilities have attracted leading financial, banking and professional firms. Virtually all the office space is let. The Sky 100 observation deck on the 100th floor and restaurants on 101st floor of ICC offer panoramic views of the city and will become major attractions in the territory.

The Group's office projects in emerging commercial areas also set new quality benchmarks in their neighbourhoods. Millennium City led the transformation of Kowloon East into a new business hub and recorded satisfactory leasing during the year. The first phase of Kowloon Commerce Centre (KCC) houses international logistics, electronics and telecommunication companies and is near-fully leased. A new air-conditioned footbridge to a nearby MTR station also increased its competitiveness, complementing the convenient road access to the airport, container terminals and the border. The Group is developing the second phase of KCC with a gross floor area of over 500,000 square feet, scheduled for completion in early 2013.



*Top quality has made ICC at Kowloon Station the anchor of a new business hub in West Kowloon*

### *Retail portfolio*

The Group is also one of the largest retail landlords in Hong Kong, with a shopping mall portfolio totalling ten million square feet. The most recent addition is Mikiki, a shopping mall exceeding 200,000 square feet that opened in August this year and is almost fully leased. Its modern interior design and tailored tenant mix provide customers, particularly young people, an enjoyable shopping experience. Mikiki will also have the added attraction of proximity to the forthcoming world-class cruise terminal in Kai Tak.

Leveraging the success of developing and leasing regional shopping centres since the opening of New Town Plaza in Sha Tin in the mid-1980s, the Group is creating another regional shopping and entertainment hub, YOHO Mall adjacent to the MTR Yuen Long Station. This YOHO Mall will comprise one million square feet of gross floor area, including a new shopping centre of over 470,000 square feet under development and two malls in the neighbourhood. It will become a major landmark, drawing the spending power in the West New Territories, particularly the younger generation, and the growing pool of mainland shoppers. Its dynamic, modern and international flair, featuring a wide variety of leading outlets including international fashions, chic accessories, the latest electronics and superb cuisine, will set a new trend for the shopping mall sector.

The construction of another shopping mall of about 270,000 square feet at the MTR Tuen Mun Station is progressing well and scheduled to finish by late 2012. This mall is designed to offer fresh, lifestyle shopping for the young middle class. Pre-leasing has been well received. Superior positioning and a prime location will make this a focal point for shopping and leisure in the district.

Shoppers' habits and preferences are constantly changing, so the Group takes steps to enhance the competitiveness of its malls with renovations, refinements to trade and tenant mixes and marketing and promotions. APM in Kowloon East is being renovated in phases to give young consumers a more interesting and spacious shopping environment. IFC mall's tenant and trade mix was also refined with the latest international luxury retailers. Various innovative promotions and marketing campaigns including e-promotions and shopping tours, particularly for mainlanders, were conducted to boost mall traffic.

### *Residential and serviced suites*

Leasing of the Group's premium residential portfolio and serviced suites was also encouraging. The prime locations and top-quality service offered by Four Seasons Place at Hong Kong Station and The HarbourView Place at Kowloon Station appeal to guests from all over the world, and occupancy was around 90 per cent. The Group's luxury units for lease under Signature Homes such as Dynasty Court in Mid-Levels and Pacific View in Island South are over 90 per cent let.





The Shanghai IFC commercial complex with offices, a shopping mall, a hotel and serviced suites will be fully completed in 2012

## Property Business – Mainland

### Land Bank

The Group added 5.6 million square feet of gross floor area to its land bank in mainland China. Major acquisitions included a 40 per cent interest in a high-end residential development of 1.9 million square feet in the resort area of Zhijiang in Hangzhou and a 35 per cent stake in an integrated project in Minhang, Shanghai. The Minhang project will consist of more than four million square feet of high-end apartments, a shopping centre, quality offices and a five-star hotel above a regional transport interchange at Xinzhuang Station.

The Group's mainland land bank amounted to an attributable 86.1 million square feet as at June 2011. Properties under development accounted for 78.6 million square feet of this, of which over 75 per cent will be high-end residences and serviced apartments. The rest will be premium

premises including offices, shopping malls and hotels. The Group also held 7.5 million square feet of completed investment properties on the mainland, comprising mainly high-quality offices and shopping centres at prime locations in Shanghai and Beijing.

### Property Development

Residential markets in major mainland cities saw slow activity and softening prices amid continued tightening measures, while those in many second and third tier cities remained buoyant during the year. Additional housing measures, in particular the extension of home purchase restrictions to second and third tier cities, are likely to dampen sales, but this should be conducive to a sustainable and healthy market over the longer term.

The Group continued to apply its Hong Kong expertise to develop high-end residences on the mainland despite a challenging market environment. It recorded satisfactory property sales of over HK\$2,000 million on the mainland in the year, including sales of the second phase of Lake Dragon in Guangzhou. Homebuyers have generally been impressed with the outstanding quality and designs of the Group's projects.

Seven projects with 5.6 million square feet of attributable gross floor area were completed on the mainland during the year, of which 3.6 million square feet are residential for sale.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Shanghai IFC Phase 2	8 Century Avenue Lujiazui, Shanghai	Office	100	1,326,000
The Arch, Huadu	Sandong Avenue Huadu, Guangzhou	Residential	95	1,090,000
Jovo Town Phase 1A	Shuangliu County Chengdu	Residential	91	1,055,000
Lake Dragon Phase 1	Dragon Lake Community Huadu, Guangzhou	Residential	60	772,000
Shanghai ICC Phase 1	999 Huai Hai Zhong Road Shanghai	Office	100	666,000
Taihu International Community Phase 3	Taihu New City Wuxi	Residential	40	559,000
The Woodland Lake	Zhongshan Wu Road, Zhongshan	Residential	Joint Venture	139,000
<b>Total</b>				<b>5,607,000</b>



*Pre-leasing of the prime offices and preliminary marketing of the up-market mall at Shanghai ICC have been encouraging*

### Property Investment

The grade-A office markets in prime mainland cities saw rising rents driven by growing demand from the corporate sector. The demand for quality retail space was also on the rise.

The Group's rental income from mainland properties saw decent growth during the year. Average rents rose and there were increased contributions from new investment properties, notably Shanghai IFC. The recent completions of the second phase of Shanghai IFC and the first phase of Shanghai ICC provide a foothold for establishing the Group's solid brand on the mainland.

Shanghai IFC is at the heart of the Pudong Lujiazui Finance and Trade Zone and has a direct connection to a metro station. Its high-end positioning following the success of the first tower has attracted international corporations and financial institutions. The second tower with 1.3 million square feet of space was completed recently and has been leasing well. The up-market Shanghai IFC Mall features a vast array of high-street retailers and renowned restaurants. The mall is near-fully leased and visitor traffic is increasing. The last phase of Shanghai IFC will include 413,000 square feet of top-class suites in IFC Residence and 180,000 square feet retail space in Shanghai IFC Mall Phase 2. This will signal full completion of the Shanghai IFC complex when it is finished in 2012.

Shanghai ICC is another major project in the core of Puxi above a metro interchange station of three lines. The 600,000 square feet of office space in the newly-completed Tower One has drawn keen demand from professional firms and international companies and is expected to be fully leased over the next twelve months. Construction works of Tower Two will soon commence. Preliminary marketing of the 1.3-million-square-



*The Ritz-Carlton Shanghai, Pudong opened last year sets a new standard of hospitality in the city*

foot, up-market International APM shopping mall has been encouraging. This mall's concept will be similar to that of APM in Hong Kong, offering fashionable, luxurious, late-night shopping and entertainment when it opens in late 2012.

The new integrated project above Xinzhuang Station in Minhang, Shanghai, in which the Group has a 35 per cent stake, will include a regional shopping mall of 1.8 million square feet. The prime location will increase its attractiveness to consumers. This together with other new malls under development will further enhance the Group's shopping mall network on the mainland.

Shanghai Central Plaza recorded high occupancy during the year. Beijing APM in Wangfujing is a leading shopping and entertainment centre in the city. The mall was repositioned with a refined trade mix to offer a fresh look and appeal to visitors with a wide collection of international retailers and food and beverage outlets.



*The waterfront site of the Ritz-Carlton, Hong Kong provides magnificent sea views from the guest rooms*

## Other Businesses

### Hotel

The Group's hotel portfolio continued to expand with the rapid growth in the number of tourists and business travellers in the region. The Group currently owns over seven hotels with more than 3,100 rooms in attributable terms in Hong Kong and on the mainland, up from about four hotels with just 1,800 rooms five years ago.

The Group's Hong Kong hotels did well during the past year. The average occupancy of the Four Seasons, W Hong Kong and the four Royal brand hotels was over 90 per cent. Room rates also recorded double-digit growth on average.

The Ritz-Carlton, Hong Kong at Kowloon Station held a grand opening in May this year. It is the highest hotel in the world and has spectacular views that are unique in the city. Business has gone well since opening and its restaurants quickly became popular. The Ritz-Carlton Shanghai, Pudong that commenced business last year added a new dimension to the city's hotel industry with its exceptional design and top service. Its revenue grew over the past year and occupancy increased.

The Group will continue adding new premium hotels to its portfolio. The Crowne Plaza and Holiday Inn Express above the MTR Tseung Kwan O Station in Hong Kong are scheduled to open before the end of 2012. The Group is also developing premium hotels in several major mainland cities as parts of integrated projects there. The new hotels will enhance recurrent income and help solidify the Group's hotel brand in Hong Kong and on the mainland.



*SmarTone leads the market with unrivalled customer service*

### Telecommunications and Information Technology

#### *SmarTone*

SmarTone has taken advantage of successive waves of industry innovations to evolve and differentiate itself from its competitors. Both customer numbers and average revenue per user continued to rise and service revenue showed healthy growth, resulting in a substantial increase in profit. SmarTone will continue to focus on extending its leadership in superior network performance, compelling and proprietary services and unrivalled customer care. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

#### *SUNeVision*

SUNeVision saw further growth in revenue and operating profit during the year. iAdvantage kept strengthening its prominent position in the carrier-neutral data centre market in Hong Kong and achieved good occupancy. SUNeVision will build on its track record and solid financial position to further develop its core businesses in the coming year.



*The Group's professional handover service is highly praised by residents*

### Infrastructure and Other Businesses

The Group's infrastructure and transport businesses in Hong Kong provide a steady stream of recurrent income through a number of subsidiaries and joint ventures. Business remained good for the Wilson Group and traffic and toll revenues on the Route 3 (Country Park Section) continued to be healthy. Business at the Air Freight Forwarding Centre also benefited from the recovery of air cargo, while throughput at the River Trade Terminal remained steady.

### Corporate Finance

The Group adheres to policies of prudent financial management and low leverage. A substantial cash flow from rental income and property sales enabled its net debt to shareholders' funds to stand at 17.1 per cent.

A HK\$16,750 million, five-year term loan/revolving credit syndicated facility was arranged in April 2011 at favourable rates, in keeping with the Group's policy of securing sufficient committed facilities for expansion. The Group issued ten-year bonds of HK\$2,260 million and US\$300 million under its Euro Medium Term Notes Programme. It issued 15-year bonds worth HK\$450 million for the first time. The Group will continue to look for opportunities to extend its debt maturity profile and to diversify its sources of funds in the bond markets.

The Group did not enter into any speculative positions in relation to derivatives or structured products, and its foreign exchange exposure was small with most of its assets and financings denominated in Hong Kong dollars.

The Group's solid financial foundations and premier market leadership have earned it an A1 rating from Moody's and an A+ rating from Standard & Poor's, with stable outlooks for both. The Group consistently has the strongest credit rating among Hong Kong developers.

### Customer Service

Superb customer service is one of the Group's signature hallmarks, and it is always looking for ways to improve. The Group pays close attention to what customers say and makes an extra effort to seek out different opinions about its developments in various ways, including home visits and surveys.

One of the channels for interacting with customers is the Group's Internet site. It was recently revamped to make it more user-friendly, with expanded content, interactive features and sharing functions.

The Group's SHKP Club is now 15 years old and has over 300,000 members. The Club has proven to be an effective channel for two-way communication and has established long-lasting relationships with members and potential customers with property-related benefits such as exclusive previews of the Group's new show flats and buyer-incentive programmes.

The Group's property-management subsidiaries Hong Yip and Kai Shing strive to offer first-class service in the residential, office and retail premises they administer. Frontline staff receive extensive professional training, and the companies have begun using mobile phone applications in some new projects to embrace service in the digital age.



The SHKP Book Club promotes reading through various activities

## Corporate Governance

The Group maintains high standards of corporate governance and constantly reviews its procedures to ensure that it remains at the forefront of general practices.

The Group has an effective board overseeing Executive, Audit, Remuneration and Nomination committees to ensure proper reporting, adequate internal controls, effective accountability and timely release of relevant information in the best interests of shareholders and the Company.

The Group has received many local and overseas awards for excellence from the investment community in recognition of good corporate governance, including being named Asia's Best Real Estate Company, Hong Kong's Best Managed Company and Best for Corporate Governance by *FinanceAsia* magazine. The Group also won a platinum Excellence in Management award from *The Asset* magazine and was named Best Company in Asia for Corporate Governance by *Asiamoney* magazine and Best for Corporate Governance by *Euromoney* magazine.

## Corporate Social Responsibility

Sustainable development is an integral part of the Group's 'Building Homes with Heart' philosophy, and this fits with its overall goal of offering the finest homes to customers and fulfilling its corporate social responsibility to make Hong Kong a better place for all.

The Group includes ecological considerations in the design, construction and management of its developments and encourages environmental awareness among its staff, residents and the public. These efforts include energy-saving, waste-recycling and food-waste reduction programmes in commercial and residential developments.

The 'Building Homes with Heart' Caring Initiative was set up to provide immediate assistance to help tide individuals and families over crises or tragic accidents. The Group also encourages staff to get involved in community service, and its 1,800-member SHKP Volunteer Team has been widely praised for its efforts to help the needy. The Group helps build social harmony with a wide variety of community projects.

Ongoing SHKP Book Club initiatives to promote reading include the popular Young Writers' Debut competitions, a free literary magazine and sponsoring book outings for children. The Group helps talented students in Hong Kong and on the mainland with scholarship programmes for local and overseas studies, and the SHKP-Kwok's Foundation offers a number of scholarships at different mainland universities.

The Group employs over 35,000 people. It recruits high-calibre new staff and provides extensive training to existing staff at all levels, including overseas studies. The children of Group employees can also benefit from the SHKP Group Undergraduate Scholarship scheme that provides full support for university studies and the Group's sponsorship of overseas study exchange programmes.

## Prospects

The global economy will continue to see various challenges in the year ahead. While the persistent European sovereign debt crisis, recession worries and the aftermath of the credit agency downgrade for the US remain key overhangs, financial market volatility and inflation in the emerging economies may also be market concerns. However, the Fed's stance of close-to-zero US policy interest rate for about two years, as well as a low-interest-rate environment in most other developed countries should help support the world economy.

Economic growth on the mainland is likely to moderate amid a tightened policy environment in the near future but remain high by international standards. The Central Government should be able to manage well economic challenges including inflation risks and weakness in external demand. The Group remains confident in mainland's long-term prospects, though the operating environment for the residential sector on the mainland is likely to remain challenging on the back of tough regulatory measures on home purchases.

Hong Kong's economic fundamentals are expected to remain healthy despite a challenging external environment. Healthy domestic demand and high visitor spending will be the key growth drivers. The latest favourable policy measures for Hong Kong enacted by the Central Government will certainly boost the territory's prospects. The move to enlarge and deepen its role as an offshore RMB centre in particular will be positive for Hong Kong's long-term development. These, together with negative real interest rates amid rising inflation, continuing income growth and interest from mainlanders should underpin residential property demand. However, recent local government measures and the likelihood of policy changes may affect Hong Kong's residential market. Nevertheless, increasing land supply and hence more housing completions should be beneficial to the residential market over medium to long term.

The Group's property business in Hong Kong will continue to grow as it bolsters its market position and competitive edge by offering buyers premium services and the best products with magnificent designs, efficient layouts and comprehensive facilities. It will also keep on acquiring new sites at the right times through various means, particularly when more land supply becomes available.

The Group will continue offering new projects for sale both in Hong Kong and on the mainland. Major residential projects in Hong Kong to go on sale include the first-class development The Wings at Tseung Kwan O town centre, Phase 1 of a high-end residence atop the MTR Tuen Mun Station, the luxury Chatham Gate in Kowloon and a low-density development in East Yuen Long. Major mainland projects that will go on sale include the luxury residences with glamorous views of the Bund in

the first phase of Shanghai Arch at Lujiazui, lakefront houses in the first phase of Lake Genève in Suzhou, first phase of the Liede project and remaining batches of Lake Dragon Phase 2 both in Guangzhou.

The Group's rental income will continue to do well both in Hong Kong and on the mainland. Rents of its portfolio are likely to rise on the back of its continuous management efforts and positive leasing market conditions. Its recurrent income will be further boosted through positive rental reversions, tenants' enhanced sales performances, and additions of new investment properties, particularly prime shopping malls. In Hong Kong, the YOHO Mall under development in the West New Territories will be a regional shopping and entertainment hub comparable to New Town Plaza. Its opening by 2014 will further strengthen the Group's leading position in the shopping mall sector. On the mainland, the Group's retail portfolio will also expand with the scheduled opening of International APM at Shanghai ICC in 2012 and the second phase of Shanghai IFC Mall. All these will help build an extensive network of shopping malls across Hong Kong and the mainland.

The Group will also make its shopping malls more attractive with regular refurbishments and constant reviews of tenant and trade mixes. Focused marketing and promotions concentrating on mainland visitors will continue to boost pedestrian flows and consumer spending in Hong Kong.

The Group's premium hotel portfolio will continue to expand with several new additions providing a total of over 800 rooms in attributable terms over the next three to four years. These new hotels, being parts of integrated projects, will be at good locations in Hong Kong and key mainland cities. Earnings from this business segment are expected to rise over time.

The Group aims to achieve a balance for earnings from property sales and investment properties, both in Hong Kong and on the mainland, through enhancing asset turnover and recurrent income. The mainland investment property portfolio will further expand with the completion of new integrated projects in key mainland cities in the longer term. The Shanghai IFC and Shanghai ICC integrated projects will reinforce the visibility of its premium brand on the mainland when completed. The Group will maintain a selective strategy for mainland business when good opportunities arise, focusing on key cities including Beijing, Shanghai, Guangzhou and Shenzhen.

With all these positive developments of the Group, the results for the coming financial year are expected to be satisfactory, barring unforeseen circumstances.

## Directors and Appreciation

Having been the Company's Chairman since May 2008, I will retire at the Annual General Meeting on 8 December 2011 to pursue my personal and family matters. The Board has appointed Mr. Thomas Kwok and Mr. Raymond Kwok as joint Chairmen with effect from the close of the Annual General Meeting, and their roles as Managing Directors and Executive Directors remain unchanged. Both Thomas and Raymond have been with the Group for over 30 years, and for the past 20 years, they have been acting as Vice Chairmen and Managing Directors. I am confident that this appointment will be in the best long-term interest of the Group.

Mr. Lo Chiu Chun, Clement, a Non-Executive Director of the Company, will retire from office by rotation at the Annual General Meeting and will not seek re-election. Having served as a Director of the Company since 1975, Mr. Lo has been instrumental in the development and growth of the Group. I would like to take this opportunity to express my sincere gratitude to Mr. Lo for his invaluable contribution to the Group over the years.

It has been my great pleasure and honour to serve as the Company's Chairman over the past three years. I would also like to take this opportunity to express my appreciation to my fellow directors for their guidance and support, and thank all staff for their dedication and hard work.

### **Kwong Siu-hing**

*Chairman*

Hong Kong, 15 September 2011



*Group Chairman Kwong Siu-hing (middle) with Vice Chairmen and Managing Directors Thomas Kwok (left) and Raymond Kwok (right) at the Sun Hung Kai Centre Christmas lighting ceremony*

# Review of Operations





22	<b>Hong Kong Property Business</b>
22	Land Bank
24	Property Development
34	Property Investment
44	<b>Mainland Property Business</b>
44	Land Bank
46	Property Development
60	Property Investment
66	<b>Property Related Businesses</b>
73	<b>Telecommunications and Information Technology</b>
74	<b>Infrastructure and Other Businesses</b>
77	<b>Corporate Finance</b>
78	<b>Customer Service</b>



# Hong Kong Property Business

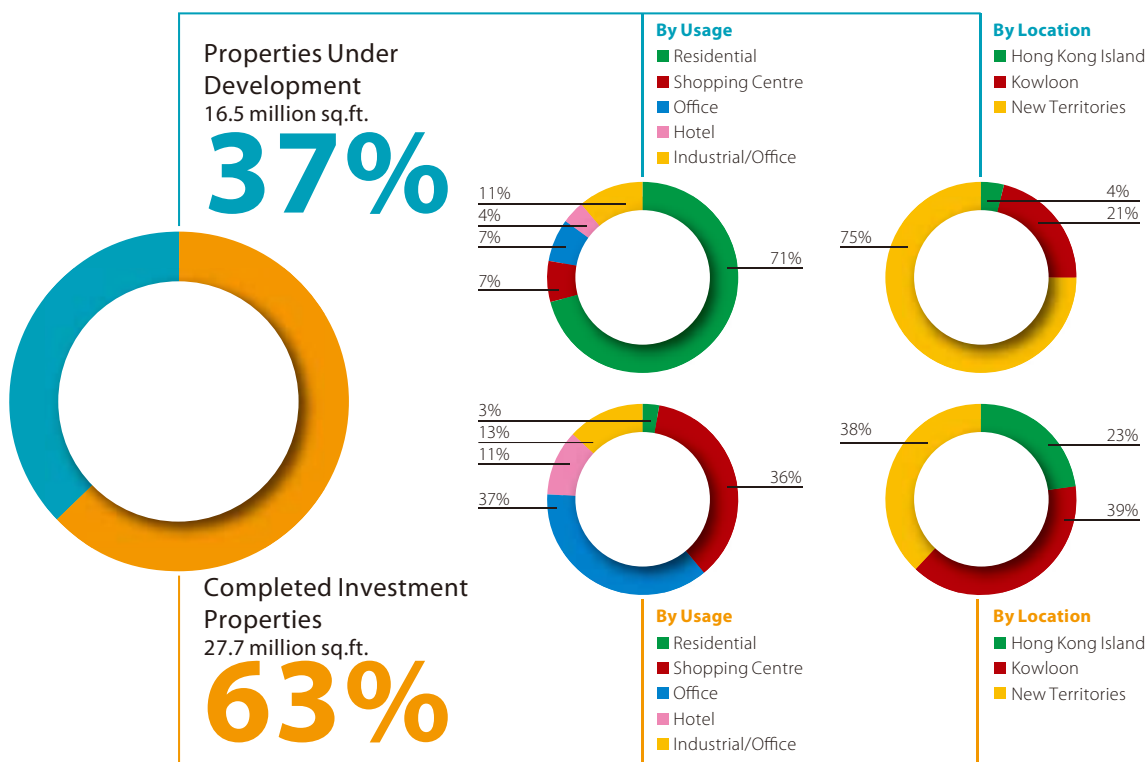
## Highlights

- Diverse land bank of 16.5 million square feet under development by attributable gross floor area as at 30 June 2011, with another two residential sites totalling 2.2 million square feet gross floor area bought after financial year end
- HK\$36,897 million worth of Hong Kong properties sold or pre-sold
- Largest premium investment property portfolio in Hong Kong at 27.7 million square feet with over 95 per cent leased
- Gross rental income from Hong Kong properties increased by around ten per cent to HK\$10,812 million

## Land Bank

### Hong Kong Land Bank Composition

(44.2 million square feet in attributable gross floor area as at 30 June 2011)



The Group added four residential sites with an aggregate gross floor area of 2.7 million square feet to its development land bank in Hong Kong during the year, including a major site by land use conversion. The details are set out on page 9 of the Chairman's Statement. The Group's Hong Kong land bank amounted to 44.2 million square feet at the end of June 2011, comprising 16.5 million square feet of properties under development and 27.7 million square feet of completed investment properties.

The Group acquired two more residential sites subsequent to the end of the financial year. The sites will be developed into high-quality residential units, mainly small-to-medium sized. The 1.4-million-square-foot development on the waterfront of Tung Chung in the New Territories will enjoy marvellous sea views. The other one in Tseung Kwan O town centre is located next to an MTR station and has a gross floor area of nearly 800,000 square feet. This development will be connected to the Group's nearby residential and integrated projects under construction to enhance the synergy among the projects. The Group also owns over 26

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 is being converted to residential use, with several pieces already in advanced stages.

It is currently planned that 12.9 million of the 16.5 million square feet of properties under development will be offered for sale and the other 3.6 million kept for long-term investment. The Group holds a diverse portfolio in terms of usage. Residential premises for sale account for 71 per cent of the development land bank and 73 per cent of the completed investment properties are shopping malls or prime offices.

The Group's development land bank is also geographically diverse. About 25 per cent of the sites are in urban areas and the remainder are spread across new towns in the New Territories; most supported by convenient rail and highway transport networks. Completed investment properties are divided 38 per cent in the New Territories and 62 per cent in Kowloon and on Hong Kong Island.

The Group's Hong Kong land bank as at 30 June 2011, by attributable gross floor area, was as follows:

<b>Attributable Gross Floor Area (million square feet)</b>				
	<b>Development for Sale</b>	<b>Development for Investment</b>	<b>Completed Investment Properties</b>	<b>Total</b>
<b>By Usage</b>				
Residential	11.7	–	0.9	12.6
Shopping Centre	–	1.1	10.1	11.2
Office	0.2	1.0	10.1	11.3
Hotel	–	0.6	2.9	3.5
Industrial/Office*	1.0	0.9	3.7	5.6
<b>Total</b>	<b>12.9</b>	<b>3.6</b>	<b>27.7</b>	<b>44.2</b>
<b>By Location</b>				
Hong Kong Island	0.4	0.2	6.3	6.9
Kowloon	2.2	1.4	10.7	14.3
New Territories	10.3	2.0	10.7	23.0
<b>Total</b>	<b>12.9</b>	<b>3.6</b>	<b>27.7</b>	<b>44.2</b>

\* Including godowns

# Hong Kong Property Business

## Property Development



The Group's wide range of quality properties tailored to customer needs see good sales and has earned it a solid reputation.



*Valais, Beas River*

## Property Development



*Valais at Beas River exudes a special style and luxury*



*Stylish entrance lobby at Lime Habitat in North Point*

Over 70 per cent of the Group's development land bank in Hong Kong is slated for development into premium residential premises for sale. The Group builds a wide-range of high-quality projects with diverse flat mixes to appeal to a range of buyers. There are deluxe residences with top-class finishes and facilities for those seeking the ultimate luxury, plus small-to-medium sized units in mass estates and modern boutique apartments providing practical, efficient layouts and full services. All are carefully-designed so that residents enjoy convenient, comfortable modern living environments.

Good sales of recent projects show buyers' confidence in the Group, and this reputation for premium products and service earned over the years enhances the marketability and development margins on new projects. The Group sold or pre-sold HK\$36,897 million worth of Hong Kong properties during the year, significantly up from last year's HK\$20,562 million. New projects like Valais at Beas River, Larvotto in Island South, One Regent Place in Yuen Long, Avignon on Castle Peak Road and i·UniQ Residence in Island East were all sold well. The Group also sold some non-core offices to a good market response. Sales from July to mid-September 2011 have remained encouraging at over HK\$12,000 million, mainly attributable to the luxury apartments at Imperial Cullinan on the West Kowloon waterfront and i·UniQ Grand in Island East.

The high standards of quality, distinctive themes and styles of the Group's projects appeal to buyers of all tastes. The low-density Avignon residential project was popular for its vast greenery and comfortable environment blending art and nature, and i·UniQ Residence was sold quickly with its metropolitan lifestyle. The luxury Imperial Cullinan waterfront residence in West Kowloon with a sweeping view of Victoria Harbour and first-class finishes was also highly appreciated.

The Group will continue 'Building Homes with Heart' and producing high-quality projects for different market segments with attentive service for homebuyers and innovative features including the use of green materials and technology.

## Major Projects Under Development

### Avignon

1 Kwun Chui Road, Tuen Mun  
(100% owned)

Site area	: 478,000 square feet
Gross floor area	: 616,000 square feet (residential); 5,000 square feet (retail)
Units	: 459
Completion	: August 2011

This low-density residence with vast green space has ten low-rise blocks containing 429 units ranging from one to four bedrooms and duplexes plus 30 villas, and an exclusive 380,000-square-foot theme garden offering residents a green and placid living environment. About 90 per cent of the units have already been sold.

### Tseung Kwan O Area 56

(Joint venture)

Site area	: 460,000 square feet
Gross floor area	: 1.8 million square feet (total); 1.5 million square feet (attributable)
Units	: 1,028
Expected completion	: second half of 2011

The Group has an attributable 1.5-million-square-foot interest in this integrated development atop the MTR Tseung Kwan O Station. It will consist of high-end residences, hotels and offices. The 861,000 square feet of premium residential units were named The Wings and construction was finished recently. Construction of the renowned Crowne Plaza and Holiday Inn Express hotels and a serviced suite hotel with a combined gross floor area of 626,000 square feet will be completed by end of this year. The hotels will be ready to open in 2012 by phases. The development will also include 54,000 square feet of quality office premises. The prime location, superior quality and full complement of amenities and facilities will make the development a new centre for living, shopping, entertainment and leisure in Tseung Kwan O.

### Imperial Cullinan

10 Hoi Fai Road, West Kowloon  
(100% owned)

Site area	: 122,000 square feet
Gross floor area	: 794,000 square feet (residential); 95,000 square feet (retail)
Units	: 650
Expected completion	: first half of 2012

This deluxe waterfront residence in West Kowloon will offer a panoramic view of Victoria Harbour. There will be six blocks containing 650 exceptional units in layouts from two to five bedrooms. The elegant designs, expansive curtain-wall windows permitting sweeping views and fine finishes will set a new standard for luxury in the district. Over 95 per cent of the units have already been sold. Construction is scheduled to be finished in the first half of 2012.



The clubhouse at Imperial Cullinan in West Kowloon will have luxury design



The Wings atop the MTR Tseung Kwan O Station will set new standards for premium residences in the area

## Property Development

### 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	: phase one (second half of 2012); phase two (second half of 2013)

This project will have 1.3 million square feet of premium residential units and a modern, 269,000-square-foot shopping mall in front of Tuen Mun Park. There will be seven residential towers containing about 2,000 units in different layouts and sizes catering varying needs. The prime location by the MTR Tuen Mun Station and extensive transport connections will make it a new focal point of Tuen Mun. Construction of the first phase of 1,091 units is at the superstructure stage and is expected to be finished by the end of 2012. More information about the mall can be found on page 39.

### 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

This is one of the Group's two large residential projects in the eastern part of Yuen Long that will gradually redefine the area as a prestigious low-density residential neighbourhood with houses and low-rise apartments in a peaceful, green environment. It will have convenient transportation to the urban areas via Route 3 and easy access to the MTR Yuen Long and Kam Sheung Road stations. Construction is at the superstructure stage and is expected to be finished in the first half of 2013.



*The Tuen Mun Station Development will offer easy rail access*

### Tseung Kwan O Area 66B

*(100% owned)*

Site area	: 132,000 square feet
Gross floor area	: 662,000 square feet (residential); 66,000 square feet (retail)
Approximate units	: 750
Expected completion	: first half of 2014

This site is in front of another development by the Group in Area 56 atop an MTR station and will be developed into four towers of premium residences, with some units enjoying fine sea views. Its design and layout are crafted to maximize its synergy with the Group's two nearby projects. Piling is under way and construction of the superstructure will begin soon.

### Yuen Long Town Lot 507, Yuen Long

*(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	: second half of 2014

This will be the third and largest phase of the Group's YOHO Town in the heart of Yuen Long by an MTR station. Foundation work is under way. There will be 1.8 million square feet of gross floor area in nine residential towers containing about 2,500 units in various configurations, plus a large-scale retail mall linked to the Group's adjacent existing malls to form a mega regional shopping centre YOHO Mall. More details about the mall appear on page 39.



### 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	: beyond 2014

The Group completed land use conversion of this site during the year under review. The site will be the second part of the Group's developments in eastern Yuen Long that will gradually transform it into a new low-density residential area. This site will have low- to medium-rise residential blocks in a relaxing, green environment but enjoying convenient transport links to the urban areas and the border via comprehensive rail and road networks.

### 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	: beyond 2014

The site is in one of the most prestigious residential districts of Kowloon and will be developed into a deluxe project with a mixture of houses and apartment towers; some with stunning sea views. The site is adjacent to the MTR Ho Man Tin Station now under construction that will be the interchange of the Sha Tin-Central Link and Kwun Tong Line extension. Its prime location, plus the Group's premium quality, splendid design and high specifications should make this a new ideal for luxury residences of next generation. Construction recently began.

### Tung Chung Area 55A

(100% owned)

Site area	: 273,000 square feet
Gross floor area	: 1.4 million square feet (residential); 27,000 square feet (retail)
Approximate units	: Over 2,000
Expected completion	: beyond 2014

The Group acquired this residential site through a government tender in July this year. The site is on the coast of Tung Chung new town with marvellous sea views and within a few minutes' drive to Hong Kong International Airport. It will be developed into more than 2,000 high-quality units, mainly small-to-medium sized. Detailed planning is under way.

### Tseung Kwan O Area 66A

(100% owned)

Site area	: 144,000 square feet
Gross floor area	: 721,000 square feet (residential); 72,000 square feet (retail)
Approximate units	: 1,000
Expected completion	: beyond 2014

The Group acquired this residential site in Tseung Kwan O town centre through a government land auction in September this year. It will provide about 1,000 high-quality small-to-medium sized units with efficient layout, well connected to the Group's integrated project at Area 56 atop the MTR station and another residential development at Area 66B. These three developments will form a new district hub in the centre of Tseung Kwan O, supported by a comprehensive transportation network and a full range of planned cultural and civic facilities nearby.

### Kowloon Commerce Centre Phase 2

#### 51 Kwai Cheong Road

(100% owned)

Site area	: 89,000 square feet (entire project)
Gross floor area	: 518,000 million square feet (phase two under development)
Expected completion	: early 2013

Construction of the second tower of grade-A offices of Kowloon Commerce Centre is under way and expected to be finished in early 2013. Phase 2 will comprise 488,000 square feet of modern offices and 30,000 square feet of supporting retail space. More details about the project appear on page 39.

## Property Development

### Major Projects Under Development by Year of Completion

Location	Project Name	Group's Interest (%)	Residential
<b>Projects to be completed in financial year 2011/12</b>			
Tseung Kwan O Area 56		Joint Venture	861,000
10 Hoi Fai Road, West Kowloon	Imperial Cullinan	100	794,000
1 Kwun Chui Road, Tuen Mun	Avignon	100	616,000
Larch Street / Fir Street Development, Kowloon	Lime Stardom	Joint Venture	177,000
18 Po Yip Street, Yuen Long	One Regent Place	100	222,000
9 Shouson Hill Road	Shouson Peak	100	91,000
12 Mount Kellett Road, The Peak		100	43,000
48-50 Stanley Village Road		100	37,000
<b>Year Total</b>			<b>2,841,000</b>
<b>Projects to be completed in financial year 2012/13</b>			
Tuen Mun Station Development Phase 1		Joint Venture	728,000
Lot 2099 in DD 109, Yuen Long		100	856,000
Chatham Garden Redevelopment, Kowloon	Chatham Gate	29	88,000
Kwai Chung Town Lot 215 Development Phase 2	KCC Phase 2	100	–
20-24 Hung To Road, Kwun Tong	Elite Centre	100	–
49 King Yip Street, Kwun Tong		100	–
<b>Year Total</b>			<b>1,672,000</b>
<b>Projects to be completed in financial year 2013/14</b>			
Tuen Mun Station Development Phase 2		Joint Venture	558,000
Tseung Kwan O Area 66B		100	662,000
Fanling Sheung Shui Town Lot 202		100	136,000
305 Shau Kei Wan Road	i · UniQ Residence	92	47,000
157 Shau Kei Wan Road	i · UniQ Grand	92	39,000
Lot 5371 in DD 116, Ha Yau Tin, Yuen Long		100	233,000
Lot 495 in DD 399, Casam Beach, Ting Kau		100	78,000
Tsing Lung Tau Lot 67		100	11,000
Kwun Tong Inland Lot 173		64.3	–
<b>Year Total</b>			<b>1,764,000</b>
<b>Major projects to be completed in financial year 2014/15 and beyond</b>			
Lot 1927 in DD 107, Yuen Long		100	2,258,000
Yuen Long Town Lot 507		100	1,848,000
Tung Chung Area 55A		100	1,367,000
Tseung Kwan O Area 66A		100	721,000
Kowloon Inland Lot 11175, Ho Man Tin		100	869,000
Shek Wu Wai, Yuen Long		50	227,000
Inland Lot 8963, Stubbs Road		100	181,000
195 Prince Edward Road West		100	45,000
Kwun Tong Inland Lot 240		50	–
Kwun Tong Inland Lot 174		64.3	–
50 Wong Chuk Hang Road		100	–
<b>Total</b>			<b>7,516,000</b>

**Attributable Gross Floor Area (square feet)**

Shopping Centre	Office	Hotel	Industrial	Total
–	54,000	626,000	–	1,541,000
95,000	–	–	–	889,000
5,000	–	–	–	621,000
24,000	–	–	–	201,000
–	–	–	–	222,000
–	–	–	–	91,000
–	–	–	–	43,000
–	–	–	–	37,000
<b>124,000</b>	<b>54,000</b>	<b>626,000</b>	<b>–</b>	<b>3,645,000</b>

269,000	–	–	–	997,000
24,000	–	–	–	880,000
18,000	–	–	–	106,000
30,000	488,000	–	–	518,000
–	207,000	–	–	207,000
–	120,000	–	–	120,000
<b>341,000</b>	<b>815,000</b>	<b>–</b>	<b>–</b>	<b>2,828,000</b>

–	–	–	–	558,000
66,000	–	–	–	728,000
4,000	–	–	–	140,000
9,000	–	–	–	56,000
14,000	–	–	–	53,000
–	–	–	–	233,000
–	–	–	–	78,000
–	–	–	–	11,000
–	199,000	–	–	199,000
<b>93,000</b>	<b>199,000</b>	<b>–</b>	<b>–</b>	<b>2,056,000</b>

75,000	–	–	–	2,333,000
471,000	–	–	–	2,319,000
27,000	–	–	–	1,394,000
72,000	–	–	–	793,000
–	–	–	–	869,000
–	–	–	–	227,000
–	–	–	–	181,000
–	–	–	–	45,000
–	–	–	575,000	575,000
–	–	–	303,000	303,000
–	120,000	–	–	120,000
<b>645,000</b>	<b>120,000</b>	<b>–</b>	<b>878,000</b>	<b>9,159,000</b>



*Elegant i · UniQ Grand in Island East*



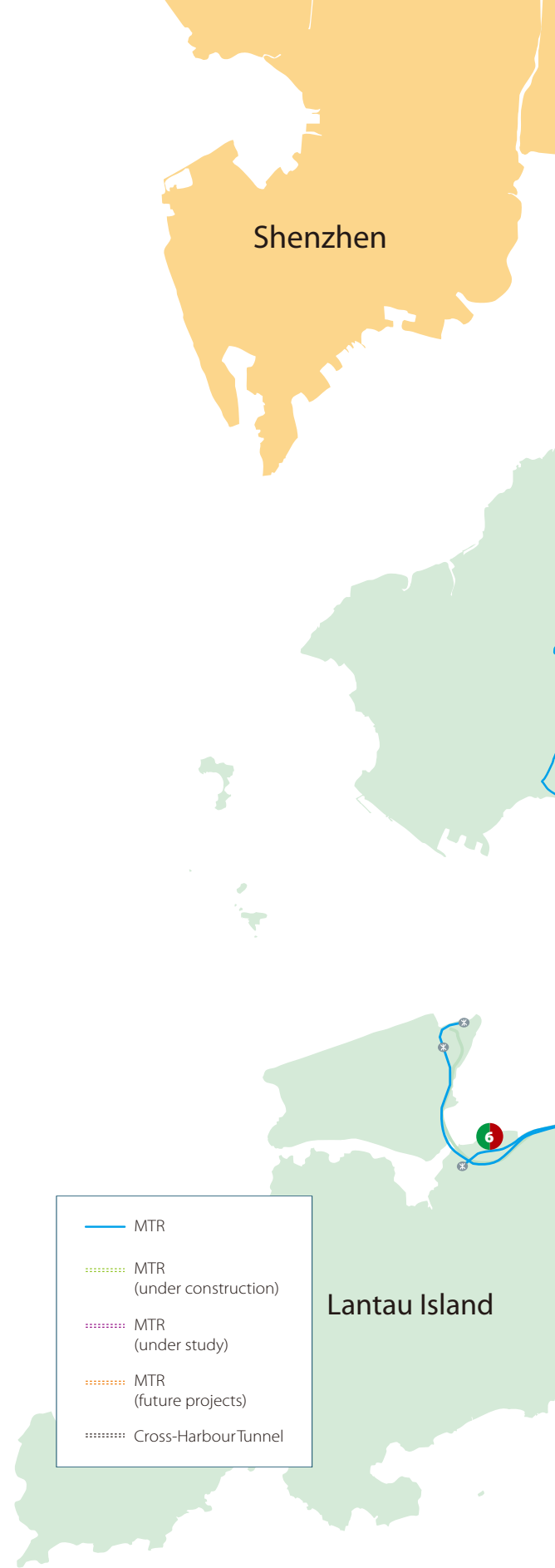
*Modern design and prime location for Lime Stardom in Kowloon*

## Property Development

### Major Properties Under Development

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

- |    |     |                                  |
|----|-----|----------------------------------|
| 1  | ●●  | Lot 1927 in DD 107, Yuen Long    |
| 2  | ●●  | Lot 2099 in DD 109, Yuen Long    |
| 3  | ●●  | Yuen Long Town Lot 507           |
| 4  | ●●  | Tuen Mun Station Development     |
| 5  | ●●  | Avignon                          |
| 6  | ●●  | Tung Chung Area 55A              |
| 7  | ●●  | Fanling Sheung Shui Town Lot 202 |
| 8  | ●●  | Lime Stardom                     |
| 9  | ●●  | Imperial Cullinan                |
| 10 | ●●  | Chatham Gate                     |
| 11 | ●●  | Tseung Kwan O Area 66A           |
| 12 | ●●  | Tseung Kwan O Area 66B           |
| 13 | ●●● | Tseung Kwan O Area 56            |
| 14 | ●●  | i · UniQ Residence               |
| 15 | ●●  | i · UniQ Grand                   |
| 16 | ●   | Shek Wu Wai                      |
| 17 | ●   | One Regent Place                 |
| 18 | ●   | Lot 5371 in DD 116, Ha Yau Tin   |
| 19 | ●   | Tsing Lung Tau Lot 67            |
| 20 | ●   | Lot 495 in DD 399, Casam Beach   |
| 21 | ●   | 195 Prince Edward Road West      |
| 22 | ●   | Kowloon Inland Lot 11175         |
| 23 | ●   | Inland Lot 8963, Stubbs Road     |
| 24 | ●   | 12 Mount Kellett Road            |
| 25 | ●   | Shouson Peak                     |
| 26 | ●   | 48-50 Stanley Village Road       |
| 27 | ●●  | KCC Phase 2                      |
| 28 | ●   | Elite Centre                     |
| 29 | ●   | Kwun Tong Inland Lot 173         |
| 30 | ●   | 49 King Yip Street               |
| 31 | ●   | 50 Wong Chuk Hang Road           |
| 32 | ●   | Kwun Tong Inland Lot 174         |
| 33 | ●   | Kwun Tong Inland Lot 240         |





# Hong Kong Property Business

## Property Investment



The Group's premium investment properties span a diverse mix of projects in prime locations with high occupancies that produce substantial and increasing recurrent income.



*International Commerce Centre, Kowloon Station (left)  
and International Finance Centre, Central (right)*

## Property Investment

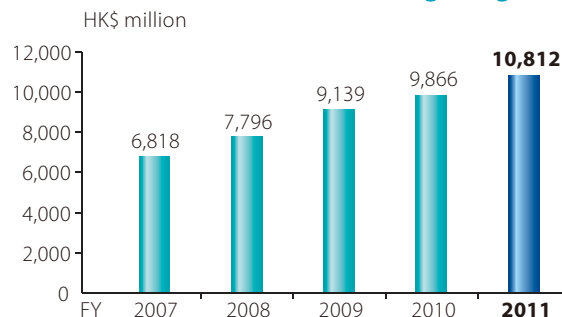


Multinationals and renowned firms are drawn to ICC at Kowloon Station for its prime location and world-class design

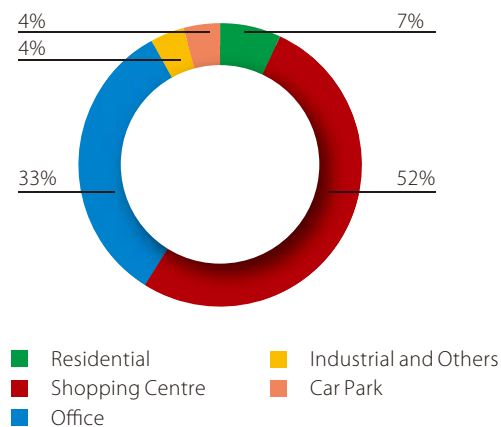
The Group's investment property portfolio is the largest in Hong Kong, comprising 27.7 million square feet of high-quality developments of different types. Most of the portfolio is grade-A office premises or prime shopping malls, while there are also premium hotels, high-end residences and some industrial buildings in different parts of the territory. The Group's investment property portfolio generates a substantial and stable recurrent income.

Leasing performance was impressive during the year. Overall occupancy rose to over 95 per cent and gross rental income set a new record. Investment properties in Hong Kong generated gross rental income of HK\$10,812 million during the year, including contributions from joint-venture properties. This was around ten per cent higher than last year. Net rental income also increased by around ten per cent to HK\$8,279 million.

### Gross Rental Income in Hong Kong\*



### Gross Rental Income in Hong Kong by Sector\*



\* Including contributions from jointly controlled entities and associates



## Completed Investment Properties Offices

Demand for quality office space remained strong during the year, driven by corporate expansion amid continuous economic growth. Market rents rose with the limited supply and low vacancies. The Group, with an office portfolio of 10.1 million square feet, is well positioned to capitalize on the good office leasing market. Occupancy was high at 95 per cent and rents were up during the year.

The Group's IFC and ICC are top-quality integrated projects with grade-A offices, up-market malls and luxury hotels, and they stand on the opposite shores of the harbour to form a gateway that is a distinctive Hong Kong landmark.

Leasing of IFC above Hong Kong Station in Central remained impressive. The Group's 50 per cent stake gives it close to a million square feet of first-rate offices in IFC in attributable terms. The project's superb quality and prestigious address make it a preferred choice for renowned financial institutions and multinationals, and occupancy was nearly 100 per cent.

ICC with nearly 2.5 million square feet of top-class offices atop Kowloon Station provides the foundation for a new business hub in West Kowloon with convenient transport connections to Central, the airport and the border. The high specifications and outstanding quality of the development have generated high demand for space from prestigious tenants including leading financial and professional firms. Virtually all the office space is let.

Millennium City is an outstanding example demonstrating the Group's ability to set new area benchmarks for decentralized offices. It anchors a new office node in Kowloon East that is becoming increasingly popular among the corporate sector. Occupancy of the 1.7 million square feet of offices attributable to the Group remained high during the year.

Other major premium office developments like Sun Hung Kai Centre and Central Plaza in Wan Chai and Grand Century Place in Mong Kok also recorded satisfactory rental increases and high occupancies for the year.



*IFC in Central remains near-fully leased*



*Modern facilities and international specifications at KCC in West Kowloon*

## Property Investment



*New Town Plaza in Sha Tin offers a new shopping experience for visitors through continuous renovation and tenant mix refinement*



*Promotions at APM in Kowloon East boost patronage*

### Shopping Centres

The retail market in Hong Kong was buoyant over the past year. Retail sales grew briskly due to much higher spending by mainland visitors and continued local consumption growth. Demand for retail space was highly stoked by tenants' business growth, while new supply remained limited.

The Group is one of the largest retail landlords in Hong Kong with around ten million square feet of shopping mall space. Its mall portfolio saw higher occupancy at increased rents during the year as a result of the favourable operating environment and the Group's continuous efforts to enhance competitiveness.

Many of the Group's malls are near MTR stations and their designs, shop mixes and promotions are tailored to appeal to different groups of shoppers. The Group also works to draw more shoppers to its malls and boost tenants' business through regular renovations and innovative promotions, including organizing shopping tours for mainlanders and increased adoption of multi-media promotion channels.

IFC Mall in Central, 50 per cent owned by the Group, is a first-class retail centre in the core business district with easy accessibility to the airport via the Airport Express. It offers a wide array of shops, ranging from trendy to sophisticated, that are popular among both locals and tourists. The mall remained virtually fully let and its tenant mix was further refined during the year to feature the finest international luxury goods.

New Town Plaza in Sha Tin has always been one of the most popular regional shopping centres in Hong Kong, drawing numerous local and mainland visitors with its comprehensive array of retail, entertainment and food outlets, including a number of international luxury brands. The mall continued to record rent increases and high traffic flow.

APM in Kowloon East pioneered the late night shopping concept and is a magnet for young and hip. APM began renovations during the year to enhance competitiveness by offering young customers the most modern facilities and shopping variety with a new tenant mix and more spacious feel. The renovation is scheduled for completion in 2012.

Mikiki is the latest addition to the Group's retail portfolio and was virtually fully leased before its opening in August this year. This new entertainment centre in southeast Kowloon has a selection of modern retailers aimed at young people. Its design with skylights and high ceilings offers additional spaciousness. The expected completion of the Kai Tak cruise terminal and rejuvenation of southeast Kowloon will further enhance the attractiveness of Mikiki.

Landmark North in Sheung Shui benefits from an advantageous location near the MTR Sheung Shui Station to attract mainland spending. Other major Group malls like WTC More in Causeway Bay, Grand Century Place in Mong Kok and Metroplaza in Kwai Chung also recorded high occupancies and higher visitor traffic.

## Residential, Serviced Suites and Others

Leasing performance of the Group's luxury residential units and serviced suites was encouraging during the year. The Group holds around a million square feet of residential properties for lease, comprising mainly luxury developments like Dynasty Court. It also owns serviced suites in Four Seasons Place and The HarbourView Place that provide attentive service to long-staying guests. Signature Homes oversees high-end leasing for the Group, and is dedicated to offering tenants comprehensive, personal one-stop service.

The Group owns over 34,000 car parking bays as well as a number of industrial buildings, godowns and data centres. They provided steady rental income during the year.

## Investment Properties Under Development

The Group will continue building new offices and shopping centres, reinforcing its status as a premium landlord. It will add new high-grade properties to its rental portfolio and replace certain non-core assets. Some non-core office properties were disposed of during the year in line with this policy.

The Group had an attributable 3.6 million square feet of new investment properties under development as at June 2011. Around one million square feet is slated to be premium office space with the latest technology and modern facilities. Retail space will account for 1.1 million square feet and the remaining 1.6 million square feet will be developed into quality hotels or are prime industrial sites being converted to office use.

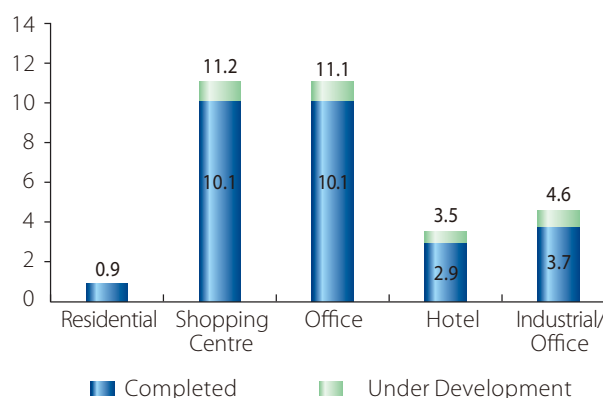
Ever since the completion of New Town Plaza in Sha Tin in the mid-1980s, the Group has built up its expertise in developing and operating large-scale regional malls. The Group is applying this expertise to establish a one-million-square-foot shopping and entertainment hub YOHO Mall in West New Territories, comprising an over 470,000-square-foot shopping centre under construction and two existing malls in the neighbourhood. The provision of modern facilities and an international selection of retailers will well serve the young and vibrant community at YOHO Town and youngsters in West New Territories, and its strategic location with direct linkage to the MTR Yuen Long Station will also entice local customers from other parts of the city as well as mainland customers from across the border.

Construction of another shopping mall of about 270,000 square feet by the MTR Tuen Mun Station is progressing on target for completion by late 2012. Interest in preliminary leasing has been high. The mall will house many trendy outlets new to Tuen Mun targeting young people. Its spacious layout and sufficient parking will add to customers' convenience and comfort.

KCC Phase 2 is a major decentralized office project under development by the Group, containing over 500,000 square feet of quality offices and supporting retail space scheduled for completion in early 2013. Like Phase 1, it is being built to international specifications with high technology, fine architecture and green elements that set new benchmark for premium offices in the area. The entire KCC will have a total gross floor area of over a million square feet and will be the most prominent modern grade-A office development in the district. Its proximity to the container terminals, convenient access to the airport and the border have helped attract international logistics and telecommunication enterprises as Phase 1 tenants.

## Investment Properties: Completed and Under Development\*

million square feet



\* As at June 2011

## Property Investment

### Major Completed Investment Properties

Project	Location	Lease Expiry	Group's Interest (%)
<b>Hong Kong Island</b>			
One IFC	1 Harbour View Street, Central	2047	50
Two IFC & IFC Mall	8 Finance Street, Central	2047	50
Four Seasons Hotel / Four Seasons Place	8 Finance Street, Central	2047	50
Sun Hung Kai Centre	30 Harbour Road, Wan Chai	2127	100
Central Plaza	18 Harbour Road, Wan Chai	2047	50
World Trade Centre / WTC More	280 Gloucester Road, Causeway Bay	2842	100
Dynasty Court (Blocks 2 & 3)	23 Old Peak Road	2886	100
MEGA iAdvantage	399 Chai Wan Road, Chai Wan	2112	73.8
Pacific View (Blocks 2 & 3)	38 Tai Tam Road	2047	100
Chi Fu Landmark	Chi Fu Road	2126	100
Hillsborough Court (Block 4)	18 Old Peak Road	2884	100
<b>Kowloon</b>			
International Commerce Centre	1 Austin Road West	2047	100
The Ritz-Carlton, Hong Kong / W Hong Kong / The HarbourView Place	1 Austin Road West	2047	100
Millennium City 1*	388 Kwun Tong Road	2047	100
Millennium City 2	378 Kwun Tong Road	2047	50
Millennium City 5 / APM	418 Kwun Tong Road	2047	100
Millennium City 6	392 Kwun Tong Road	2047	100
Grand Century Place	193 Prince Edward Road West, Mong Kok	2047	100
Royal Plaza Hotel	193 Prince Edward Road West, Mong Kok	2047	100
The Royal Garden	69 Mody Road, Tsim Sha Tsui	2127	100
Kerry Hung Kai Godown	3 Fat Tseung Street, Cheung Sha Wan	2047	50
APEC Plaza	49 Hoi Yuen Road, Kwun Tong	2047	100
Mikiki	638 Prince Edward Road East, San Po Kong	2054	100
The Sun Arcade	28 Canton Road, Tsim Sha Tsui	2047	100
Peninsula Tower	538 Castle Peak Road, Cheung Sha Wan	2047	100
New Tech Plaza	34 Tai Yau Street, San Po Kong	2047	100
Hing Wah Centre	82-84 To Kwa Wan Road	2099	100
26 Nathan Road	26 Nathan Road	2039	100
Infotech Centre	21 Hung To Road, Kwun Tong	2047	100
<b>New Territories</b>			
New Town Plaza I	18 Shatin Centre Street, Sha Tin	2047	100
New Town Plaza III	2-8 Shatin Centre Street, Sha Tin	2047	100
New Town Tower	10-18 Pak Hok Ting Street, Sha Tin	2047	100
Grand Central Plaza / HomeSquare	138 Shatin Rural Committee Road, Sha Tin	2047	100
Royal Park Hotel	8 Pak Hok Ting Street, Sha Tin	2047	100
Metroplaza Tower I & Shopping Centre	223 Hing Fong Road, Kwai Chung	2047	100
Tai Po Mega Mall	9 On Pong Road, Tai Po	2047	100
Tsuen Wan Plaza	5-21 Pak Tin Par Street, Tsuen Wan	2047	100
Kowloon Commerce Centre Phase 1	51 Kwai Cheong Road, Kwai Chung	2047	100
Landmark North	39 Lung Sum Avenue, Sheung Shui	2047	100
Sun Hung Kai Logistics Centre	8 Wong Chuk Yeung Street, Sha Tin	2047	100
East Point City Shopping Centre	8 Chung Wa Road, Tseung Kwan O	2047	100
Royal View Hotel	353 Castle Peak Road, Ting Kau	2047	100
Sun Yuen Long Centre Shopping Arcade	8 Long Yat Road, Yuen Long	2047	87.5
Park Central Shopping Centre	Tseung Kwan O Town Lots 57 & 66	2047	57.52/25
Citygate/Novotel Citygate Hong Kong Hotel	Tung Chung Town Lot 2	2047	20
Grand City Plaza	1-17 Sai Lau Kok Road, Tsuen Wan	2047	100
Yuen Long Plaza Shopping Arcade	249-251 Castle Peak Road, Yuen Long	2047	100
Advanced Technology Centre	2 Choi Fat Street, Sheung Shui	2047	100
Uptown Plaza Shopping Arcade	9 Nam Wan Road, Tai Po	2047	100
Chelsea Heights	1 Shek Pai Tau Path, Tuen Mun	2047	100
Jumbo iAdvantage	145-159 Yeung Uk Road, Tsuen Wan	2047	73.8

\* Including the attributable share in areas held by SUNeVision, in which the Group has a 73.8 per cent interest

**Attributable Gross Floor Area (square feet)**

Residential	Shopping Centre	Office	Hotel	Industrial/ Office	Total
-	-	392,000	-	-	392,000
-	320,000	566,000	-	-	886,000
-	-	-	550,000	-	550,000
-	53,000	851,000	-	-	904,000
-	-	700,000	-	-	700,000
-	280,000	232,000	-	-	512,000
341,000	-	-	-	-	341,000
-	-	-	-	257,000	257,000
248,000	-	-	-	-	248,000
-	172,000	-	-	-	172,000
126,000	-	-	-	-	126,000
-	-	2,495,000	-	-	2,495,000
-	-	-	1,023,000	-	1,023,000
-	27,000	872,000	-	-	899,000
-	-	133,000	-	-	133,000
-	598,000	308,000	-	-	906,000
-	32,000	370,000	-	-	402,000
-	725,000	475,000	-	-	1,200,000
-	-	-	400,000	-	400,000
-	-	-	295,000	-	295,000
-	-	-	-	285,000	285,000
-	-	-	-	240,000	240,000
-	205,000	-	-	-	205,000
-	205,000	-	-	-	205,000
-	-	-	-	198,000	198,000
-	-	-	-	183,000	183,000
-	-	-	-	183,000	183,000
-	53,000	124,000	-	-	177,000
-	-	-	-	114,000	114,000
-	1,300,000	-	-	-	1,300,000
-	350,000	-	-	-	350,000
-	-	96,000	-	-	96,000
-	310,000	431,000	-	-	741,000
-	-	-	258,000	-	258,000
-	600,000	569,000	-	-	1,169,000
-	589,000	-	-	-	589,000
-	583,000	-	-	-	583,000
-	56,000	521,000	-	-	577,000
-	182,000	375,000	-	-	557,000
-	-	-	-	500,000	500,000
-	415,000	-	-	-	415,000
-	-	-	310,000	-	310,000
-	245,000	-	-	-	245,000
-	195,000	-	-	-	195,000
-	99,000	32,000	47,000	-	178,000
-	35,000	137,000	-	-	172,000
-	145,000	-	-	-	145,000
-	-	-	-	142,000	142,000
-	120,000	-	-	-	120,000
-	116,000	-	-	-	116,000
-	-	-	-	110,000	110,000



*IFC Mall in Central has a wide selection of luxury retailers*



*Regular promotions at WTC More in Causeway Bay boost visitor flows*



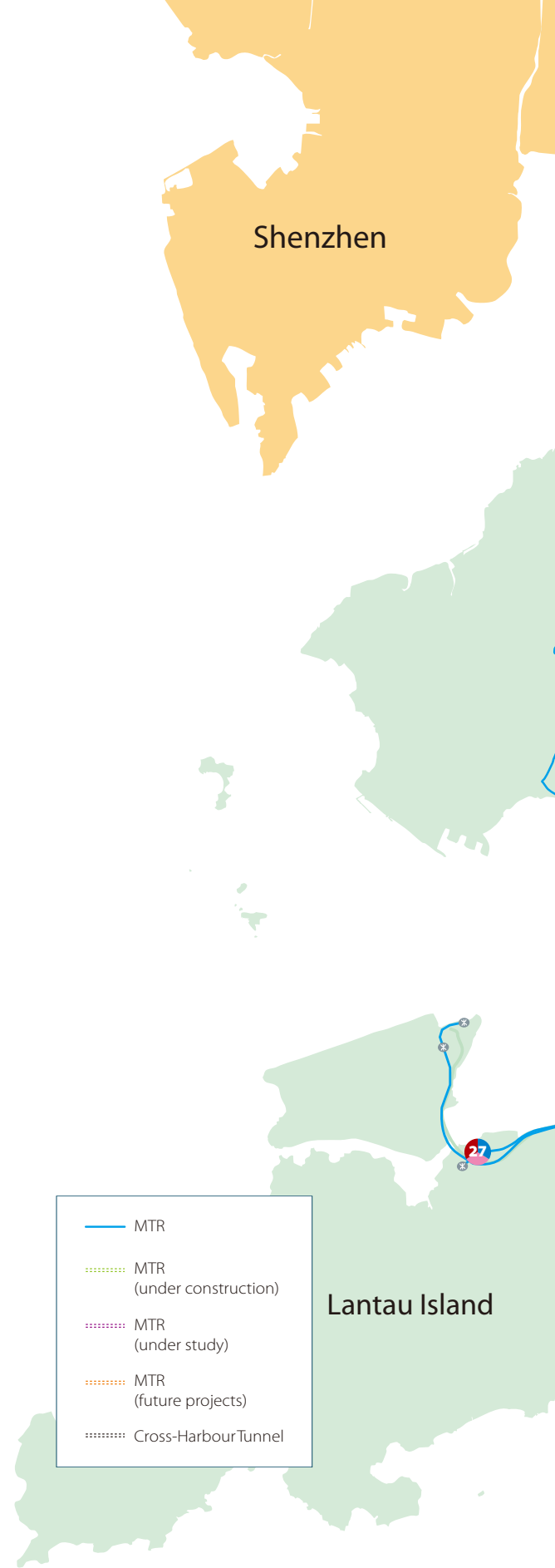
*Mikiki is a new shopping attraction in southeast Kowloon*

## Property Investment

### Major Completed Investment Properties

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

- |    |     |  |
|----|-----|--|
| 1  | ●   | Dynasty Court  |
| 2  | ●   | Hillsborough Court   |
| 3  | ●   | Pacific View   |
| 4  | ●   | Uptown Plaza   |
| 5  | ●   | Tai Po Mega Mall   |
| 6  | ●   | Sun Yuen Long Centre   |
| 7  | ●   | Yuen Long Plaza  |
| 8  | ●   | Chelsea Heights  |
| 9  | ●   | Tsuen Wan Plaza  |
| 10 | ●   | The Sun Arcade   |
| 11 | ●   | Mikiki   |
| 12 | ●   | East Point City  |
| 13 | ●   | Park Central   |
| 14 | ●   | Chi Fu Landmark  |
| 15 | ●●  | New Town Plaza / New Town Tower  |
| 16 | ●●  | Grand Central Plaza / HomeSquare   |
| 17 | ●●  | Landmark North   |
| 18 | ●●  | Grand City Plaza   |
| 19 | ●●  | Metroplaza   |
| 20 | ●●  | KCC Phase 1  |
| 21 | ●●  | Grand Century Place  |
| 22 | ●●  | 26 Nathan Road   |
| 23 | ●●  | Millennium City Phases 1, 2, 5 & 6 / APM                                   |
| 24 | ●●  | IFC  |
| 25 | ●●  | Sun Hung Kai Centre  |
| 26 | ●●  | World Trade Centre / WTC More  |
| 27 | ●●● | Citygate / Novotel Citygate Hong Kong Hotel                                |
| 28 | ●   | Central Plaza  |
| 29 | ●●  | ICC / The Ritz-Carlton, Hong Kong /<br>W Hong Kong / The HarbourView Place |
| 30 | ●   | Sun Hung Kai Logistics Centre  |
| 31 | ●   | Advanced Technology Centre   |
| 32 | ●   | Jumbo iAdvantage   |
| 33 | ●   | Peninsula Tower  |
| 34 | ●   | Kerry Hung Kai Godown  |
| 35 | ●   | New Tech Plaza   |
| 36 | ●   | Hing Wah Centre  |
| 37 | ●   | APEC Plaza   |
| 38 | ●   | Infotech Centre  |
| 39 | ●   | MEGA iAdvantage  |
| 40 | ●   | Four Seasons Hotel / Four Seasons Place                                    |
| 41 | ●   | The Royal Garden   |
| 42 | ●   | Royal Plaza Hotel  |
| 43 | ●   | Royal Park Hotel   |
| 44 | ●   | Royal View Hotel   |





# Mainland Property Business

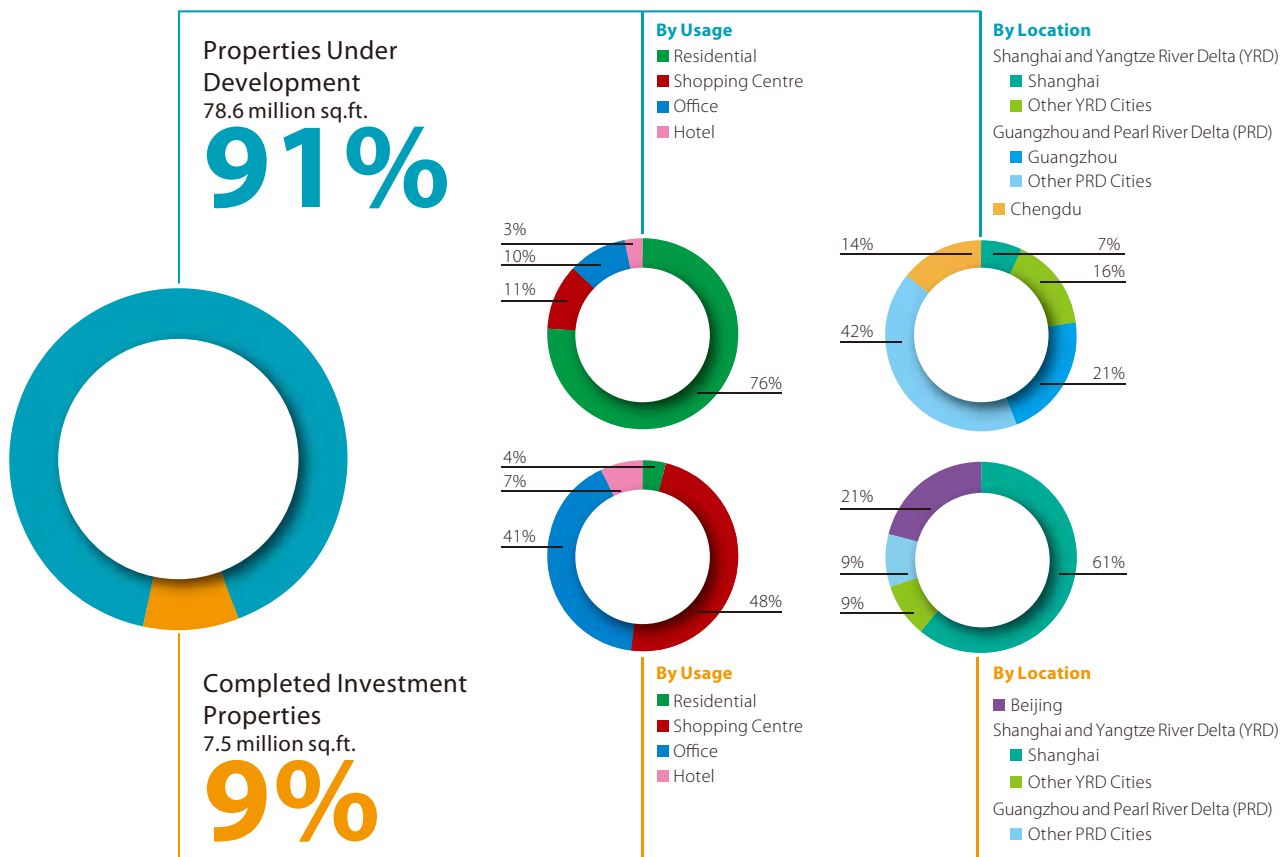
## Highlights

- 78.6 million square feet of properties for development on the mainland and 7.5 million square feet of completed properties for rent
- Sold or pre-sold over HK\$2,000 million worth of properties on the mainland
- HK\$1,158 million in gross rental income from mainland properties
- Rising position as a premium brand with gradual completions of Shanghai IFC and Shanghai ICC
- Selective, focused development strategy concentrating on prime cities

## Land Bank

### Mainland China Land Bank Composition

(86.1 million square feet in attributable gross floor area as at 30 June 2011)





The Group added several prime sites with a combined gross floor area of 5.6 million square feet to its mainland land bank during the year under review. Details of the new acquisitions are on page 13 of the Chairman's Statement. The Group's mainland development land bank amounted to 78.6 million square feet of attributable gross floor area as at 30 June

2011. Over 75 per cent of this will be high-end residences for sale. The Group holds another 7.5 million square feet of completed investment properties in major cities, comprising high-quality offices, shopping centres and a hotel.

The Group's mainland land bank as at 30 June 2011 was as follows:

	Attributable Gross Floor Area (million square feet)		
	Under Development	Completed Investment Properties	Total
<b>By Usage</b>			
Residential*	59.4	0.3	59.7
Shopping Centre	8.9	3.6	12.5
Office	8.2	3.1	11.3
Hotel	2.1	0.5	2.6
<b>Total</b>	<b>78.6</b>	<b>7.5</b>	<b>86.1</b>
<b>By Location</b>			
Beijing	–	1.6	1.6
Shanghai and Yangtze River Delta (YRD)	18.6	5.3	23.9
<i>Shanghai</i>	6.0	4.6	10.6
<i>Other YRD cities</i>	12.6	0.7	13.3
Guangzhou and Pearl River Delta (PRD)	49.2	0.6	49.8
<i>Guangzhou</i>	16.3	–	16.3
<i>Other PRD cities</i>	32.9	0.6	33.5
Chengdu	10.8	–	10.8
<b>Total</b>	<b>78.6</b>	<b>7.5</b>	<b>86.1</b>

\* Including serviced apartments

# Mainland Property Business

## Property Development



The Group is applying its Hong Kong expertise to develop high-end residences on the mainland and impressing buyers with outstanding quality and designs.



*Lake Dragon, Guangzhou*

## Property Development



*Multinationals and well-known retailers favour the Shanghai IFC offices and mall which have become a focus of the city*

More stringent restrictions on home purchases and tight financing for both developers and homebuyers slowed housing market activity in major cities and softened prices. The home purchase restrictions are gradually being extended to some second and third tier cities that have seen buoyant markets so far, and should help underpin healthier market development over the longer term. As the economy is anticipated to grow at a relatively fast pace and the process of urbanization continues, the long-term prospects for the mainland housing market remain positive.

The Group will adhere to its selective and focused strategy on the mainland, concentrating on major cities including Beijing, Shanghai, Guangzhou and Shenzhen. It is developing nearly 60 million square feet of quality residential premises and serviced apartments there. These projects are in Shanghai, Guangzhou and the prospering Yangtze and Pearl River deltas, or in fast-growing Chengdu in the west, and most are in prime city locations served by convenient transport.

The Group has built upon its experience and expertise in developing up-market residential premises and large integrated developments in Hong Kong to establish its brand name for quality in major mainland cities.

Developments put on sale over the past few years have been popular, and homebuyers praise their quality. Group projects were sold well during the year with over HK\$2,000 million of mainland properties sold despite a challenging market.

### Major Projects Under Development

#### SHANGHAI & YANGTZE RIVER DELTA IFC Residence & Shanghai IFC Mall Phase 2

*8 Century Avenue, Shanghai  
(100% owned)*

IFC Residence will have 413,000 square feet of serviced suites, offering premium living to long-staying guests. Shanghai IFC Mall Phase 2 will contain 180,000 square feet of retail space. Both are scheduled to be completed by 2012. This will be the final phase of the over four-million-square-foot Shanghai IFC, a major integrated development in the Lujiazui Finance and Trade Zone. Leasing results for the completed office towers and Shanghai IFC Mall Phase 1 are described under Property Investment on pages 62 to 63.

### Shanghai ICC

999 Huai Hai Zhong Road, Shanghai

(100% owned)

Shanghai ICC will consist of two premium office towers, a modern shopping mall and deluxe residences. The first tower offering over 600,000 square feet of world-class offices was finished during the year. There are over 200,000 square feet of deluxe units in ICC Residence currently under construction for completion in the first half of 2012 and the 1.3-million-square-foot International APM mall is scheduled for opening in late 2012. Construction works of the last phase of over 600,000-square-foot top-grade offices will commence soon. Leasing results for the first office tower are described on page 62 and more information about the mall under development can be found on page 65.

### Shanghai Arch

Pu Ming Road, Lujiazui, Shanghai

(100% owned)

Shanghai Arch is in one of the most prestigious residential areas in the city; on the bank of the Huangpu River with a panoramic view of the famous Bund. The Group is building 1.7 million square feet of luxury residential units and serviced apartments on this site. Its first-class finishes and fittings, splendid design and deluxe facilities will redefine luxury living in Shanghai. The first phase of over 500,000 square feet of luxury residences will be ready to go on the market upon receipt of the sales consent.



*International specifications and premium quality make Shanghai ICC a new heart of commerce, shopping and leisure in the city*



*Glamorous view of the Bund from Shanghai Arch by the Huangpu River*

## Property Development



*The integrated project in Minhang, Shanghai will include a regional shopping and entertainment complex*

### Minhang Project

*Minhang, Shanghai  
(35% owned)*

The Group is applying its experience in developing large integrated projects above key rail stations in this joint-venture project above Xinzhuang Station, a strategic transport node in Shanghai. The station is the interchange of two existing metro lines and a third now being built, and also serves the express rail. The development will have over four million square feet of gross floor area, comprising high-end apartments, a grand shopping centre, premium offices and a five-star hotel. The mall will have 1.8 million square feet of gross floor area forming a focal point for shopping and entertainment.

### Hangzhou MIXC

*Qianjiang New City, Hangzhou  
(40% owned)*

Hangzhou MIXC is an over six-million-square-foot project in the Qianjiang New City central business district being developed in two phases. It will be easily accessible with one of two metro stations that will connect directly with the project scheduled for completion in 2012. The first phase of 2.8 million square feet was completed in 2010. It includes the high-end MIXC Residence and a grand shopping mall. MIXC Residence has over a million square feet of gross floor area and went on sale in 2008. The project proved popular with all standard units sold. The mall is operating smoothly with increased traffic flow. Construction of the second phase recently began and completion is scheduled for 2015. This will include 1.9 million square feet of high-quality offices, a five-star Park Hyatt hotel, a million square feet of high-end serviced apartments and retail shops near the existing mall.



*Top design and materials for MIXC Residence in Hangzhou*

## Nanjing ICC

Hexi CBD, Nanjing

(100% owned)

Nanjing ICC will be a distinctive new commercial icon in the city's core business area. The latest plan provides for a total of three million square feet of floor area with quality offices, a high-class hotel and a shopping mall. It will also have a spacious landscaped plaza and be connected to two metro lines providing unrivalled transport convenience. Construction began during the year.

## Suzhou Project

Suzhou

(90% owned)

The Suzhou project encompasses three sites with a total gross floor area of 3.5 million square feet. The two lakefront sites will be developed into a five-star hotel and 900,000 square feet of deluxe residential premises in 240 town houses, while the third site will be an integrated development of about two million square feet featuring a luxury shopping mall, offices and high-end serviced apartments. The first Lake Genève phase of the development will have a total gross floor area of 500,000 square feet, comprising 130 luxurious town houses with marvellous lake views. Construction is progressing smoothly with expected completion in 2013.



*Nanjing ICC in the commercial core will include offices, a hotel and a shopping mall*



*Beautiful lake views from Lake Genève in Suzhou*

## Property Development



*The full facilities at Taihu International Community in Wuxi appeal to buyers*

### **Wuxi Taihu International Community**

*Taihu New City, Wuxi*

*(40% owned)*

Taihu International Community is a comprehensive development with 14 million square feet, consisting of mainly high-end residential units and serviced apartments, complemented by a hotel plus some office 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. The first three phases of 3.6 million square feet residences have been completed and virtually all units have been sold. The fourth phase of another 1.9 million square feet of residences and 200,000 square feet of retail space is expected to be completed in the first half of 2012.



*Tranquil Lake Dragon in Guangzhou*

### **GUANGZHOU & PEARL RIVER DELTA**

#### **Lake Dragon**

*Huadu, Guangzhou*

*(60% owned)*

Lake Dragon is a low-density development with about eight million square feet of floor area. Top quality and being integrated with a golf course made the project popular with buyers and reinforced the Group's brand name. The first phase of 1.3 million square feet of luxurious town houses was virtually sold out before their completion in 2010. The second phase of over 700,000 square feet in nearly 80 luxury town houses and 120 apartments is now under construction and planned for completion in early 2013. Over 50 town houses in the initial batch have been sold since they went on the market in June this year despite the challenging environment, with units in the subsequent batches to be launched in coming months.



### Liede Project

Zhujiang Xincheng, Guangzhou

(33.3% owned)

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The Group has a one-third of interest in this integrated complex in the Zhujiang Xincheng business area of Guangzhou. There will be two million square feet of high-end serviced apartments, 1.3 million square feet of first-rate offices, a top-class hotel and an up-market mall. The mall will have a million square feet of gross floor area and a prime location that take full advantage of the growing opportunities in this affluent business hub of Guangzhou. Construction of the first million square feet of serviced apartments is under way and scheduled for completion in 2013.

### Linhe Project

Tianhe, Guangzhou

(70% owned)

---

This site is in the north of Tianhe District, a traditional luxury residential area and the most prosperous part of Guangzhou. It is close to the Guangzhou East railway station that serves intercity rail service between Guangzhou and Hong Kong and is also an interchange on the Guangzhou metro. The Group has a 70 per cent stake in this project of 1.6 million square feet of top-end residences and 360,000 square feet of offices. Construction will soon proceed to the superstructure stage with expected completion from 2014 onwards.

### Shiling Project

Huadu, Guangzhou

(100% owned)

---

The Shiling residential project in Huadu will have over eight million square feet of floor area forming a community that is well served by a full range of supporting facilities. Construction of the first phase with a million square feet of gross floor area has proceeded to the superstructure stage and completion is planned for the first half of 2013.



*The Liede project in the business area of Guangzhou will offer accommodation for executives*



*Greenery surrounding at the Shiling project in Guangzhou*

## Property Development



*Cosy setting for The Woodland in Zhongshan*

### Chancheng Project

*Chancheng, Foshan*  
(80% owned)

---

This is a large-scale integrated development with 30 million square feet of gross floor area in central Foshan. The rail line connecting central Foshan to downtown Guangzhou will facilitate the merging of the two cities into a new conurbation in the Pearl River Delta, and the development's central position with a planned rail station nearby will make it a new focus of the district. Over 80 per cent of the total will be premium residences, complemented by comprehensive shopping facilities, quality offices and a premium hotel. Project planning is being finalized and construction will proceed in phases.

### The Woodland

*Zhongshan Wu Road, Zhongshan*  
(Joint venture)

---

The Woodland is a low-rise development of over five million square feet of premium residential units being built in phases. The first three phases totalling about two million square feet have been completed for some time, and the latest phase of over 130,000 square feet of gross floor area in Phase 4A, Woodland Lake, was finished recently. Another 780,000 square feet of residential premises in Phase 4B is planned for completion in 2013.

### Shilong Project

*Shilong, Dongguan*  
(100% owned)

---

The project is in central Shilong in the northern part of Dongguan. Including an adjacent site acquired during the year, the whole development will consist of about four million square feet of premium residential units; most with panoramic river views.

## OTHER CITIES

### Jovo Town

Shuangliu County, Chengdu

(91% owned)

The project is in a new district in southern Chengdu near the new embassy area and Exhibition and Convention Centre, next to the largest ocean park in Chengdu. The entire project will have over six million square feet of gross floor area to be completed in phases. Buyers took possession of the first six residential towers in Phase 1A encompassing over 1.1 million square feet in 2010. Another 850,000 square feet of premium residences in Phase 1B will be completed by mid-2012. Construction of about 2.5 million square feet of deluxe high-rise residential units in phase two started recently and will be finished in stages.

### Chengdu ICC

Jinjiang, Chengdu

(40% owned)

Chengdu ICC is in the city's new financial and business centre with convenient access. It will be linked directly to a metro station on the number two line that will go into service in 2012. The project will have over 13 million square feet of gross floor area with up-market shopping malls, grade-A offices, a five-star hotel and deluxe residences, along with comprehensive community facilities. Construction of the first ten residential towers with 1.6 million square feet of gross floor area began earlier this year.



*Different layouts will be offered at Jovo Town in Chengdu*



*Chengdu ICC will be a major landmark of the city*

## Property Development

### Major Mainland Properties Under Development by Year of Completion

Location	Project Name	City	Group's Interest (%)
<b>Projects to be completed in financial year 2011/12</b>			
Lujiazui Project Phase 3	IFC Residence / Shanghai IFC Mall Phase 2	Shanghai	100
Huai Hai Zhong Road Lot 3 Phase 2	Shanghai ICC	Shanghai	100
Taihu New City Project Phase 4	Taihu International Community	Wuxi	40
Shuangliu County Project Phase 1B	Jovo Town	Chengdu	91
<b>Year Total</b>			
<b>Projects to be completed in financial year 2012/13</b>			
Pu Ming Road, Lujiazui Phase 1	Shanghai Arch	Shanghai	100
Taihu New City Project Phase 5	Taihu International Community	Wuxi	40
Suzhou Project Phase 1	Lake Genève	Suzhou	90
Dragon Lake Project Phases 2A & 2B	Lake Dragon	Guangzhou	60
Zhongshan Wu Road Project Phase 4B	The Woodland	Zhongshan	Joint Venture
Shuangliu County Project Phase 2A	Jovo Town	Chengdu	91
<b>Year Total</b>			
<b>Projects to be completed in financial year 2013/14</b>			
Liede Project Phase 1		Guangzhou	33.3
Taihu New City Project Phase 6	Taihu International Community	Wuxi	40
Suzhou Project Phase 2	Lake Genève / Four Seasons Hotel	Suzhou	90
Shiling Project Phases 1A & 1B		Guangzhou	100
Zhongshan Wu Road Project Phases 4C & 5	The Woodland	Zhongshan	Joint Venture
Shuangliu County Project Phase 2B	Jovo Town	Chengdu	91
<b>Year Total</b>			
<b>Projects to be completed in financial year 2014/15 and beyond</b>			
Pu Ming Road, Lujiazui remaining phases	Shanghai Arch	Shanghai	100
Huai Hai Zhong Road Lot 3 Phase 3	Shanghai ICC	Shanghai	100
Minhang Project		Shanghai	35
Qianjiang New City Project remaining phases	Hangzhou MIXC	Hangzhou	40
Zhijiang Project		Hangzhou	40
Taihu New City Project remaining phases	Taihu International Community	Wuxi	40
Suzhou Project remaining phases		Suzhou	90
Hexi CBD Project		Nanjing	100
Dragon Lake Project remaining phases	Lake Dragon	Guangzhou	60
Shiling Project remaining phases		Guangzhou	100
Liede Project remaining phases		Guangzhou	33.3
Linhe Project		Guangzhou	70
Chancheng Project		Foshan	80
Zhongshan Wu Road Project remaining phases	The Woodland	Zhongshan	Joint Venture
Shilong Project		Dongguan	100
Shuangliu County Project remaining phases	Jovo Town	Chengdu	91
Dongda Avenue Project	Chengdu ICC	Chengdu	40
<b>Total</b>			

\* Gross floor area including basement retail area; residential area including serviced apartments

**Attributable Gross Floor Area (square feet)\***

Residential	Shopping Centre	Office	Hotel	Total
–	180,000	–	413,000	593,000
216,000	1,307,000	–	–	1,523,000
769,000	82,000	–	–	851,000
773,000	–	–	–	773,000
<b>1,758,000</b>	<b>1,569,000</b>	<b>–</b>	<b>413,000</b>	<b>3,740,000</b>

557,000	–	–	–	557,000
645,000	–	–	–	645,000
450,000	15,000	–	–	465,000
454,000	–	–	–	454,000
781,000	–	–	–	781,000
1,151,500	1,000	–	–	1,152,500
<b>4,038,500</b>	<b>16,000</b>	<b>–</b>	<b>–</b>	<b>4,054,500</b>

378,000	3,000	–	–	381,000
831,000	678,000	50,000	108,000	1,667,000
394,000	2,000	–	290,000	686,000
2,028,000	65,000	–	–	2,093,000
890,000	–	–	–	890,000
1,151,500	–	–	–	1,151,500
<b>5,672,500</b>	<b>748,000</b>	<b>50,000</b>	<b>398,000</b>	<b>6,868,500</b>

1,115,000	24,000	–	–	1,139,000
–	–	615,000	–	615,000
659,000	634,000	177,000	68,000	1,538,000
407,000	80,000	755,000	155,000	1,397,000
781,000	–	–	–	781,000
1,004,000	1,000	–	–	1,005,000
516,000	356,000	946,000	181,000	1,999,000
–	510,000	2,178,000	460,000	3,148,000
3,446,000	162,000	–	–	3,608,000
6,642,000	43,000	–	–	6,685,000
323,000	356,000	431,000	144,000	1,254,000
1,096,000	23,000	254,000	–	1,373,000
20,518,000	2,232,000	861,000	172,000	23,783,000
1,655,000	162,000	–	–	1,817,000
4,520,000	92,000	–	–	4,612,000
2,121,000	1,000	–	–	2,122,000
3,120,000	667,000	1,615,000	159,000	5,561,000
<b>47,923,000</b>	<b>5,343,000</b>	<b>7,832,000</b>	<b>1,339,000</b>	<b>62,437,000</b>



*Vast green space at Lake Dragon in Guangzhou*



*Modern design and advanced facilities in Shanghai ICC*

## Property Development

### Major Projects

- Residential
- Office
- Shopping Centre
- Hotel

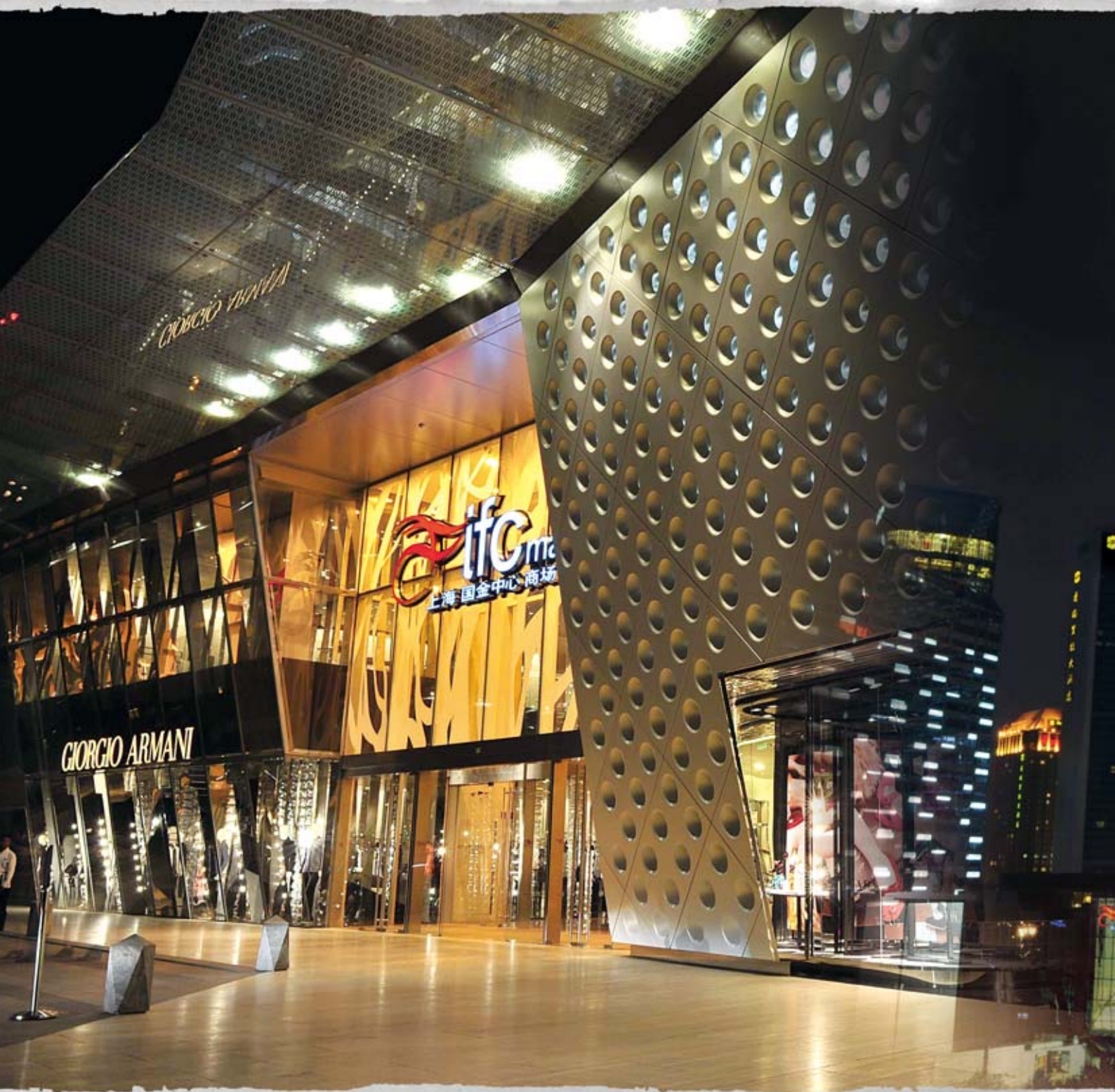
District	Project Name	Usage
<b>Major Completed Investment Properties</b>		
<b>BEIJING</b>	1 Beijing APM	<span style="color: red;">●</span> <span style="color: blue;">●</span>
<b>SHANGHAI &amp; YANGTZE RIVER DELTA</b>		
<b>Shanghai</b>	2 Arcadia Shanghai	<span style="color: green;">●</span> <span style="color: red;">●</span>
	3 Shanghai IFC / The Ritz-Carlton Shanghai, Pudong / Shanghai IFC Mall Phase 1	<span style="color: red;">●</span> <span style="color: blue;">●</span> <span style="color: pink;">●</span>
	4 Shanghai Central Plaza	<span style="color: red;">●</span> <span style="color: blue;">●</span>
	5 Shanghai ICC Phase 1	<span style="color: blue;">●</span>
<b>Hangzhou</b>	6 Hangzhou MIXC	<span style="color: red;">●</span>
<b>GUANGZHOU &amp; PEARL RIVER DELTA</b>		
<b>Foshan</b>	7 Nanhai Plaza	<span style="color: red;">●</span>
District	Project Name	Usage
<b>Major Properties Under Development</b>		
<b>SHANGHAI &amp; YANGTZE RIVER DELTA</b>		
<b>Shanghai</b>	8 Shanghai ICC Phases 2 & 3	<span style="color: green;">●</span> <span style="color: red;">●</span> <span style="color: blue;">●</span>
	9 Shanghai Arch	<span style="color: green;">●</span> <span style="color: red;">●</span>
	10 Minhang Project	<span style="color: green;">●</span> <span style="color: red;">●</span> <span style="color: blue;">●</span> <span style="color: pink;">●</span>
	11 IFC Residence / Shanghai IFC Mall Phase 2	<span style="color: red;">●</span> <span style="color: pink;">●</span>
<b>Hangzhou</b>	12 Hangzhou MIXC	<span style="color: green;">●</span> <span style="color: red;">●</span> <span style="color: blue;">●</span> <span style="color: pink;">●</span>
	13 Zhijiang Project	<span style="color: green;">●</span>
<b>Nanjing</b>	14 Hexi CBD Project	<span style="color: red;">●</span> <span style="color: blue;">●</span> <span style="color: pink;">●</span>
<b>Suzhou</b>	15 Suzhou Project	<span style="color: green;">●</span> <span style="color: red;">●</span> <span style="color: blue;">●</span> <span style="color: pink;">●</span>
<b>Wuxi</b>	16 Taihu International Community	<span style="color: green;">●</span> <span style="color: red;">●</span> <span style="color: blue;">●</span> <span style="color: pink;">●</span>
<b>GUANGZHOU &amp; PEARL RIVER DELTA</b>		
<b>Guangzhou</b>	17 Lake Dragon	<span style="color: green;">●</span> <span style="color: red;">●</span>
	18 Shiling Project	<span style="color: green;">●</span> <span style="color: red;">●</span>
	19 Liede Project	<span style="color: green;">●</span> <span style="color: red;">●</span> <span style="color: blue;">●</span> <span style="color: pink;">●</span>
	20 Linhe Project	<span style="color: green;">●</span> <span style="color: red;">●</span> <span style="color: blue;">●</span>
<b>Dongguan</b>	21 Shilong Project	<span style="color: green;">●</span> <span style="color: red;">●</span>
<b>Zhongshan</b>	22 The Woodland	<span style="color: green;">●</span> <span style="color: red;">●</span>
<b>Foshan</b>	23 Chancheng Project	<span style="color: green;">●</span> <span style="color: red;">●</span> <span style="color: blue;">●</span> <span style="color: pink;">●</span>
<b>OTHER CITIES</b>		
<b>Chengdu</b>	24 Jovo Town	<span style="color: green;">●</span> <span style="color: red;">●</span>
	25 Chengdu ICC	<span style="color: green;">●</span> <span style="color: red;">●</span> <span style="color: blue;">●</span> <span style="color: pink;">●</span>





# Mainland Property Business

## Property Investment



Shanghai IFC and Shanghai ICC have attracted international office and shopping mall tenants, boosting the Group's premium brand recognition. The Group will follow its selective strategy of focusing on key mainland cities.





*Shanghai IFC*

## Property Investment



*New looks and tenants at Beijing APM lead market trends*

The Group is building a prime investment property portfolio on the mainland. The completion of Shanghai IFC phase two and Shanghai ICC phase one during the year added two million square feet to the holdings, bringing the total to 7.5 million square feet. The portfolio consists mostly of premium offices and shopping malls in advantageous locations in Beijing and Shanghai.

Gross rental income generated from mainland properties rose to HK\$1,158 million, while net rental income increased to HK\$797 million. Higher rents and increased contributions from new properties contributed to the growth.

### Completed Investment Properties Offices

The grade-A office markets in key mainland cities did well during the year, with greater demand amid continuing economic growth leading to higher rents and fewer vacancies. The Group holds 3.1 million square feet of premium offices on the mainland for long-term investment.

Shanghai IFC has two office towers built to the highest international specifications in Little Lujiazui – the new financial centre of Shanghai. The project also includes the Shanghai IFC Mall, the deluxe Ritz-Carlton Shanghai, Pudong and IFC Residence under construction. Offices in Tower One have attracted many major international and financial corporations and the recently-completed 1.3 million square feet of top-quality office space in Tower Two has also seen keen demand.

The first office tower in the Shanghai ICC integrated development in Puxi was finished in April this year. The development is linked to an interchange station of three metro lines and well connected to other parts of the city. Its modern design, up-to-date specifications, advanced facilities and innovative green features have attracted interest from leading global businesses, local enterprises and professional firms. Leasing is progressing well, and the whole building is expected to be fully leased in the next twelve months.

Occupancy of the offices in Shanghai Central Plaza remained high at 96 per cent and leasing of the office space at Beijing APM was satisfactory despite a highly-competitive market.

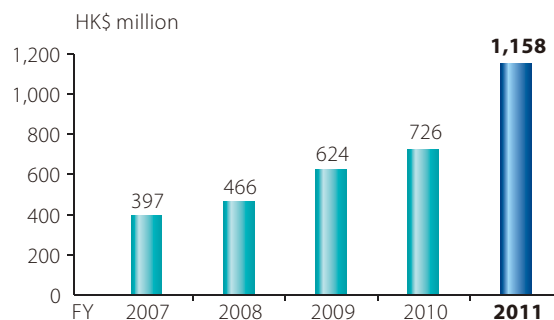
## Shopping Centres

Retail sales in key mainland cities remained brisk over the past year, supported by rapidly increasing per-capita incomes and an expanding middle class with rising affluence. Retail rents were buoyant with both international and local vendors continuing to seek space in quality shopping malls to tap the country's growing consumption. This favourable environment underpinned the leasing performance of the Group's 3.6-million-square-foot mainland shopping centre portfolio.

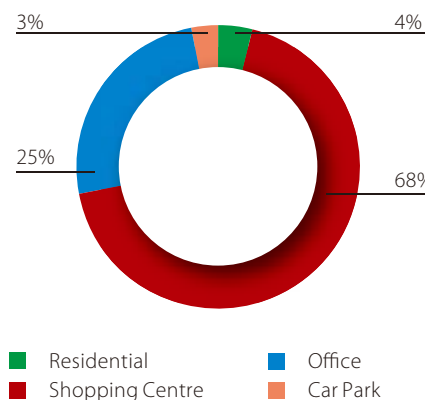
The first phase of Shanghai IFC Mall opened in 2010 and is nearly 100 per cent occupied with rising visitor traffic. It is a leading mall in Pudong with a large assortment of renowned luxury goods. The diverse choice of distinctive food and beverage outlets including international restaurants in China for the first time is a major attraction.

Beijing APM in Wangfujing is an established shopping and entertainment centre in Beijing with a wide selection of international retailers, food and entertainment. The mall is undergoing renovations to sustain its position as a favourite shopping centre for affluent local young people and professionals. The mall façade will have a more modern look and the tenant and trade mixes will be refined by bringing in new Hong Kong and international elements.

## Gross Rental Income on the Mainland\*



## Gross Rental Income on the Mainland by Sector\*



\* Including contributions from jointly controlled entities and associates

## 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*	Office	Hotel		
<b>Beijing</b>									
Beijing APM	138 Wangfujing Dajie	2043	100	–	1,036,000	458,000	–	1,494,000	
<b>Shanghai &amp; Yangtze River Delta</b>									
Shanghai IFC & the Ritz-Carlton Shanghai, Pudong	8 Century Avenue, Lujiazu	2054	100	–	1,040,000	1,572,000	527,000	3,139,000	
Shanghai Central Plaza	381 Huai Hai Zhong Road	2044	80	–	106,000	366,000	–	472,000	
Shanghai ICC Phase 1	999 Huai Hai Zhong Road	2056	100	–	–	666,000	–	666,000	
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	
<b>Guangzhou &amp; Pearl River Delta</b>									
Nanhai Plaza	Nanhai Avenue, Foshan	2045	100	–	640,000	–	–	640,000	

\* Including basement retail area

### Investment Properties Under Development

The Group is boosting its recurrent income base by developing premium offices, shopping malls and hotels on the mainland. Major investment projects under development include the remaining phases of Shanghai IFC and Shanghai ICC, which are important symbols establishing the Group's premium brand on the mainland. Their full completions are expected to significantly increase the Group's mainland rental income.

The expected completion of the deluxe IFC Residence serviced suite hotel and Shanghai IFC Mall Phase 2 by 2012 will cap off the Shanghai IFC integrated complex. The Group will use its experience in running deluxe suite accommodation in Hong Kong to offer the same attentive service and luxury living for long-staying guests in IFC Residence.



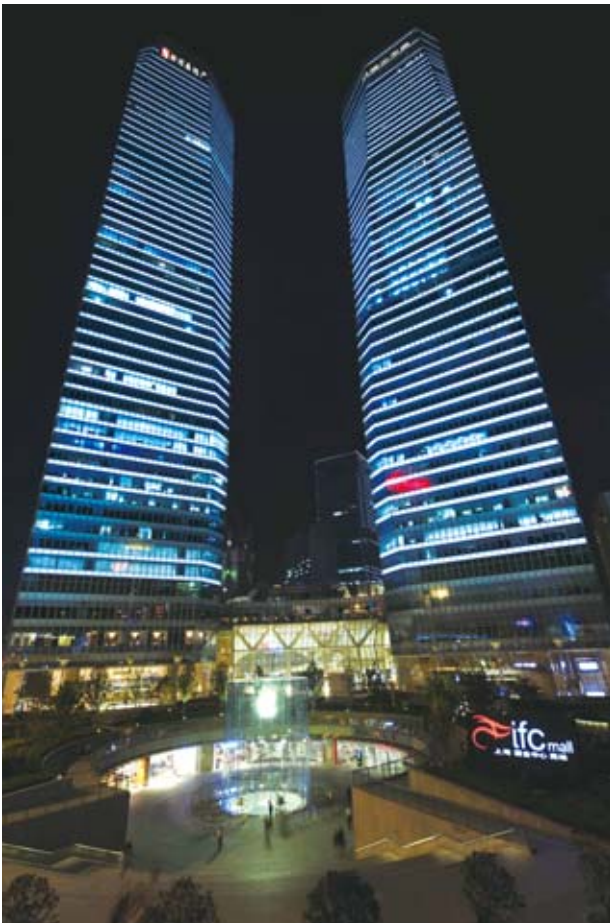
A prime location makes Central Plaza in Shanghai a favourite with multinationals and renowned retailers

Preliminary marketing of International APM in Shanghai ICC is under way and its prime location and avant-garde positioning have drawn enquiries from many noted and international retailers. The mall will offer patrons a new, stylish shopping environment and late-night retail concept when it opens in late 2012, adding a new dimension to Shanghai's retail scene.

The Group is developing a grand regional shopping centre at the integrated project in Minhang in Shanghai, in which the Group has 35 per cent of interest. The mall will not only be able to capture the spending power of the vast residential community in Minhang, its advantageous location above a rail interchange station will also make it a regional focus. Completions of this mall, Shanghai IFC Mall Phase 2 and International APM will help enhance the Group's network of shopping malls on the mainland.



*Shanghai IFC Mall boasts an array of international retailers*



*Shanghai IFC is popular with major international companies and financial firms*

The Group is also applying its expertise in developing first-class integrated complexes to other major mainland cities such as Suzhou, Chengdu, Guangzhou and Nanjing. Nearly all these projects are in prime locations with convenient transport connections. The Group has a total of 8.2 million square feet of premium offices, 8.9 million square feet of shopping centres and 2.1 million square feet of high-end hotels under development on the mainland. It will keep most of these as long-term investments, particularly those that provide the best synergy and branding.

## Property Related Businesses



The Group's hotels showed good results spurred by the rapid growth of tourists and business travellers in the region. New hotels to be added in the next few years in conjunction with integrated projects will expand the hotel portfolios in Hong Kong and on the mainland.



*The Ritz-Carlton, Hong Kong, Kowloon Station*

## Property Related Businesses



*Stylish, modern design of the W Hong Kong hotel at Kowloon Station*



*The Four Seasons in Central leads Hong Kong's hospitality industry*

### Hotel

The Group's portfolio of superior hotels posted impressive results during the year, with high average room rates and occupancies spurred on by growth in the local economy and the continual influx of business and leisure travellers from the mainland and elsewhere.

The Four Seasons Hotel Hong Kong has consolidated its position as the city's market leader and continues to strengthen its international reputation as one of the world's great hotels. Maintaining rates through the 2009 global financial crisis positioned the hotel well to recover quickly from the downturn, and it finished 2010 with occupancy and average rates higher than its competitors. The hotel's banquet facilities remain the preferred choice for social events. The Four Seasons maintained its three Michelin stars for signature restaurants Caprice and Lung King Heen, making it the only hotel in the world with such a distinction. The Group has a 50 per cent interest in the hotel.

The Ritz-Carlton, Hong Kong became the tallest hotel in the world with its grand opening in May 2011, and its food and beverage establishments quickly became popular with locals and visitors. The hotel won a number of honours within a few months of opening, including Best Presidential Suite and Top Executive Lounge awards from China's *Hurun Report*.

W Hong Kong saw significant growth in 2010/2011 and a growing clientele of loyal patrons. It won a *TripAdvisor Travelers' Choice* award for the second consecutive year and was named one of the top ten Trendiest Hotels in Asia this year. W Hong Kong opened its new Wet Deck poolside bar this summer for parties that placed it in the media spotlight again.

The Royal Garden performed exceptionally well during the year. The hotel boosted average room rates and achieved significant revenue growth after its renovation programme finished in August 2011. The hotel's food and beverage outlets performed well, with revenue up over the previous year. Four of its restaurants were recommended in the latest Michelin Guide. The hotel is confident of better results in the year ahead with all its guest rooms and suites back on stream.

The Royal Plaza Hotel saw steady growth in room rates with a change in business mix that focuses more on high-spending guests. Package promotions on the hotel's web site and through online travel agents made a noticeable impact on business, and food and beverage outlets achieved good results. The hotel has been mentioned in the Michelin Guide for three consecutive years and its La Scala and Di King Heen have earned many accolades.



The Royal Park Hotel posted very satisfactory results and participated in a number of extraterritorial promotions to secure business from Asia and Europe, which made a significant contribution to profit. New Wi-Fi connectivity within the hotel and a wider selection of fitness equipment in the health club improved the hotel's competitive position. The hotel's Chinese Restaurant won a Best of the Best Culinary award from the Hong Kong Tourism Board.

The Royal View Hotel recorded a significant improvement in all aspects of business during the year amid the favourable economic environment. It made use of online promotions to produce positive results, and took part in wedding expos to bring in more banquet business. The hotel will be adding more recreational facilities in the coming year to offer guests a greater range of workout and leisure options.

The Ritz-Carlton Shanghai, Pudong opened in time for the Expo in June 2010 and has flourished since then. The hotel maximizes its share of the growing corporate market as more multinationals set up operations in mainland China, and growing affluence in Shanghai and other mainland cities has made banquets and conference service key contributors to profit. Domestic travel for both business and leisure remains robust and the sales and marketing department has strategies to tap revenues from these sectors in the coming year. The hotel was included in the *Travel + Leisure* list of the world's best 50 hotels and the *Conde Nast Traveler* hot list of spas.

Business opportunities for the hotel sector will continue to arise from Hong Kong's continued status as a major financial and business hub and primary tourist destination in the region. The further economic development of mainland China will also boost demand for quality hotel space in major cities. The Group is developing new hotels in Hong Kong and on the mainland to take advantage of these growing opportunities. The Crowne Plaza and Holiday Inn Express under construction atop the MTR Tseung Kwan O Station in Hong Kong will open in 2012. The Group has 33.3 per cent in a five-star hotel in the new Zhujiang Xincheng commercial centre of Guangzhou and a 40 per cent interest in a Park Hyatt hotel in Hangzhou, both of which will be finished within the next three to four years. The Group is also planning to build high-class hotels in other key mainland cities including Suzhou, Nanjing and Chengdu.



*Revenue was up significantly at The Royal Garden in Tsim Sha Tsui, Hong Kong after renovations during the year*



*Online promotions for the Royal Plaza in Mong Kok, Hong Kong produced good results*



*Upgraded facilities at the Royal Park Hotel in Sha Tin, Hong Kong appeal to guests*



*Sea view rooms at the Royal View Hotel in Ting Kau, Hong Kong*

## Property Related Businesses

### Property Management

The Group's property management subsidiaries, Hong Yip Service Company Limited and Kai Shing Management Services Limited, manage a combined portfolio of nearly 260 million square feet of residential, office, retail and other developments in Hong Kong and on the mainland. Both companies are dedicated to offering the finest service to residents and tenants and they follow environmentally-friendly principles in their operations, supported by professional training and development for employees at all levels.

The companies have started using mobile phone applications in some new projects to bring service into the digital age, and they have expanded their popular home convenience service and the wide variety of goods it offers for sale to a new online platform.

Kai Shing expanded its management portfolios in Hong Kong and on the mainland during the year under review with the additions of YOHO Midtown in Yuen Long of Hong Kong, Tower Two of Shanghai IFC and Tower One of Shanghai ICC in mainland China. It will also take on the property management of Shanghai Arch in Shanghai and Lake Genève in Suzhou under construction when they are completed. New additions to Hong Yip's residential management portfolio included the up-market Aria development on Kowloon Peak, The Latitude in southeast Kowloon of Hong Kong and the tranquil, green Valais by Beas River in the New Territories of Hong Kong. Hong Yip also secured 16 outside management contracts involving 1,300 units.



*The Group provides attentive, caring service to residents*



Quality concierge service for office tenants

The two companies recognize that well-trained staff are the key to providing courteous, high-quality service. Frontline staff participate in professional training programmes on customer care, concierge service, landscaping and more. Hong Yip provides classroom and practical training in horticulture and compiled its first landscaping handbook as an additional learning tool. It also has a tailored training programme for executives and gardening staff that won an Excellence in Practice award from the American Society for Training and Development. Hong Yip was named a Hong Kong Top Service Brand by the Hong Kong Brand Development Council.



Residents have high praise for Comprehensive Home Convenience Service

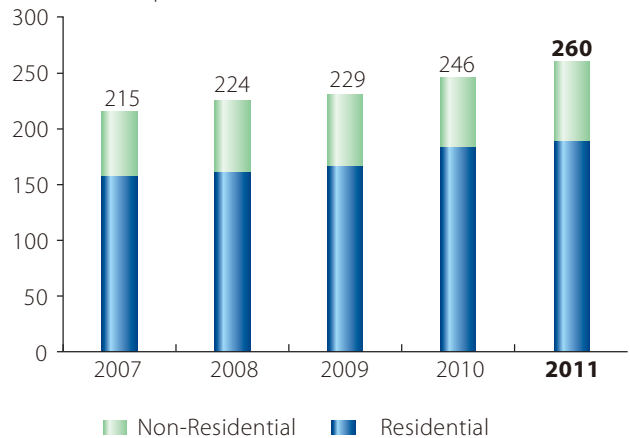
Hong Yip and Kai Shing place great emphasis on green property management. The estates they administer have energy efficiency, waste management and recycling programmes, as well as innovative landscaping, and many are undergoing carbon audits. These efforts and more earned the companies numerous green accolades during the year.



Guards and sniffer dogs patrol office buildings for better security

### Premises Managed by the Group

million square feet



## Property Related Businesses



*(Left and right) Group developments incorporate the finest materials and exceptional design*

### Construction

The construction division completed projects in Hong Kong totalling 5.6 million square feet of floor area during the year, including residential developments The Latitude, Aria, Larvotto, Lime Habitat and Park Nara, and commercial developments Excel Centre and CEO Tower. Turnover for the division was HK\$8.2 billion (on a progressive completion basis). Another HK\$137 million (on a progressive completion basis) was recorded by joint-venture companies.

Major residential developments in progress include Imperial Cullinan, Avignon, One Regent Place, Lime Stardom, i·UniQ Residence, i·UniQ Grand, Chatham Gate and The Wings. There are also projects at the MTR Tuen Mun Station, 48-50 Stanley Village Road and Yuen Long DD109. Luxury house developments in progress include Shouson Peak and 12 Mount Kellet Road. The Elite Centre commercial development and a number of additions and alteration projects are also in progress.

The construction division has several wholly-owned subsidiaries operating related businesses. The Everlight Engineering Company Limited, Everfield Engineering Company Limited, Eversun Engineering Company Limited, Aegis Engineering Company Limited and Sanfield Landscape Company Limited complement its activities. These

subsidiaries provide construction-related services to the Group as well as third party clients, including electrical and fire prevention systems, construction plant and machinery and landscaping. The division also supplies concrete to the Group and external contractors through associate Glorious Concrete (HK) Limited.

### Insurance and Mortgage Services

Despite a number of natural disasters around the world that resulted in significant insurance payouts in the global market, the Hong Kong insurance market remained relatively stable, so Sun Hung Kai Properties Insurance Limited was able to remain profitable during the year despite slight drops in premium turnover compared with the previous year. The company has been striving to acquire new business in Hong Kong through different channels and its exercises prudent underwriting discipline to enhance its business quality and development.

The financial services division is made up of the Hung Kai Finance Company Limited and Honour Finance Company Limited. The division offers mortgages, deposit-taking and other services to support the Group's property development business, and it remained profitable despite increasing competition.

## Telecommunications and Information Technology



*SmarTone continues enhancing service and gaining market share*

### Telecommunications

SmarTone made a significant improvement in its financial results during the year under review with substantial growth in service revenue, driven by increases in customer numbers and average revenue per user. The company's consistent focus on delivering superior network performance, innovating in proprietary services and providing unrivalled customer care have been increasingly recognized by customers and the wider market. This factor is accentuated by the continuing spread of data-centric smart devices that play to the company's strengths.

The company acquired additional spectrum at the low frequency band to enhance in-building coverage and capacity. It will continue to invest in network upgrading and expansion in anticipation of future customer demand, and it will develop services for targeted customer segments. The company is well positioned to capture the growth as smart device penetration continues and gain revenue market share.

SmarTone's balance sheet remains solid and the company has ample resources to meet all challenges and capture new opportunities, bringing value to both customers and shareholders. The Group is confident in SmarTone's prospects and will continue to hold its stake in the company as a long-term investment.



*SUNeVision's iAdvantage remains a leader in the data centre industry in Hong Kong*

### Information Technology

SUNeVision achieved a further year of profitability with increased contributions from its data centre and last-mile connectivity businesses.

Its iAdvantage remained a major carrier-neutral data centre operator in Hong Kong with a stable, high-quality client base. It excels in providing quality, professional service to meet the increasingly stringent requirements of customers from the global finance, telecommunications, information technology, international corporate and public service sectors.

iAdvantage opened a new operation in Sha Tin to offer a more diversified supply of data centre capacity, and it also increased its investments in quality data centre infrastructure to continue its pursuit of growth. Overall data centre occupancy was approximately 87 per cent.

The company's last-mile connectivity business also provided quality service to corporate and residential customers during the year.

## Infrastructure and Other Businesses

### Transport Infrastructure Operations and Management

The Group is a major operator of Hong Kong's transport infrastructure like parking, tunnels, bridges and toll roads through its 100 per cent ownership of the Wilson Group. Wilson Parking won a significant number of new public and private parking contracts and renewed major contracts with the Hong Kong International Airport and Transport Department during the year. Wilson's outstanding performance and reputation make it a leader in the local parking industry, with 305 car parks and some 100,000 bays.

Wilson is continually expanding its business and raising quality standards. A Wilson subsidiary manages 40 km of roads including four bridges and six tunnels, and manages and maintains the Tsing Ma and Tsing Sha control areas and the Route 3 (Country Park Section). The Wilson Group's technology division offers a full range of innovative equipment and supplied an initial consignment of mobile speed enforcement cameras to the Hong Kong Police and a people access system to a leading hotel operator in Marina Bay in Singapore during the year.



*Wilson is one of the largest car park operators in Hong Kong*

Autotoll Limited is 50 per cent owned by the Wilson Group and is the leader in automatic toll collection in Hong Kong with more than 250,000 vehicle users. Autotoll introduced a new AutoTAXI 24-hour intelligent taxi calling service and added to its telematics service by integrating its on-board truck information system with the Customs and Excise Department's road cargo system during the year.

Wilson built on its reputation for quality to secure new business in Macau and the mainland. It won a prestigious car park management contract with one of the main hotel operators and renewed its car park management contract with another operator in Macau. It also continued the expansion of its car park portfolio and provided parking consultant service to a number of large commercial complexes on the mainland.

The Group has a 70 per cent interest in the Route 3 (CPS) Company Limited, which built and operates the key expressway linking the Tsing Ma and Ting Kau bridges to Hong Kong's border crossings in the north and west. The operating franchise runs to 2025.

The dual, three-lane expressway consists of the 3.8-kilometre Tai Lam Tunnel and the 6.3-kilometre Tsing Long Highway, and was designed to alleviate traffic congestion on the Tuen Mun and Tolo highways by connecting the northwest New Territories and mainland China to the container terminals in Kwai Chung. It provides a direct, faster and safer journey for local commuters and is increasingly popular with business and leisure travellers seeking the quickest and most convenient route to and from the mainland. Traffic and revenue maintained at a steady level during the year.

The Group owns 33.3 per cent of publicly-listed Transport International Holdings Limited. The company's franchised bus operations faced a challenging operating environment because of high fuel prices, rising inflation and a significant competition.



*Wilson's tollway management business includes Stonecutters Bridge*



*Stable traffic and healthy revenue for Route 3 (CPS)*

## 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. The company operates four berths and 3.3 hectares of container yard space in a prime location in Kwai Tsing. The recovery in trade through 2010 enabled the company to achieve a 15 per cent increase in container throughput.

The River Trade Terminal at Tuen Mun is an important centre for trade between Hong Kong and the Pearl River Delta region. The terminal site occupies 65 hectares and has 49 berths along 3,000 metres of quayside. It handles and consolidates containers and breakbulk cargo, and offers container storage and repair and other port-related services. It recorded 13 per cent year-on-year growth in throughput in 2010 as a result of the steady increase in trade amid the global economic recovery. The Group has a 50 per cent joint-venture interest.

## Infrastructure and Other Businesses



*Business travellers appreciate the Hong Kong Business Aviation Centre*



*International logistics and transportation companies favour the Airport Freight Forwarding Centre in Hong Kong*

### Air Transport and Logistics Business

The Airport Freight Forwarding Centre Company Limited at Hong Kong International Airport covers 1.5 million square feet of gross floor area with premium warehouse and office premises that have attracted a wide range of international logistics and transportation companies. The company's business rebounded quickly in 2010, and this improvement is expected to be sustained throughout the coming year despite the slightly slower pace of growth and the impact on regional trade of the earthquake and tsunami in Japan. Synergy with Group subsidiary Expresslink Logistics Limited gives tenants a competitive advantage with integrated cargo support and value-added service.

The Hong Kong Business Aviation Centre Limited holds the franchise to serve private aircraft flying in and out of Hong Kong. The rapid economic growth on the mainland and the steady expansion of the global economy in 2010 produced a marked pick-up in flight movements. Construction of a third hangar has begun and is due for completion by mid-2012. The Group owns 35 per cent of the company.

### Waste Management

The Group cares about the environment, and its efforts to create a cleaner, greener Hong Kong include 20 per cent stakes in Green Valley Landfill Limited and South China Transfer Limited. Business remained stable for both during the year.

Green Valley Landfill operates and is responsible for the long-term aftercare of the South East New Territories Landfill in Tseung Kwan O. The site covers 100 hectares and has the capacity to handle 43 million cubic metres of waste. South China Transfer operates Hong Kong's largest refuse transfer station, on Stonecutters Island, and currently processes 2,200 tonnes of municipal solid waste per day. Its grease-trap waste treatment facility currently handles 485 tonnes of waste a day and produces a byproduct that can be converted into biofuel for industrial use.



## Corporate Finance



Group Vice Chairman and Managing Director Raymond Kwok (front, third right) and SHKP (Financial Services) Executive Director Amy Kwok (front, second left) with bank representatives at a loan-signing ceremony

The Group follows prudent financial-management policies and maintains low leverage. Its net debt to shareholder funds stood at 17.1 per cent as a result of healthy cash flows from rental income and property sales.

The Group issued ten-year bonds of HK\$2,260 million and US\$300 million respectively under its Euro Medium Term Notes Programme, and for the first time issued HK\$450 million in 15-year bonds during the year. It also arranged a HK\$16,750 million, five-year term loan/revolving credit syndicated facility at favourable rates in April 2011. These moves were in keeping with the Group's policy of securing sufficient committed facilities for expansion. The Group will continue to look for opportunities to extend its debt maturity profile and to diversify its sources of funds in the bond markets.

The Group did not enter into any speculative positions in relation to derivatives or structured products, and its foreign exchange exposure was small, given that most of its assets and financing are denominated in Hong Kong dollars. The Group's solid financial foundations and market leadership have earned it an A1 rating from Moody's and an A+ rating from Standard & Poor's with stable outlooks for both. The Group has consistently attained the highest credit rating among Hong Kong developers.

<b>Credit Ratings</b>	<b>Foreign Currency</b>	<b>Local Currency</b>	<b>Outlook</b>
Moody's	A1	A1	Stable
Standard & Poor's	A+	A+	Stable

## Customer Service



The Group puts the customer first by providing the finest service in different areas and constantly innovating to cater for their needs.



*APM, Kowloon East, Hong Kong*

## Customer Service



*A professional handover team offers comprehensive, caring service for owners*



*Group Vice Chairman and Managing Director Thomas Kwok (first right) listens to residents during home visits*



*Residents can check clubhouse reservations online*

The Group places great emphasis on building long-term relationships with customers and fosters two-way communication with them through different channels to understand their needs. Group management regularly visit residents in their homes and listen to their opinions to make sure that the Group's products and services fulfill market expectations.

The Group provides premium service in its residential and commercial developments. Its property management subsidiaries Hong Yip and Kai Shing are continually upgrading to offer new and improved extras, like the popular Home Convenience Service that has been expanded to keep pace with ever-changing trends in modern living. YOHO Midtown began a new service during the year under review that lets residents get updates on property information and check clubhouse facilities with a mobile phone application. The Group will expand this innovation to other new projects. The Valais development has a 24-hour concierge on call to offer conveniences including a valet, food ordering, car care and limousine service for residents. Kai Shing and Hong Yip received many awards for their excellent property management service and high standards.

The Group's Tenant Care Programme boosts cooperation between shopping malls and tenants, and it included a number of seminars during the year to help tenants enhance their efficiency and service. The Group also has training and incentive programmes to refine the quality of customer care ambassadors and raise the market positions and images of shopping malls. The malls use technology for better customer service, such as the electronic system at New Town Plaza that allows patrons to make restaurant reservations.

The SHKP Club was set up to promote two-way communication with the market and now has over 300,000 members. It offers numerous benefits to members including previews of the Group's new developments and property-related offers. The Club ran a Cherish Your Family campaign during the year encouraging social and family harmony through a series of popular seminars and workshops, backed by a channel on YouTube and a Facebook page. These are just part of the Club's initiatives to communicate more effectively with members and collect their feedback through various channels to enhance service quality.

The Group revamped its website with a new look and enriched content and functions to be a more effective platform for relaying corporate news to stakeholders, customers, investors and the media with greater transparency. The new site has enhanced search and sharing capabilities as well as increased accessibility.



*The e-table booking system at New Town Plaza offers great convenience*



*The Group collects views from customers as part of two-way communication*



*The SHKP Club holds a party to celebrate its 15th anniversary and passing 300,000 members*

# Corporate Governance

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 by maximizing returns. 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 88.

## 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 has complied with the code provisions in the Code on Corporate Governance Practices (the "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") throughout the year under review, except that the Chairman of the Company did not attend the 2010 annual general meeting of the Company 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, seven Non-Executive Directors and four Independent Non-Executive Directors. Further details of the composition of the Board are set out on page 2.

Madam Kwong Siu-hing (the Chairman and a Non-Executive Director) and Mr. Lo Chiu-chun, Clement (a Non-Executive Director), who would be retiring from office by rotation at the forthcoming annual general meeting of the Company to be held on 8 December 2011 (the "2011 AGM"), have informed the Company that they will not seek re-election as Directors. Accordingly, the number of Directors in the Board shall be 16 and five of them are Non-Executive Directors.

All Directors give sufficient time and attention to the Group's affairs. The Board believes that the balance between Executive and Non-Executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group.

Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings 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 Rule 3.10 of the Listing Rules, the Company currently has four Independent Non-Executive Directors and at least one of them 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 previous directorship in HSBC Holdings plc ("HSBC Holdings") until 28 May 2010 and his current directorship in The Hongkong and Shanghai Banking Corporation Limited, both being the associates of HSBC Trustee (C.I.) Limited ("HSBC Trustee") which in turn is a substantial shareholder of the Company holding certain shares of the Company as a trustee of certain trusts (the "Trusts"), the Company is of the view that Dr. Fung meets the independence guidelines since HSBC Trustee did not take instructions from HSBC Holdings and Dr. Fung 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.

Madam Kwong Siu-hing is the mother of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, who are brothers. Also Madam Kwong is the sister of Mr. Kwong Chun. Besides, Sir Po-shing Woo is the father of Mr. Woo Ka-biu, Jackson, an Alternate Director of the Company. Save as disclosed above, there are no family or other material relationships among members of the Board.

## Board Meetings

The full Board met in person on four regular occasions during the year ended 30 June 2011. The Directors discussed and approved overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters at the Board meetings. Business and operational matters are delegated to the management.

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

The attendance record of the Board meetings held during the year ended 30 June 2011 is set out below:

<b>Directors</b>	<b>Meetings attended/Total</b>
<b>Executive Directors</b>	
Kwok Ping-kwong, Thomas	4/4
Kwok Ping-luen, Raymond	4/4
Chan Kai-ming	4/4
Chan Kui-yuen, Thomas	4/4
Kwong Chun	4/4
Wong Chik-wing, Mike	4/4
Chan Kwok-wai, Patrick	4/4
<b>Non-Executive Directors</b>	
Kwong Siu-hing	2/4
Lee Shau-kee	3/4
Kwok Ping-sheung, Walter	0/4
Woo Po-shing	2/4
Kwan Cheuk-yin, William	3/4
Lo Chiu-chun, Clement	2/4
Wong Yick-kam, Michael	4/4

<b>Directors</b>	<b>Meetings attended/Total</b>
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<b>Independent Non-Executive Directors</b>	
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Yip Dicky Peter	4/4
Wong Yue-chim, Richard	2/4
Li Ka-cheung, Eric	4/4
Fung Kwok-lun, William	3/4

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

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in 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. Board committees, namely the Executive, Audit, Remuneration and Nomination Committees, all follow the applicable practices and procedures used in Board meetings for committee meetings.

## Chairman

Madam Kwong Siu-hing serves as the Chairman of the Board. The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings.

Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are the Vice Chairmen and Managing Directors of the Company. The roles of the Chairman and the Managing Directors are separate and performed by separate individuals.

On 15 September 2011, the Board has appointed Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond as joint Chairmen of the Company, such appointment to take effect from the close of the 2011 AGM after the passing of the special resolution on the proposed amendments to the

articles of association of the Company (the "Articles"). Both Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond have been serving the Group for over 30 years, and for the past 20 years, they have been acting jointly as Vice Chairmen and Managing Directors, with clearly defined roles and responsibilities between them. The Board is of the view that the appointment of Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond as joint Chairmen of the Company is a natural extension of the existing leadership for the Board and the management, and will be beneficial to the Group's long-term business development. Both Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond will continue to serve as Managing Directors and Executive Directors of the Company following their appointment as joint Chairmen.

### Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Newly appointed 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.

### 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 fully complied with the Model Code during the year ended 30 June 2011.

### Executive Committee

The Executive Committee was established in 1977 and consists of all Executive Directors as members.

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.

### 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 Mr. Lo Chiu-chun, Clement and Dr. Li Ka-cheung, Eric. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors. Following Mr. Lo Chiu-chun, Clement's retirement as a Director at the 2011 AGM as mentioned above, he would cease to be a member of the Remuneration Committee. On 15 September 2011, the Board has appointed Mr. Kwan Cheuk-yin, William, a Non-Executive Director, in place of Mr. Lo to act as a member of the Remuneration Committee with effect from 9 December 2011.

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

The Remuneration Committee held a meeting during the year ended 30 June 2011. The attendance record of each member is set out below:

<b>Committee members</b>	<b>Meeting attended/Total</b>
Wong Yue-chim, Richard	1/1
Lo Chiu-chun, Clement	1/1
Li Ka-cheung, Eric	1/1

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



## 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 Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to discharge its duties. The Nomination Committee's specific terms of reference are posted on the Company's website.

The Nomination Committee held a meeting during the year ended 30 June 2011. The attendance record of each member is set out below:

<b>Committee members</b>	<b>Meeting attended/Total</b>
Wong Yue-chim, Richard	1/1
Kwan Cheuk-yin, William	0/1
Yip Dicky Peter	1/1

The Nomination Committee discussed and reviewed the Board composition of the Company as well as other related matters. In addition, the Committee recommended to the Board for approval of (i) the changes to the structure of the Board to provide for joint chairmanship and (ii) the appointment of joint Chairmen of the Board in place of the current Chairman who will retire at the 2011 AGM, such appointment to take effect from the close of the 2011 AGM after the passing of the special resolution on the proposed amendments to the Articles.

In accordance with the Articles, one-third of the Directors are required to retire from office by rotation and are eligible for re-election at each annual general meeting (the "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. Management provides all relevant information and records to the Board, giving it the relevant information it needs to discharge these responsibilities.

In compliance with Rule 3.21 of the Listing Rules, an Audit Committee was established in 1999 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 half-yearly reports before submitting them to the Board;
- reviewing the Group's financial control, internal control and risk management systems;

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

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

The Audit Committee held three meetings during the year ended 30 June 2011. The attendance record of each member is set out below:

<b>Committee members</b>	<b>Meetings attended/Total</b>
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 reviewed the interim and final results of the Group as well as discussed and approved financial and other reports for the year under review. The Committee also reviewed the Group's internal audit activities and discussed audit plans for the year ended 30 June 2011.

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 2011 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 2011 amounted to approximately HK\$12 million and HK\$6 million respectively. The non-audit services mainly consist of taxation, review, consultancy and other reporting services.

### Internal Control

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

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

The Board conducted a review of the Group's internal control system for the year ended 30 June 2011, including financial, operational and compliance controls, and risk management functions. The Board assesses the effectiveness of internal control by considering reviews performed by the Audit Committee, executive management and both internal and external auditor. The annual review also considers the

adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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

### **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 powers of the management, 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.

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 Company follows a policy of disclosing relevant information to shareholders in a timely manner. The Company's AGM allows the Directors to meet and communicate with shareholders. The 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 also attend the AGM to answer questions from shareholders.

AGM proceedings are reviewed from time to time to ensure that the Company follows the best 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 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.

# Investor Relations



Senior management explaining the Group's business development at an analyst briefing

The Group places great importance on communicating its strategies, business development and prospects to shareholders and the investment community, maintaining effective two-way communication channels to promote greater understanding and transparency.

Corporate information is disseminated on a timely basis through channels including press releases, annual and interim reports, periodicals and public announcements, and all this information is available on the Group's website. Post-results press conferences and analyst briefings are held shortly after results are made public, with top management taking part.

The Group takes a proactive approach to communications. Meetings and conference calls are held for the investment community including fund managers and analysts to hear their feedback and site visits to the Group's projects are also arranged to keep investors and the press abreast of new developments. The Group reaches out to international investors by attending major overseas conferences and organizing road shows to key international financial centres.

The Group's experienced management, good corporate governance and effective investor relations have earned numerous awards from leading financial publications, recognizing the Group's commitment to driving business forward in the best interests of the company, shareholders and employees.

## Awards

### Financial Year 2010/11

- Asian Excellence, Asian Corporate Director and Corporate Governance Asia Recognition Awards by *Corporate Governance Asia* magazine
- Asia's Best Real Estate Company, Hong Kong's Best Managed Company, Best for Corporate Governance, Best Investor Relations, Best for Corporate Social Responsibility, Most Committed to Strong Dividend Policy in Hong Kong, Best Chief Executive Officer and Best Chief Financial Officer by *FinanceAsia* magazine
- Platinum award for Excellence in Management and Corporate Governance by *The Asset* magazine
- Best Company in Asia for Corporate Governance and Best for Disclosure and Transparency by *Asiamoney* magazine
- Best Developer in Hong Kong Overall, Most Convincing and Coherent Strategy in Asia (Property), Best Corporate Governance and Most Convincing and Coherent Strategy in Hong Kong by *Euromoney* magazine

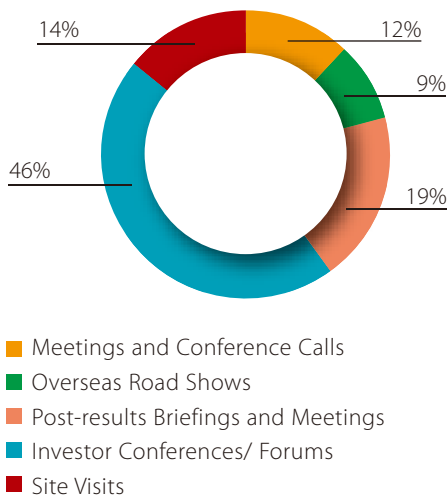


Visits to the Group's new projects are held for investors

## Major Investor Relations Events in Financial Year 2010/11

Date	Event
<b>2010</b>	
3rd Quarter	<ul style="list-style-type: none"> <li>Show flat visits for media and investors</li> <li>Investors' conference in Hong Kong</li> <li>2009/10 annual results announcement</li> <li>Press conference</li> <li>Analysts briefing</li> <li>Post-results meetings with fund managers</li> </ul>
4th Quarter	<ul style="list-style-type: none"> <li>Investors' luncheon in Hong Kong</li> <li>Investors' conference in Singapore</li> <li>Investors' corporate day in Hong Kong</li> <li>Road shows in the UK, US and Beijing</li> </ul>
<b>2011</b>	
1st Quarter	<ul style="list-style-type: none"> <li>Investors' luncheon in Hong Kong</li> <li>Investors' conference in Shanghai</li> <li>Investors' corporate day in Hong Kong</li> <li>2010/11 interim results announcement</li> <li>Press conference</li> <li>Analysts briefing</li> <li>Post-results meetings with fund managers</li> </ul>
2nd Quarter	<ul style="list-style-type: none"> <li>Investors' conference in Hong Kong</li> <li>Sky100 visit for media and investors</li> <li>Investors' corporate day in Hong Kong</li> <li>The Ritz-Carlton, Hong Kong visit for media and investors</li> <li>Investors' conference in Hong Kong</li> <li>Road shows in the UK, US and Beijing</li> </ul>

## Communications with the Investment Community in Financial Year 2010/11 (About 1,200 Participants)



Numerous international awards for the Group during the year

# Corporate Social Responsibility

## Environmental Protection and Promotion



*Vast green spaces in Group developments offer relaxing environments for residents*



*The greenery of Ma Wan Park's Nature Garden offers a leisure place for urbanites*

The Group respects the environment as it builds premium developments, incorporates sustainability principles in every aspect of its business, administers developments in an environmentally-friendly manner and takes part in a wide range of green activities.

The Group's adherence to international green standards in project design and construction has earned it recognition from international industry organizations, such as a top platinum BEAM ranking for International Commerce Centre at Kowloon Station. The Group designs projects to fit with their surroundings, and it won a Hong Kong Residential Building merit award from the Hong Kong Institute of Architects in 2010 for the clubhouses at Valais that meld with their surroundings.

Property management subsidiaries Hong Yip and Kai Shing practise green management in their extensive portfolios to protect the environment for the community and provide clean environments for residents. The companies have systems in place to increase energy efficiency, reduce waste, enhance indoor air quality and more. Their residential and commercial developments won nearly 200 awards in the territory-wide Competition on Source Separation of Waste, including a top diamond award and certificates at all levels. The two companies also took seven 2010 Hong Kong Awards for Environmental Excellence for property management.



*The Group encourages residents and tenants to join the Source Separation of Waste programme*

The Group encourages residents and shopping mall and office tenants to separate food waste for collection and recycling. It provides collection boxes for food waste and composting facilities in some malls and estates and converts the collected waste into organic fertilizer for gardening.

The Group promotes green driving and is gradually installing recharge facilities in its car parks for the convenience of electric-vehicle drivers and to reduce greenhouse gas emissions. It also organized a workshop to promote eco-friendly driving among staff, and the Group's motor pool won a gold in Improved Fuel Efficiency and a silver in Fuel Use Reduction in a Corporate Green Driving Award Scheme. The energy-saving LED display on the exterior of Sun Hung Kai Centre last Christmas and New Year consumed an estimated 85 per cent less energy than conventional lights and greatly reduced carbon dioxide emissions.

The Group takes part in conservation activities. It supported the global Earth Hour for the third consecutive year and was one of the developers with the greatest number of participating projects. Nearly 200 shopping malls, offices and residential developments took part in the 'Power Smart' energy-saving contest and collectively reduced energy consumption by around ten per cent over three months, with Kai Shing being named the Biggest Unit Saver in the property management category. The Group also signed the Conscientious Recycling Charter and promised to recycle electrical appliances to reduce electronic waste by donating reusable computers and appliances to the needy and ensuring that hazardous waste is handled properly.



*Green features in the Group's commercial projects*



*Many Group commercial and residential developments have charging stations for electric vehicles to promote green driving*



*Some Group estates have composters to convert food waste into organic fertilizer*

# Corporate Social Responsibility

## The Group and the Community



The SHKP Volunteer Team is widely recognized for its enthusiasm towards helping others

The Group believes in 'Building Homes with Heart' and fulfills its corporate social responsibility by contributing to the community and helping the needy in a variety of ways.

The Group began a 'Building Homes with Heart' Caring Initiative during the year under review to provide emergency help for people in need, offering timely, short-term assistance to families in financial difficulty as a result of unforeseen circumstances. The Group carried out basic

home maintenance for low-income public housing tenants or families with special needs and hosted luncheons for over 2,000 seniors in Yuen Long and Island East to welcome Chinese New Year in collaboration with the government and non-profit organizations. Nearly 6,000 seniors also received 'lucky' hampers as part of the same initiative.



Group Vice Chairman and Managing Director Raymond Kwok (second left) speaking to children about reading



SHKP Club Loving Home activities are popular among members



Efforts to promote reading include the SHKP Book Club's book review competitions, seminars and a free literary magazine. The Book Club held a third Young Writers' Debut Competition this year and the winning books came out at the Hong Kong Book Fair. The Group also took underprivileged children to the Book Fair for the fourth year in a row and gave them funds to buy books. The Group hosted the seventeenth in its Nobel Lecture series in collaboration with the Chinese University of Hong Kong this year, with a Nobel prize winner speaking in Hong Kong. The Group supports education in Hong Kong and on the mainland, and the SHKP-Kwoks' Foundation continues providing scholarships at a number of mainland and Hong Kong universities that enable deserving individuals continue their studies.

The SHKP Club runs Loving Home campaigns every year to encourage healthy, harmonious families. The campaign theme this year was Cherish Your Family, and it encouraged family love online and through seminars, workshops and story competitions. The Ma Wan Park Noah's Ark continued to promote positive values through various facilities and special events.

Group staff are encouraged to get involved in the community to show their concern and contribute to society. The SHKP Volunteer Team has over 1,800 members and works with social agencies to help groups including the aged, teenagers and the disadvantaged. The Group also formed a Sunshine Team for children and young people to instill the spirit of serving the community in the younger generation.

The Group supports many charities and non-profit organizations. It was a top Community Chest donor in the companies, organizations and individuals category once again and won a top fundraising award for the Chest's marathon for the 16th consecutive year. There were 61 Group companies or developments named Caring Companies in the year, some for the ninth consecutive year.



*Group Vice Chairman and Managing Director Thomas Kwok (left) attends a farewell party for retired employees to show the Group's appreciation for long-service staff*



*The Group's 'Building Homes with Heart' Caring Initiative helps the needy*



*SHKP-Kwoks' Foundation scholarships help outstanding students at mainland universities*

# Corporate Social Responsibility

## Staff Development and Personal Growth



Professionals from different disciplines present staff seminars to expand knowledge and horizons

The Group believes that staff are its most valuable asset, and it provides a wide range of training programmes to foster their development. The Group provided courses during the year that attracted over 30,000 attendees.

Management Trainee and Engineering Trainee programmes recruit high-caliber graduates from leading local, mainland and overseas universities. Managerial staff attend a wide range of seminars on different topics conducted by leading experts, and some senior managers can attend overseas programmes to develop global perspectives. Newly promoted managers receive training to equip them with the skills they need to perform effectively.



Corporate culture workshop for Guangzhou staff



Inter-departmental team building workshop at Ma Wan

Mainland offices offer training for staff at different levels, including corporate orientation courses that help local staff assimilate the Group's corporate culture. Some mainland staff can take structured on-the-job training in Hong Kong to become acclimatized with the Group's business style. There are programmes for Hong Kong staff about the mainland's socio-economic development, legal system, and business practices. Staff who are to be seconded to mainland offices can receive relevant training and preparation, including Putonghua lessons and cultural awareness training.

The Group's Service Excellence programme for property management this year included five large-scale seminars for site managers, supervisors and frontline staff to encourage them to work as a team to provide high-quality, consistent service. Leasing and sales staff undergo training to enhance their professionalism, and they have regular opportunities to exchange information and experience.



Property management staff seminar

The Group emphasizes work safety and arranges seminars and workshops on construction sites and in offices. It is also concerned about the environment and holds seminars on environmental protection to provide staff with necessary skills and knowledge to support the Group's green initiatives.

New staff go through a comprehensive orientation about the company and department which they will be working. The Group presents seminars and workshops on stress management and mental health, and holds interest classes and recreation activities, some of which are open to employees' families.

All staff are eligible for sponsorship to attend external training in job-related courses ranging from short seminars to degree programmes. A new sponsorship scheme for master's degree programmes was set up this year for high potential-staff. Self-learning programmes include videos, books and magazines and multi-media learning materials are available in the Group's Training Library and on the e-learning platform on the company intranet.



*Staff have access to the e-learning platform on the intranet at any time*



*Staff fitness classes with professional instructors*



*The Group encourages staff to participate in activities with their families and lead a balanced life*

# Financial Review

## Review of Results

Profit attributable to the Company's shareholders for the year ended 30 June 2011 was HK\$48,097 million, an increase of HK\$18,058 million or 60.1% compared to HK\$30,039 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\$26,996 million (2010: HK\$17,005 million).

Underlying profit attributable to the Company's shareholders for the year ended 30 June 2011, excluding the net effect of changes in the valuation of investment properties, increased by HK\$7,596 million or 54.7% to HK\$21,479 million compared to HK\$13,883 million for the last year. Profit from property sales increased by HK\$10,031 million to HK\$16,647 million, owing to substantial increase in sales recognized for residential projects including Aria, The Latitude, Larvotto, Valais and The Orchard Residences in Singapore. Net rental income grew 14.4% to HK\$9,511 million, driven by continuous positive rental reversions as well as contribution from new investment properties including ICC Office in Hong Kong and Shanghai IFC Mall in Mainland China. Telecommunication segment contributed an operating profit of HK\$967 million, a robust increase of HK\$640 million or 2 times over the last year, on the back of strong growth in number of customers. Hotel profit increased by 48.3% to HK\$553 million, boosted by growth in both occupancy and room rates amid improvement in economic conditions.

## Financial Resources and Liquidity

### (a) Net debt and gearing

As at 30 June 2011, the Company's shareholders' funds increased by HK\$43,744 million to HK\$306,965 million, equivalent to an increase of 16.6% to HK\$119.4 per share (30 June 2010: HK\$102.4 per share).

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 30 June 2011, calculated on the basis of net debt to Company's shareholders' funds, was 17.1% compared to 14.1% at 30 June 2010. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 16.9 times compared to 15.9 times for the previous year.

As at 30 June 2011, the Group's gross borrowings totalled HK\$60,435 million. Net debt, after deducting cash and bank deposits of HK\$7,898 million, amounted to HK\$52,537 million, an increase of HK\$15,353 million since 30 June 2010. The increase principally reflects the Group's continued acquisitions and investment in property projects in Hong Kong and Mainland China. The maturity profile of the Group's gross borrowings is set out as follows:

	30 June 2011 HK\$ Million	30 June 2010 HK\$ Million
Repayable:		
Within one year	9,682	11,262
After one year but within two years	23,334	8,022
After two years but within five years	17,916	19,402
After five years	9,503	6,702
Total borrowings	60,435	45,388
Cash and bank deposits	7,898	8,204
Net debt	52,537	37,184

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

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

## **(b) Treasury policies**

The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2011, about 78% of the Group's borrowings were raised through its wholly-owned finance subsidiaries and the remaining 22% 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 2011, about 74% of the Group's borrowings were denominated in Hong Kong dollars, 17% in Renminbi and 9% in US dollars. The foreign currency borrowings were mainly for financing property projects outside Hong Kong.

The Group's borrowings are principally arranged on a floating rate basis. For some of the fixed rate notes issued by the Group, interest rate swaps have been used to convert the rates to floating rate basis. As at 30 June 2011, about 81% of the Group's borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis and 19% 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 2011, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate carrying amount of HK\$4,644 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in the carrying amount of HK\$100 million and currency swaps (to hedge principal repayment of USD borrowings) in the aggregate carrying amount of HK\$452 million.

As at 30 June 2011, about 59% of the Group's cash and bank balances were denominated in Hong Kong dollars, 23% in United States dollars, 16% in Renminbi and 2% in other currencies.

## **Charges of Assets**

As at 30 June 2011, certain bank deposits of the Group's subsidiary, SmarTone, in the aggregate amount of HK\$411 million, were pledged for securing performance bonds related to telecommunications licences and some other guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK\$20,274 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 2011, 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\$1,650 million (30 June 2010: HK\$3,041 million).

# Directors' Report

The Directors present their report for the year ended 30 June 2011:

## 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 190 to 198, 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\$48,788 million (2010: HK\$30,641 million (restated)). After taking non-controlling interests into account, profit attributable to the Company's shareholders was HK\$48,097 million (2010: HK\$30,039 million (restated)).

## Dividends

An interim dividend of HK\$0.95 per share (2010: HK\$0.85 per share) was paid on 23 March 2011. The Board of Directors of the Company (the "Board") recommend a final dividend of HK\$2.40 per share (2010: HK\$1.85 per share), making a total dividend of HK\$3.35 per share for the full year ended 30 June 2011 (2010: HK\$2.70 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2011 Annual General Meeting"), will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under the scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend, but will rank *pari passu* in all other respects with the existing shares. A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to the shareholders of the Company (the "Shareholders") on or about Thursday, 22 December 2011.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the 2011 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, 19 January 2012 to the Shareholders whose names appear on the register of members of the Company on Friday, 16 December 2011.

## Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's ordinary shares during the year ended 30 June 2011.

## 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 143 respectively.

## 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.

## Properties

Particulars of major investment properties held by the Group are set out on pages 40 and 41.

## Directors

The list of Directors is set out on page 2 of this report and their particulars are set out on pages 118 to 128. All Directors held office for the whole year.

In accordance with Article 104(A) of the Company's articles of association (the "Articles of Association"), Madam Kwong Siu-hing, Dr. Li Ka-cheung, Eric, Mr. Kwok Ping-sheung, Walter, Sir Po-shing Woo, Mr. Lo Chiu-chun, Clement and Mr. Wong Chik-wing, Mike will retire from office by rotation at the 2011 Annual General Meeting. Madam Kwong Siu-hing and Mr. Lo Chiu-chun, Clement have informed the Company that they will not seek re-election at the 2011 Annual General Meeting. The remaining retiring Directors, being eligible, will offer themselves for re-election at the 2011 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 to be independent.

## Directors' and Chief Executives' Interests

As at 30 June 2011, 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 <sup>1</sup>	Total	% of shares in issue as at 30.06.2011
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Kwong Siu-hing	21,151	–	–	1,083,879,328	1,083,900,479 <sup>2</sup>	–	1,083,900,479	42.17
Lee Chau-kee	486,340	–	343,000 <sup>5</sup>	–	829,340	–	829,340	0.03
Kwok Ping-kwong, Thomas	1,976,281	304,065	–	393,460,297 <sup>2&amp;3</sup>	395,740,643	100,000		
						(personal interests)		
						48,000	395,888,643	15.40
						(family interests)		
Kwok Ping-luen, Raymond	75,000	–	–	396,603,978 <sup>2&amp;4</sup>	396,678,978	100,000	396,778,978	15.44
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	120,000	9,500	–	–	129,500	–	129,500	0.01
Kwok Ping-sheung, Walter <sup>6</sup>	75,000	–	–	1,087,663,522	1,087,738,522	–	1,087,738,522	42.32
Woo Po-shing	1,302,239	–	–	–	1,302,239	–	1,302,239	0.05
Lo Chiu-chun, Clement	90,000	–	–	–	90,000	–	90,000	0.00
Wong Yick-kam, Michael	167,099	–	–	–	167,099	–	167,099	0.01
Chan Kai-ming	41,186	–	–	–	41,186	100,000	141,186	0.01
Chan Kui-yuen, Thomas	–	66,000	126,500 <sup>7</sup>	–	192,500	100,000	292,500	0.01
Kwong Chun	702,722	339,358	–	–	1,042,080	100,000	1,142,080	0.04
Wong Chik-wing, Mike	195,999	–	–	–	195,999	100,000	295,999	0.01
Woo Ka-biu, Jackson	–	1,000	–	–	1,000	–	1,000	0.00
(Alternate Director to Woo Po-shing)								

#### Notes:

- The number of underlying shares held under equity derivatives included 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 paragraph headed "Share Option Schemes" below.
- Of the 1,083,900,479 shares in the Company, Madam Kwong Siu-hing was deemed to be interested in 1,083,879,328 shares in the Company by virtue of her being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.

Of the said 1,083,879,328 shares in the Company, each of Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond was deemed to be interested in 373,426,430 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 373,426,430 shares in the Company in which each of Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond was deemed to be interested, 18,199,981 shares in the Company represented the same interests and were duplicated between these two Directors.



In addition, on 30 September 2010, the trustee of certain 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 Directors 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 2011, a total of 2,140,000 shares in the Company was acquired and the Trustee's interests in the shares of the Company increased from 1,081,739,328 shares to 1,083,879,328 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 20,033,867 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 23,177,548 shares in the Company by virtue of him being a beneficiary of certain discretionary trusts 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 Development"). Henderson Land Development was taken to be 60.33% 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. In response to a statement of disclosure of interests sent by the Company to Mr. Kwok Ping-sheung, Walter for reconfirming his interests and short positions in shares and, in respect of equity derivatives, underlying shares and debentures of the Company and its associated corporations as at 30 June 2011 (the "Statement of Interests"), Mr. Kwok Ping-sheung, Walter informed the Company on 3 October 2011 that he had recently been given certain information about his share interest in the Company which he found to have serious discrepancy with what his understanding is and that his share interest in the Company is under dispute.
7. These shares were held by a company which was obliged to act in accordance with the instructions of Mr. Chan Kui-yuen, Thomas.

## 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 30.06.2011
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwong Siu-hing	106,356	2,140,000 <sup>1</sup>	2,246,356	–	2,246,356	0.10
Kwok Ping-kwong, Thomas	–	2,140,000 <sup>1</sup>	2,140,000	–	2,140,000	0.09
Kwok Ping-luen, Raymond	–	3,485,000 <sup>1&amp;2</sup>	3,485,000	–	3,485,000	0.15
Wong Yick-kam, Michael	200,000	–	200,000	–	200,000	0.01
Kwong Chun	600,000	–	600,000	–	600,000	0.03
Wong Chik-wing, Mike	218,000	–	218,000	–	218,000	0.01

Notes:

- Of these shares in SUNeVision, Madam Kwong Siu-hing, Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond were deemed to be interested in 2,140,000 shares by virtue of being founder and/or beneficiaries of a certain discretionary trust, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of Part XV of the SFO.
- 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 certain discretionary trusts for the purpose of Part XV of the SFO.
- In response to the Statement of Interests, Mr. Kwok Ping-sheung, Walter informed the Company on 3 October 2011 that his share interest in SUNeVision is under dispute.

(b) **SmarTone Telecommunications Holdings Limited (“SmarTone”)**

<b>Name of Director</b>	<b>Number of shares held</b>		<b>Number of underlying shares held under equity derivatives</b>	<b>Total</b>	<b>% of shares in issue as at 30.06.2011</b>
	<b>Other interests</b>	<b>Total</b>			
Kwong Siu-hing	840,000 <sup>1</sup>	840,000	–	840,000	0.08
Kwok Ping-luen, Raymond	4,475,534 <sup>2</sup>	4,475,534	–	4,475,534	0.44

Notes:

1. *Madam Kwong Siu-hing was deemed to be interested in these shares in SmarTone by virtue of being a founder and a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.*
2. *Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SmarTone by virtue of being a beneficiary of a certain discretionary trust for the purpose of Part XV of the SFO.*

(c) **Transport International Holdings Limited (“Transport International”)**

<b>Name of Director</b>	<b>Number of shares held</b>		<b>Number of underlying shares held under equity derivatives</b>	<b>Total</b>	<b>% of shares in issue as at 30.06.2011</b>
	<b>Personal interests (held as beneficial owner)</b>	<b>Total</b>			
Kwok Ping-luen, Raymond	393,350	393,350	–	393,350	0.10
Kwok Ping-sheung, Walter	61,522	61,522	–	61,522	0.02

- (d) **Each of Madam Kwong Siu-hing, Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond had the following interests in shares of the following associated corporations:**

<b>Name of associated corporation</b>	<b>Attributable holding through corporation</b>	<b>Attributable % of shares in issue through corporation as at 30.06.2011</b>	<b>Actual holding through corporation</b>	<b>Actual % interests in issued shares as at 30.06.2011</b>
Splendid Kai Limited	2,500	25	1,500 <sup>1</sup>	15.00
Hung Carom Company Limited	25	25	15 <sup>1</sup>	15.00
Tinyau Company Limited	1	50	1 <sup>1</sup>	50.00
Open Step Limited	8	80	4 <sup>1</sup>	40.00

Note:

1. Madam Kwong Siu-hing, Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond were deemed to be interested in these shares, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of Part XV of the SFO. These shares were held by corporations under a certain discretionary trust, in which Madam Kwong Siu-hing, Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond were deemed to be interested by virtue of being founder and/or beneficiaries for the purpose of Part XV of the SFO.

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

<b>Name of associated corporation</b>	<b>Total number of shares held</b>	<b>% of shares in issue as at 30.06.2011</b>
Anbok Limited	2 <sup>2</sup>	50.00
Billion Ventures Limited	1 <sup>3</sup>	50.00
Central Waterfront Construction Company Limited (in members' voluntary liquidation)	1 <sup>4</sup>	50.00
Central Waterfront Property Holdings Limited	100 <sup>5</sup>	100.00
Central Waterfront Property Investment Holdings Limited	50 <sup>6</sup>	50.00
CWP Limited	1 <sup>7</sup>	50.00
Daily Win Development Limited	100 <sup>8</sup>	25.00
E Man – Sanfield JV Construction Company Limited	1 <sup>4</sup>	50.00
Everise (H.K.) Limited	1 <sup>9</sup>	50.00
Fullwise Finance Limited	2 <sup>2</sup>	50.00
Gold Sky Limited	1 <sup>10</sup>	50.00
Jade Land Resources Limited	1 <sup>11</sup>	25.00
Joy Wave Development Limited (in members' voluntary liquidation)	1 <sup>4</sup>	50.00
Karnold Way Limited	2,459 <sup>12</sup>	24.59
Maxfine Development Limited	3,050 <sup>13</sup>	33.33
Royal Peninsula Management Service Company Limited	1 <sup>14</sup>	50.00
Special Concept Development Limited	1 <sup>11</sup>	25.00
Star Play Development Limited	1 <sup>15</sup>	33.33
Tartar Investments Limited	300 <sup>16</sup>	30.00
Teamfield Property Limited	4,918 <sup>17</sup>	49.18
Topcycle Construction Company Limited (in members' voluntary liquidation)	1 <sup>4</sup>	50.00
Topcycle Development Limited	1 <sup>18</sup>	50.00
Topcycle Project Management Limited	1 <sup>18</sup>	50.00
World Space Investment Limited	4,918 <sup>17</sup>	49.18

Notes:

1. *Dr. Lee Shau-kee was deemed to be interested in the 343,000 shares in the Company held through Superfun. This corporation was wholly-owned by HK China Gas which was 39.88% held by Henderson Land Development. Henderson Land Development was taken to be 60.33% 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 Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
3. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Chico Investment Limited ("Chico"). This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
4. *Dr. Lee Shau-kee was deemed to be interested in the one share held through E Man Construction Company Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
5. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Central Waterfront Property Investment Holdings Limited. This corporation was 34.21% held by Starland International Limited ("Starland"), a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
6. *Dr. Lee Shau-kee was deemed to be interested in a total of 50 shares of which 34.21 shares were held through Starland and 15.79 shares were held through Prominence Properties Limited ("Prominence"). Starland was wholly-owned by Henderson Land Development. Prominence was wholly-owned by HK China Gas which was 39.88% held by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
7. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Starland. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
8. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Citiright Development Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
9. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Masterland Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
10. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Atex Resources Limited. This corporation was wholly-owned by Mightymark Investment Limited, a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
11. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Citiplus Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*

12. *Dr. Lee Shau-kee was deemed to be interested in the 2,459 shares held through Chico. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
13. *Dr. Lee Shau-kee was deemed to be interested in the 3,050 shares held through Quickcentre Properties Limited. This corporation was 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 Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
14. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Well Born Real Estate Management Limited. This corporation was wholly-owned by Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
15. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Benewick Limited. This corporation was 100% held by Dorway Investment Limited, a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
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 Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
17. *Dr. Lee Shau-kee was deemed to be interested in the 4,918 shares held through Billion Ventures Limited. This corporation was 50% held by Chico, a wholly-owned subsidiary of Henderson Land Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*
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 Development. Dr. Lee Shau-kee was taken to be interested in Henderson Land Development as set out in Note 1.*

Save as disclosed above, as at 30 June 2011, 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.

## Share Option Schemes

### 1. Share option schemes of the Company

The Company once adopted a share option scheme on 20 November 1997 (the "Old Scheme"). In order to comply with the new requirements under the then revised Chapter 17 of the Listing Rules, the Company by ordinary resolutions passed at its extraordinary general meeting held on 5 December 2002 adopted a new share option scheme (the "New Scheme") and terminated the Old Scheme.

On 12 July 2010, the Company granted share options under the New Scheme to certain Directors and employees to subscribe for up to a total of 4,840,000 ordinary shares of nominal value of HK\$0.50 each in the capital of the Company. Particulars of such share options and their movements during the year ended 30 June 2011 were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				Balance as at 01.07.2010	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2011
<b>(I) Directors</b>								
Kwok Ping-kwong, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	100,000	–	–	100,000
Kwok Ping-luen, Raymond	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	100,000	–	–	100,000
Chan Kai-ming	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	100,000	–	–	100,000
Chan Kui-yuen, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	100,000	–	–	100,000
Kwong Chun	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	100,000	–	–	100,000
Wong Chik-wing, Mike	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	100,000	–	–	100,000
<b>(II) Associate of a Director</b>	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	48,000	–	–	48,000
<b>(III) Other employees</b>	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	4,192,000	–	(136,000)	4,056,000

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.
- The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$109.70.
- The accounting policy adopted for the share options is set out in note 1(v) to the financial statements.

Save as disclosed above, the Company had not granted during the year ended 30 June 2011 any share options to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules.

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 12 July 2010 under the New Scheme amounting to approximately HK\$134,745,600 was estimated based on the following variables and assumptions:

Risk free interest rate	1.531% <sup>1</sup>
Expected volatility	32.077% <sup>2</sup>
Expected dividend	2.289% <sup>3</sup>
Expected life of the share options	5 years <sup>4</sup>

Notes:

1. This represented the approximate yield of 5-year Exchange Fund Note traded on 12 July 2010.
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.

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

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

1. The purpose of the New Scheme is to provide incentives to the participants.
2. The participants of the New 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 New Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the New Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme must not exceed 30% of the issued share capital of the Company from time to time. As at 15 September 2011, the number of shares of the Company available for issue in respect thereof is 232,452,736 shares, representing approximately 9.04% 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 New 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 New Scheme shall be determined by the Board but such period must not exceed 10 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 New 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 granted shall not be less than the highest of:
- the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date on which an offer is made to a participant, which must be a business day;
  - the average of the closing prices of the shares 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 New Scheme shall be valid and effective till 4 December 2012.

## 2. Share option schemes of the subsidiaries

### (a) SUNeVision

SUNeVision once adopted a share option scheme (the "SUNeVision Old Scheme"). By shareholders' ordinary resolutions of SUNeVision passed at its annual general meeting held on 3 December 2002, SUNeVision had adopted another share option scheme (the "SUNeVision New Scheme") and terminated the SUNeVision Old Scheme. These have become effective on 5 December 2002 as a result of the passing of ordinary resolutions approving the same by the then Shareholders at the extraordinary general meeting of the Company held on the same day.

During the year ended 30 June 2011, there were no outstanding share options under the SUNeVision New Scheme.

### (b) SmarTone

Pursuant to the terms of the share option scheme of SmarTone adopted on 15 November 2002 (the "SmarTone Scheme"), SmarTone may grant share options to the participants, including directors and employees of SmarTone group, to subscribe for shares of SmarTone.

The movements of the share options granted to the participants pursuant to the SmarTone Scheme during the year ended 30 June 2011 were as follows:

- (i) Before the SmarTone Bonus Issue (as defined in Note 1 below) on 6 April 2011

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				Balance as at 01.07.2010	Granted during the period	Exercised during the period <sup>8</sup>	Cancelled/Lapsed during the period	Balance before SmarTone Bonus Issue
(I) Directors of SmarTone	10.02.2003	9.29	10.02.2003 to 16.07.2011	3,000,000 <sup>3</sup>	–	(1,800,000)	–	1,200,000
	10.02.2003	9.20	02.05.2003 to 01.05.2012	133,500 <sup>4</sup>	–	(50,000)	–	83,500
	05.02.2004	9.00	05.02.2005 to 04.02.2014	970,000 <sup>5</sup>	–	–	–	970,000
(II) Other employees of SmarTone	05.02.2004	9.00	05.02.2005 to 04.02.2014	4,308,000 <sup>5</sup>	–	(2,798,000)	–	1,510,000
	01.03.2005	9.05	01.03.2006 to 28.02.2015	193,000 <sup>6</sup>	–	(193,000)	–	–

## Directors' Report

(ii) After the SmarTone Bonus Issue on 6 April 2011

Grantee	Date of grant	Adjusted exercise price/ Exercise price (HK\$)	Exercise period	Number of share options					
				Balance before SmarTone Bonus Issue	Adjusted upon SmarTone Bonus Issue <sup>1</sup>	Granted during the period <sup>7</sup>	Exercised during the period <sup>9</sup>	Cancelled/ Lapsed during the period	Balance as at 30.06.2011
<b>(I) Directors of SmarTone</b>	10.02.2003	4.645 <sup>2</sup>	10.02.2003 to 16.07.2011	1,200,000 <sup>3</sup>	1,200,000	–	(2,400,000)	–	–
	10.02.2003	4.60 <sup>2</sup>	02.05.2003 to 01.05.2012	83,500 <sup>4</sup>	83,500	–	–	–	167,000
	05.02.2004	4.50 <sup>2</sup>	05.02.2005 to 04.02.2014	970,000 <sup>5</sup>	970,000	–	–	–	1,940,000
	13.06.2011	12.78	14.06.2012 to 13.06.2016	N/A	N/A	12,000,000	–	–	12,000,000
<b>(II) Other employees of SmarTone</b>	05.02.2004	4.50 <sup>2</sup>	05.02.2005 to 04.02.2014	1,510,000 <sup>5</sup>	1,510,000	–	(113,000)	–	2,907,000
	13.06.2011	12.78	14.06.2012 to 13.06.2016	N/A	N/A	22,177,500	–	–	22,177,500

Notes:

1. SmarTone issued bonus shares on 6 April 2011 on the basis of one bonus share for every one existing share in SmarTone held (the "SmarTone Bonus Issue").
2. The SmarTone Bonus Issue gave rise to adjustments to the number of outstanding share options and the exercise prices. The exercise prices per share of two lots of share options granted on 10 February 2003 were adjusted from HK\$9.29 to HK\$4.645 and from HK\$9.20 to HK\$4.60 respectively. The exercise price per share of the share options granted on 5 February 2004 was adjusted from HK\$9.00 to HK\$4.50.
3. The share options, in the original number of 5,000,000, can be exercised up to 20% from 10 February 2003, up to 40% from 17 July 2003, up to 60% from 17 July 2004, up to 80% from 17 July 2005 and in whole from 17 July 2006.
4. The share options, in the original number of 200,000, can be exercised up to one-third from 2 May 2003, up to two-thirds from 2 May 2004 and in whole from 2 May 2005.
5. The share options, in the original number of 9,457,000, can be exercised up to one-third from 5 February 2005, up to two-thirds from 5 February 2006 and in whole from 5 February 2007.
6. The share options can be exercised up to one-third from 1 March 2006, up to two-third from 1 March 2007 and in whole from 1 March 2008.
7. The share options can be exercised up to one-third from 14 June 2012, up to two-third from 14 June 2013 and in whole from 14 June 2014. The closing price of the shares of SmarTone immediately before the date on which the share options were granted was HK\$12.78 per share.
8. The weighted average closing price of the shares of SmarTone immediately before the dates on which the share options were exercised was HK\$18.55 per share.
9. The weighted average closing price of the shares of SmarTone immediately before the dates on which the share options were exercised was HK\$12.52 per share.

Save as disclosed above, no share options had been granted under the SmarTone Scheme during the year ended 30 June 2011 as required to be disclosed under Rule 17.07 of the Listing Rules.

On 13 June 2011, SmarTone granted share options to various directors and employees of SmarTone under the SmarTone Scheme to subscribe for up to a total of 34,177,500 shares in the capital of SmarTone. The value of these share options, as calculated by using the bi-nominal option pricing model (the "Bi-nominal Model"), was HK\$83,735,000.

The Bi-nominal Model is one of the generally accepted methodologies to calculate the value of a share option. The significant inputs into the Bi-nominal Model were:

Risk free interest rate	1.39% <sup>1</sup>
Expected volatility	34.75% <sup>2</sup>
Expected dividend	5.5% <sup>3</sup>
Expected life of the share options	5 years <sup>4</sup>

Notes:

1. *This represents 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 represents 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.*
3. *This represents the yield of expected dividend which is determined by reference to the historical dividend yield of the shares of SmarTone.*
4. *This represents the life of the share options as measured from the date of grant.*

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.

### (c) Major terms of share option scheme of the subsidiaries

#### (i) *SUNeVision New Scheme*

The major terms of SUNeVision New Scheme are as follows:

1. The purpose of the SUNeVision New Scheme is to provide incentives to its participants.
2. The participants of the SUNeVision New Scheme include (i) executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the SUNeVision group; (ii) any consultants, professional and other advisers to each member of the SUNeVision group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of SUNeVision; (iv) any associates of a director, chief executive or substantial shareholder of SUNeVision; and (v) any employees of substantial shareholder of SUNeVision, as absolutely determined by the board of directors of SUNeVision.
3. The total number of shares of SUNeVision which may be issued upon exercise of all share options to be granted under the SUNeVision New 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 the approval of the SUNeVision New Scheme. The 10% limit may be refreshed with the approval of the shareholders of SUNeVision 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 New 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange). As at 15 September 2011, the number of shares of SUNeVision available for issue in respect thereof was 197,333,417 shares of SUNeVision, representing approximately 8.47% 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 New 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 15 September 2011, the total number of shares of SUNeVision in issue was 2,329,208,031.
5. A share option granted under the SUNeVision New 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 10 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 targets that need 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 of the closing prices of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
  - the nominal value of the shares of SUNeVision.
9. The SUNeVision New Scheme shall be valid and effective up to and inclusive of 3 December 2012 unless otherwise terminated under the terms of the SUNeVision New Scheme.

(ii) *SmarTone Scheme*

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

1. The purpose of the SmarTone Scheme is to reward participants who have made a valuable contribution to the growth of the SmarTone group and to enable the SmarTone group to recruit and/or to retain employees who are regarded as valuable to the SmarTone group or are expected to be able to contribute to the business development of the SmarTone group.
2. Any employee, agent, consultant or representative of SmarTone or any of its subsidiaries, including any director of SmarTone or any of its subsidiaries who has made valuable contribution to the growth of the SmarTone group based on his work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the SmarTone Scheme at the invitation of the directors of SmarTone.
3. SmarTone can issue 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 does not in aggregate exceed 10% of the shares in issue on the date of adoption of the SmarTone Scheme. SmarTone may renew this limit at any time, subject to its shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding share options 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. At 15 September 2011, the number of shares available for issue in respect thereof is 47,785,134 shares which represents approximately 4.65% 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. No share option may be exercised later than 10 years after it has been granted and no share option may be granted more than 10 years after the date on which the SmarTone Scheme is adopted by SmarTone in general meeting.
6. The SmarTone Scheme does not specify any minimum holding period before the 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.

## Directors' Report

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 must be received by the secretary of SmarTone within 28 days from the date of the making of such offer.
8. The option price per share payable upon the exercise of any share option will be determined by the directors of SmarTone upon the grant of such share option. It will be at least the higher of:–
  - the average closing prices of the shares of SmarTone as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such 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 Scheme shall be valid and effective for a period of 10 years commencing from the adoption of the SmarTone Scheme on 15 November 2002.

### Arrangement to Purchase Shares or Debentures

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

### Interests of Substantial Shareholder and Other Persons

As at 30 June 2011, substantial shareholder 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 30.06.2011
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
<b>(I) Substantial shareholder</b>					
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	–	–	1,081,745,371	1,081,745,371 <sup>1</sup>	42.09
<b>(II) Other persons</b>					
Adolfa Limited ("Adolfa")	195,374,547	16,059,981	–	211,434,528 <sup>2</sup>	8.23
Bertana Limited ("Bertana")	195,374,547	16,059,981	–	211,434,528 <sup>2</sup>	8.23
Cyric Limited ("Cyric")	195,374,547	16,059,981	–	211,434,528 <sup>2</sup>	8.23
Asporto Limited ("Asporto")	159,851,902	–	–	159,851,902 <sup>2</sup>	6.22
Rosy Result Limited ("Rosy Result")	159,851,902	–	–	159,851,902 <sup>2</sup>	6.22
Thriving Talent Limited ("Thriving Talent")	159,851,902	–	–	159,851,902 <sup>2</sup>	6.22

Notes:

1. On 30 September 2010, HSBC Trustee, as trustee of certain 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 Directors 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."
2. Of the shares held respectively by Adolfa, Bertana and Cyric, 16,059,981 shares were held through a corporation of which each of Adolfa, Bertana and Cyric was interested in one-third of its entire issued share capital. These 16,059,981 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 2011, the Company had not been 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.

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

As at 30 June 2011, the Group employed more than 35,000 employees. The related employees' costs for the year amounted to approximately HK\$6,420 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\$232 million (2010: HK\$233 million).

## Charitable Donations

HK\$340 million (2010: HK\$115 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:

Madam Kwong Siu-hing and Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond (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 in Hong Kong, Mainland China and Singapore and (ii) hotel operation in locations other than in 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.

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 Development 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 is also a non-executive director of Henderson Land Development where Mr. Woo Ka-biu, Jackson acts as his alternate director. The businesses of Henderson Development and Henderson Land Development principally consist of investment holding, property development and investment in Hong Kong and Mainland China, hotel operation, project and property management, construction, provision of finance and infrastructure. In addition, both Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson hold directorships in certain companies of 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 2009/10 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.

## Interest in Contracts

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

## Major Customers and Suppliers

During the year, less than 30% 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.

## Auditor

The retiring auditor, Messrs. Deloitte Touche Tohmatsu, has signified their willingness to continue in office. A resolution will be proposed at the 2011 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 82 to 87.

## 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**

*Vice Chairman & Managing Director*

Hong Kong, 15 September 2011

**Kwok Ping-luen, Raymond**

*Vice Chairman & Managing Director*

# Directors and Organization

## Directors

### **Kwong Siu-hing** <sup>(Note 1)</sup>

*Chairman & Non-Executive Director (Age: 82)*

Madam Kwong has been the Chairman and a Non-Executive Director of the Company since May 2008. She is the wife of Mr. Kwok Tak-seng, the late Chairman of the Company. Madam Kwong has over 40 years of experience in real estate business. In addition, she has participated in various charity and community activities for Sun Hung Kai Properties-Kwoks' Foundation Limited and The T.S. Kwok Foundation Limited. Madam Kwong is well-respected by the Board and the senior management of the Company. She is the mother of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond and the sister of Mr. Kwong Chun.

Save as disclosed above, Madam Kwong does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. She 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 2011, Madam Kwong received a fee of HK\$120,000 for being the Chairman of the Company.

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

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

*Vice Chairman & Non-Executive Director (Age: 82)*

Dr. Lee has been a Non-Executive Director of the Company for the last 39 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 2011, Dr. Lee received a fee of HK\$110,000 for being a Vice Chairman of the Company.

**Kwok Ping-kwong, Thomas** <sup>(Note 2)</sup>

Hon DBA, Hon DEng, MSc (Bus Adm), BSc (Eng), FCPA(Aust.), SBS, JP

*Vice Chairman & Managing Director (Age: 59)*

Mr. Kwok is Vice Chairman and Managing Director of the Company and a member of the Executive Committee of the Company. He has been with the Group for 34 years. He 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. 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.

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. He also serves as a government appointed member of the Commission on Strategic Development. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Mr. Kwok the Silver Bauhinia Star for his distinguished community service.

In the past, Mr. Kwok served as 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 Ninth Chinese People's Political Consultative Conference Shanghai Committee.

Mr. Kwok is the son of Madam Kwong Siu-hing, the younger brother of Mr. Kwok Ping-sheung, Walter and the elder brother of Mr. 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 2011, Mr. Kwok received a fee of HK\$110,000 for being a Vice Chairman of the Company and other emoluments of approximately HK\$2.18 million.

## Directors and Organization

### **Kwok Ping-luen, Raymond** (Note 2)

Hon LLD, Hon DBA, MBA, MA (Cantab), JP  
*Vice Chairman & Managing Director (Age: 58)*

Mr. Kwok is Vice Chairman and Managing Director of the Company and a member of the Executive Committee of the Company. He has been with the Group for 33 years. He holds a Master of Arts degree in Law from Cambridge University, a Master degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. He is chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited, a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited, and an independent non-executive director of Standard Chartered Bank (Hong Kong) Limited.

In civic activities, Mr. Kwok is a director of The Real Estate Developers Association of Hong Kong, a member of the General Committee of The Hong Kong General Chamber of Commerce and vice chairman of the council of The Chinese University of Hong Kong. Mr. Kwok is the son of Madam Kwong Siu-hing, and the younger brother of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas.

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 2011, Mr. Kwok received a fee of HK\$110,000 for being a Vice Chairman of the Company and other emoluments of approximately HK\$2.41 million.

### **Yip Dicky Peter**

MBA, BBS, MBE, JP  
*Independent Non-Executive Director (Age: 64)*

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of 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 include trade services, corporate banking, group consultancy service and regional training. His previous assignment prior to becoming CEO China had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. From January 2003 to April 2005, Mr. Yip was appointed chief executive China business, based in Shanghai; meanwhile, he was also a director of Bank of Shanghai, Ping An Insurance and Ping An Bank in China. Since April 2005, Mr. Yip has become a general manager of HSBC. He has also been appointed executive vice president of Bank of Communications since May 2005.

Mr. Yip is an elected associated member of the Chartered Institute of Bankers, London and was educated in Hong Kong with an MBA from The University of Hong Kong. He 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 2011, 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: 59)*

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

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 on 21 December 2010). In addition, Professor Wong was also 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 2011, 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.

### **Dr. Li Ka-cheung, Eric**

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

*Independent Non-Executive Director (Age: 58)*

Dr. Li was appointed as a Non-Executive Director of the Company in May 2005; and 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, an advisor to Ministry of Finance on international accounting standards, a convenor cum member of the Financial Reporting Review Panel and a member of the Commission on Strategic Development. 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 2011, 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.

## Directors and Organization

### **Dr. Fung Kwok-lun, William**

SBS, OBE, JP

*Independent Non-Executive Director (Age: 62)*

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 was the group managing director of Li & Fung Limited and became the executive deputy chairman with effect from 18 May 2011. He also serves as a non-executive director of Convenience Retail Asia Limited and Trinity Limited. 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 resigned as a director of the formerly listed Integrated Distribution Services Group Limited on 6 April 2011.

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 2011, Dr. Fung received a fee of HK\$100,000 for being a Director of the Company.

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

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

*Non-Executive Director (Age: 60)*

Mr. Kwok has been with the Group for 37 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, honorary trustee of Tongji University and Nanjing University. He was an executive director of SUNeVision Holdings Ltd. and has become a non-executive director with effect from 10 March 2011. Mr. Kwok is also a non-executive director of Transport International Holdings Limited and 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 and a Standing Committee member of the National Committee of the Chinese People's Political Consultative Conference. 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 the son of Madam Kwong Siu-hing, and 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 2011, 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., FCIArb, F.I.Mgt., FInstD, FHKMA

*Non-Executive Director (Age: 82)*

Sir Po-shing Woo has been a Non-Executive Director of the Company since August 1972. He is a director of Henderson Development Limited, a non-executive director of Henderson Land Development Company Limited and a consultant of Jackson Woo & Associates in association with Ashurst Hong Kong. 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 The City University of Hong Kong and is a fellow of King's College of London as well as honorary professor of Nankai University of Tianjin. He is also the founder of the Woo Po Shing Medal in Law and the Woo Po Shing Overseas Summer School Travelling Scholarship, both at The University of Hong Kong, and the Woo Po Shing Professor (Chair) of Chinese and Comparative Law at The 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 2011, Sir Po-shing Woo received a fee of HK\$100,000 for being a Director of the Company.

### **Kwan Cheuk-yin, William** (Note 3)

LLB

*Non-Executive Director (Age: 76)*

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of the Nomination Committee of the Company. As a managing partner with the solicitors firm of Woo, Kwan, Lee & Lo, Mr. Kwan has 49 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 2011, 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.

## Directors and Organization

### **Lo Chiu-chun, Clement** (Notes 1 and 3)

*Non-Executive Director (Age: 81)*

Mr. Lo was an Executive Director and the Company Secretary of the Company for over 20 years until his resignation in February 1998. He had been with the Group, prior to the listing of the Company, for 28 years before he resigned from both positions. He is currently a Non-Executive Director of the Company and a member of the Remuneration Committee of the Company. He has been in the property development industry since the 1960s.

Mr. Lo 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 2011, Mr. Lo received fees of HK\$100,000 and HK\$50,000 for being a Director and a member of the Remuneration Committee of the Company respectively.

### **Wong Yick-kam, Michael**

MBA, BBA

*Non-Executive Director (Age: 59)*

Mr. Wong has been a Non-Executive Director and the Group Principal Advisor of the Company since January 2010. 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 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., a non-executive director and a member of the audit committee of SmarTone Telecommunications Holdings Limited and the deputy chairman and a non-executive director of RoadShow 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 Promotion of Volunteer Service, Steering Committee on Child Development Fund, Steering Committee on Promotion of Electric Vehicles and Social Welfare Advisory Committee. 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 2011, 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 Kai-ming**

CEng, FIStructE, MICE

*Executive Director (Age: 79)*

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

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 2011, Mr. Chan received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$3.51 million.

### **Chan Kui-yuen, Thomas**

B Comm

*Executive Director (Age: 65)*

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 graduated from the United College, The Chinese University of Hong Kong. He joined the Group in 1973 and is now responsible for land acquisitions and project planning matters. Mr. Chan is a non-executive director of SUNeVision Holdings Ltd. He was awarded as honorary university fellowship of The Open University of Hong Kong in 2007.

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 2011, Mr. Chan received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$11.11 million.

## Directors and Organization

### **Kwong Chun**

*Executive Director (Age: 82)*

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.

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 2011, Mr. Kwong received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$4.21 million.

### **Wong Chik-wing, Mike**

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

*Executive Director (Age: 55)*

Mr. Wong graduated from The Hong Kong Polytechnic University with distinction and holds a Master degree in International Real Estate. He is a fellow of the Hong Kong Institute of Surveyors and a registered professional surveyor. He joined the Group in 1981 and has been appointed as an Executive Director of the Company since January 1996. He is a member of the Executive Committee of the Company and is currently responsible for project management matters of the Group's development projects.

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 2011, Mr. Wong received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$16.25 million.

**Chan Kwok-wai, Patrick**

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

*Executive Director & Chief Financial Officer (Age: 55)*

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.

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 Quality Education Fund Steering Committee, the Protection of Wages on Insolvency Fund Board, the Hong Kong Special Administrative Region ("HKSAR") Government Scholarship Fund Investment Committee, the Investment Sub-committee of the Beat Drugs Fund Association HKSAR, 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 2011, Mr. Chan received a fee of HK\$100,000 for being a Director of the Company and other emoluments of approximately HK\$14.70 million.

## Directors and Organization

### **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. Mr. Woo is currently a partner of Jackson Woo & Associates in association with 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 was appointed as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. with effect from 22 July 2011. Mr. Woo is also an alternate director to Sir Po-shing Woo, a non-executive director of Henderson Land Development Company Limited. 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 the 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.

Pursuant to the articles of association of the Company, Mr. Woo shall not be entitled to receive from the Company any remuneration in respect of his appointment as Alternate Director except only such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.

All the Directors and Alternate Director of the Company have not entered into any service contract with the Company. Directors are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association 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 commencement of 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.

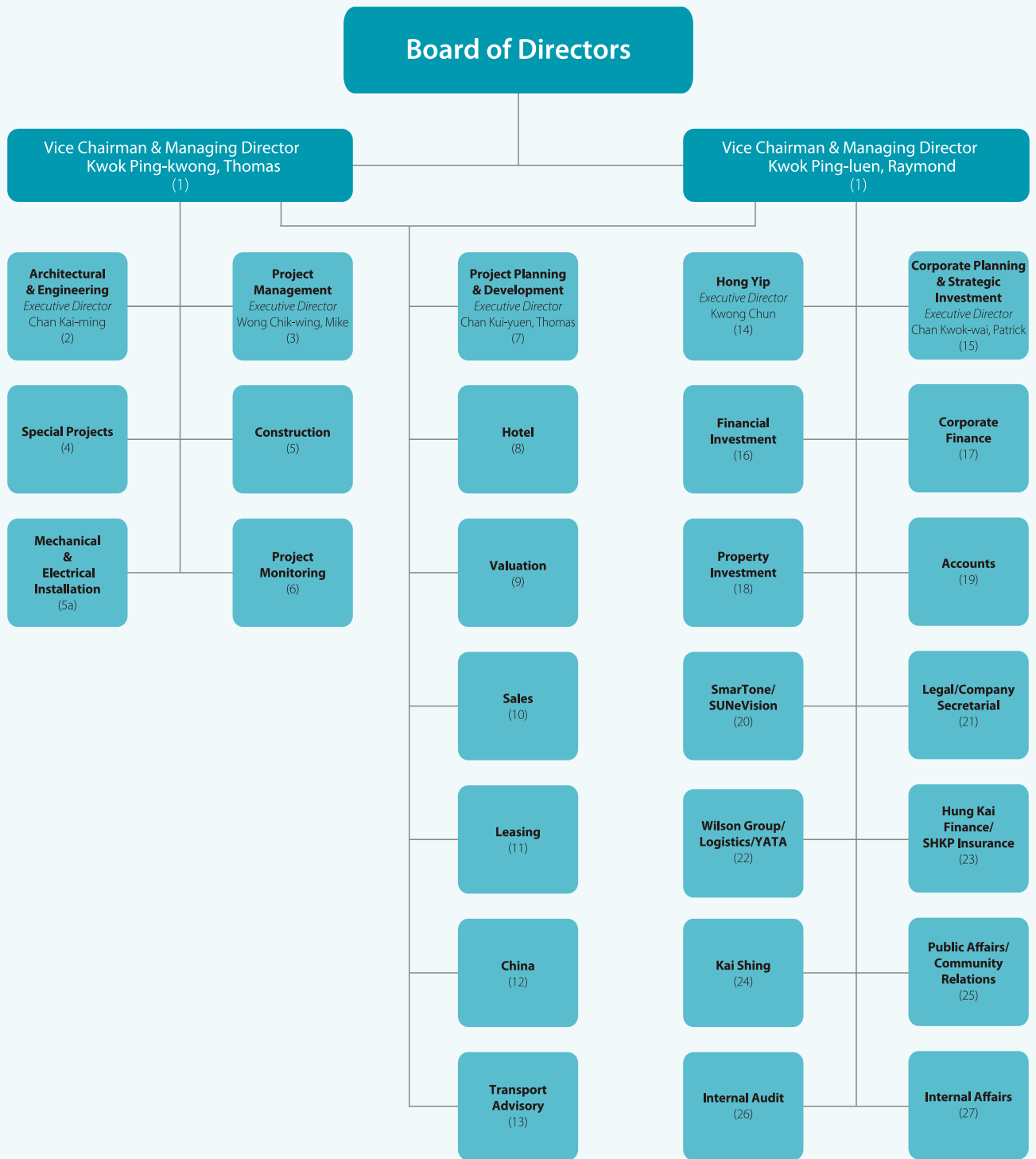
### **Senior Management**

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

#### *Notes:*

- 1. Madam Kwong Siu-hing and Mr. Lo Chiu-chun, Clement will retire from office by rotation at the annual general meeting to be held on 8 December 2011 (the "AGM") and have informed the Company that they will not seek re-election as Directors.*
- 2. Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond have been appointed as joint Chairmen of the Company, such appointment to take effect from the close of the AGM after the passing of the special resolution on the proposed amendments to the articles of association of the Company. They will both continue to serve as Managing Directors and Executive Directors of the Company.*
- 3. Mr. Kwan Cheuk-yin, William has been appointed as a member of the Remuneration Committee in place of Mr. Lo Chiu-chun, Clement with effect from 9 December 2011.*

## Organization Chart & Senior Executives



# Directors and Organization

## (1) Executive Committee

**Kwok Ping-kwong, Thomas**  
Hon DBA, Hon DEng, MSc (Bus Adm),  
BSc (Eng), FCPA(Aust.), SBS, JP  
Vice Chairman and Managing Director

**Kwok Ping-luen, Raymond**  
MA(Cantab), MBA, Hon DBA, Hon LLD, JP  
Vice Chairman and Managing Director

**Chan Kai-ming**  
CEng, FStructE, MICE  
Executive Director  
(Architectural & Engineering)

**Chan Kui-yuen, Thomas**  
B Comm  
Executive Director  
(Project Planning & Development)

**Kwong Chun**  
Executive Director  
(Building Management)

**Wong Chik-wing, Mike**  
MSc(IRE), FHKIS, RPS(BS), JP  
Executive Director  
(Project Management)

**Chan Kwok-wai, Patrick**  
MBA, FCPA, FCCA, FCPA(Aust.), ACIS, TEP  
Executive Director & Chief Financial Officer  
(Corporate Planning & Strategic  
Investment)

## (1a) Chairman's Office

**Yung Wing-chung**  
Corporate Advisor

**Chin Ping-fai, Johnny**  
MA  
Manager

**Overton, Thomas Mc Donald**  
BSc, MBA  
Manager

**Lam Po-tung, Josephine**  
BA  
Manager

## (2) Architectural and Engineering

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

**Chan Hong-ki, Robert**  
BSc, MRICS, MHKIS, RPS(BS)  
Authorized Person  
Manager

**Li Kwong-hing**  
BSc(Eng), MSc, DIC, CEng, MIMechE,  
FCIBSE, MHKIE, RPE  
Manager

**Lau Chi-kin**  
MSc, CEng, FStructE, FHKIE, MICE, RPE,  
RSE  
Authorized Person  
PRC Class 1 Registered Structural  
Engineer Qualification  
Manager

**Ng Tze-kwan, Jeff**  
BArch, MAIBC, MRAIC, HKIA  
Registered Architect  
Authorized Person  
Deputy Manager

**Choi Siu-chuen**  
MHKIE  
Deputy Manager

**Li Ka-wing**  
Deputy Manager

**Chan Wai-hing, Clara**  
Deputy Manager

**Lam Kwok-leung, Kelvin**  
BSc(Eng), CEng, MStructE, MHKIE, RPE,  
RSE  
Deputy Manager

**Chiu Wai-kuen, Stephen**  
BSc(Eng)  
Deputy Manager

**Tang Wai-man, Tony**  
BA(AS), BArch, HKIA, ASC Member  
Registered Architect  
Authorized Person  
PRC Class 1 Registered Architect  
Qualification  
Deputy Manager

**Ho Koon-ho, Eddie**  
BEng(Hons), MSc, CEng, MStructE,  
MHKIE, MICE, MCI Arb, RPE, RSE  
PRC Class 1 Registered Structural  
Engineer Qualification  
Deputy Manager

## (3) Project Management

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

**Tam Tin-fong, Martin**  
BArch, RIBA, FHKIA, ASC Member  
Registered Architect  
Authorized Person  
PRC Class 1 Registered Architect  
Qualification  
Manager

**Au Yeung Shiu-keung**  
BSc(Eng), CEng, FHKIE, FCIBSE, FIET,  
FIEAust  
Manager

**Lee Tit-sun, Augustine**  
BArch, FHKIA  
Registered Architect  
Authorized Person  
Manager

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

**Woo Yan-fan, Stella**  
BA(AS), MArch, MBA, HKIA  
Registered Architect  
Authorized Person  
Manager

**Chan Hong-ki, Robert**  
BSc, MRICS, MHKIS, RPS(BS)  
Authorized Person  
Manager

**Ng Chak-kin, Clarence**  
BA(AS), BArch, RIBA, HKIA  
Registered Architect  
Authorized Person  
Manager

**Tsang Wai-ming, Thomas**

BArch, MCI Arb, AHKI Arb, RIBA, HKIA,  
RAIA, MAIB  
Registered Architect  
Authorized Person  
Deputy Manager

**Wong Wai-yin, May**

BID, ASID  
Deputy Manager

**Cheung Chin-hung, Sunny**

BEng(Hons), CEng, MHKIE, MICE,  
MGSHK, EUR.ING, RPE, BEAM Pro  
Deputy Manager

**Pau Wai-keung**

MEEM, MEM, CEng, CFM, MHKIE,  
MCIBSE, MIEE, MASHRAE, MHKCS, RPE,  
FSOE, FIPlantE, SMCMEs, CSMe  
Deputy Manager

**(4) Special Projects****Tung Chi-ho, Eric**

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

**Chung Wing-tim, Alain**

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

**Cheung Wai-tak, Vitus**

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

**So Wai-lik, Johnson**

BSc, MBA, FRICS, FHKIS, FSZCEA, ACI Arb,  
AHKI Arb, RPS(QS)  
Deputy Manager

**Mak Mang-tim, Timothy**

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

**Tse Pak-wing**

Deputy Manager

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

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

**Kwok Leung Kit-kan, Ingrid**

MSc(Bus Adm), BSc(Hons), CEng, MBCS,  
MHKIE, CITP  
Manager

**Tsoi Siu-ho, Robert**

BSc, MSc, DipCon, FCPA, ARCS, DIC  
Manager (Central Functions)

**Mo Kon-fei, Kenneth**

MSc(Eng), MBA, LLB, DipMS, MHKIE,  
CEng, MICE, RSE  
Authorized Person  
PRC Class 1 Registered Structural  
Engineer Qualification  
Manager (Construction Management)

**Tsoi Yuk-man, Desmond**

MA, MSc, FCI Arb, MRICS, MHKIS, MCIOB  
Manager (Construction Management)

**Lee Kwok-wa, Chris**

MAIB  
Manager (Construction Management)

**Chan Hon-ye**

ACMA, CPA  
Deputy Manager  
(Construction Management)

**Hui Lin-sing, Roger**

BSc(Eng), CEng, MICE, MIStructE, MHKIE,  
RPE, RSE  
Deputy Manager  
(Construction Management)

**Fung Chi-on, Ricky**

Deputy Manager (Purchasing)

**Lau Wai-keung, Dennis**

MRICS, MHKIS  
Deputy Manager  
(Contract Subletting and Quantity  
Surveying)

**Chan Kin-wah, Jonathan**

MEM, AssocRICS, TAHKIS  
Deputy Manager (Contract Subletting)

**Lam Fuk-wing**

BSc(Civil Eng)  
Deputy Manager  
(Construction Management)

**Cheung Kam-fan**

BBA  
Deputy Manager  
(Construction Management)

**Yan Po-keung, Dickson**

Deputy Manager  
(Construction Management)

**Leung Kwok-to**

Deputy Manager  
(Construction Management)

**(5a) Mechanical and Electrical Installation****Tsoi Siu-ho, Robert**

BSc, MSc, DipCon, FCPA, ARCS, DIC  
Manager

**Lam Chung-mo, Moses**

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

**Sin Hung-fai**

Deputy Manager (Fire Services)

**(6) Project Monitoring****Lu Chee-yuen, Spencer**

BEng, MEng, CEng, MIStructE, MHKIE,  
RPE  
Authorized Person  
Manager

**Wong Wai-tung**

MA Arb, DipArb, FHKIE, FCI OB, FCI Arb,  
RPE  
Deputy Manager

**Tsang Wai-keung, Savio**

MBA, MRICS, MHKIS, MCIOB, MHKICM,  
MCI Arb, MASI  
Deputy Manager

**(7) Project Planning and Development****Chan Kui-yuen, Thomas**

B Comm  
Executive Director

# Directors and Organization

**Wong Chik-wing, Mike**

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

**Chu Kwok-kit, Ringo**

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

**Lu Chee-yuen, Spencer**

BEng, MEng, CEng, MStructE, MHKIE,  
RPE  
Authorized Person  
Manager

**Fung Man-lok, Ronnie**

MHKIS  
Manager

**Chan Po-ling, Margaret**

BES(Hons), MSc(GIS), MHKIP, MCIP  
Registered Professional Planner  
PRC Registered Urban Planner  
Qualification  
Deputy Manager

## (8) Hotel

**Ricco M. DeBlank**

Chief Executive Officer, Hotel Division

**Chow Yum-chong, Francis**

FCCA, FCPA  
Vice President (Finance), Hotel Division

**Wong Chak-fung, Peter**

PhD, CHA, FHKIoD, FCMI, FIH, MIMC,  
MBCS, MTMA  
Vice President (Operations),  
Hotel Division

**Cheung Kin-man, Ricky**

B Comm, CPA, CPA(Aust.)  
Deputy Vice President (Finance),  
Hotel Division

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

Vice President and General Manager

**Chan Chun-keung, Louis**

Director of Operations

**Chan Suk-ching, Jenny**

Hotel Manager

**Lai Che-wah, Johnny**

Executive Assistant Manager

**Yuen Ching-hoi, Horace**

Financial Controller

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

General Manager

**Tam Kam-ming, Andrew**

Financial Controller

**c. Royal Plaza Hotel****Wong Chak-fung, Peter**

PhD, CHA, FHKIoD, FCMI, FIH, MIMC,  
MBCS, MTMA  
General Manager

**Lee Chi-wah, Howard**

MA, BA  
Executive Assistant Manager

**Lee Chi-keung, Marvey**

ACCA, MAAT  
Financial Controller

**d. Royal View Hotel****Au Ka-yiu, Stephen**

General Manager

**Yik Hoi-lun, William**

Financial Controller

## (9) Valuation

**Fung Chu-hee, Andrew**

MSc(IRE), MRICS, MHKIS, RPS(GP)  
Chartered Valuation Surveyor  
Manager

## (10) Sales

**a. Lui Ting, Victor**

BBA  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd

**Chan Hon-lun, Andy**

BSc(Hons), MRICS, MHKIS, RPS  
Deputy Manager

**Woo Chi-yuen, Allen**

BSc(Hons), MRICS, MHKIS  
Deputy Manager

**b. Chow Kwok-yin, Eric**

Executive Director  
Sun Hung Kai Real Estate Agency Ltd

**Cheuk Sau-mun, Amy**

BSc(Hons)  
Deputy Manager

**Yim Dao-kit**

Deputy Manager

**Yang Joe-tsi, Edgar**

MA  
Deputy Manager

**c. Tung Chi-ho, Eric**

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

## (11) Leasing

**Retail****a. Chan Kai-ming**

CEng, FStructE, MICE  
Executive Director

**Lam Ka-keung, Henry**

BSc(Hons), MSc(Const & Real Est)  
Manager

**Yau Hin-chung, William**

BA(AS)  
Deputy Manager

**b. Fung Sau-yim, Maureen**

BSc(Hons)Est. Mgt.,  
MHousMan(Distinction), MBA, MRICS,  
MHKIS, FISCM, MHIREA  
Manager

**c. Chung Sau-lin, Fiona**

BBA, MBA, MRICS, MHKIS  
Manager



**d. Ho Lick-tin**  
Manager

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

#### **Office**

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

**Lo King-wai**  
MBA, MRICS, MCIQB, MHKIS, RPS  
Manager

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

#### **Residential (Signature Homes)**

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

#### **Industrial**

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

### **(12) China**

**Kwong Chun**  
Executive Director

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

**So Chung-keung, Alfred**  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd

**Kwong Ching-wai, Alkin**  
BSc(Eng), PgDIT, CEng, MIStructE, FHKIE,  
FHKMA, MHIREA, RPE, RSE, JP  
Authorized Person  
Manager

**Au Ho-cheung, David**  
BSc(Arch), MArch, HKIA  
Registered Architect  
Authorized Person  
PRC Class 1 Registered Architect  
Qualification  
Manager

**Tang Wai-chung, Ted**  
Manager

**Huang Shaomei, Echo**  
Manager

**Ching Wai-chuen, Antonio**  
BA(AS), BArch, RIBA, HKIA, RAIA  
Registered Architect  
Authorized Person  
Manager

**Choy Chi-keung, Ian**  
BA, MHousMan  
Deputy Manager

**Ong Kim-leang, Jasmine**  
BSc(Est Mgt)  
Deputy Manager

**Li lu-tong, Thomas**  
MA  
Deputy Manager

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

### **(13) Transport Advisory**

**Lee Chak-cheung, Roger**  
BSc, MSc, CEng, MICE, MCIHT, MILT  
Manager

### **(14) Hong Yip Service Company Limited**

**Kwong Chun**  
Executive Director

**Kwong Ching-wai, Alkin**  
BSc(Eng), PgDIT, CEng, MIStructE, FHKIE,  
FHKMA, MHIREA, RPE, RSE, JP  
Authorized Person  
Manager

**Mok Chi-hung**  
FCIH, FHKIH, FHIREA, RPHM  
Manager

**Kwok Chan-fai**  
MCIH, MHKIH, RPHM, EHKIM  
Deputy Manager

**Wong Kei-on**  
BA, MCIH, MHKIH, RPHM  
Deputy Manager

### **(15) Corporate Planning and Strategic Investment**

**Chan Kwok-wai, Patrick**  
MBA, FCPA, FCCA, FCPA(Aust.), ACIS, TEP  
Executive Director & Chief Financial Officer

#### **Corporate Communications**

**Ng Shuk-chau, Margaret**  
MA(Distinction), Hon Dip(Distinction)  
Manager

**Tse Man-kuen, Winnie**  
Deputy Manager

#### **Corporate Planning**

**Sum Hong-ning, Brian**  
BA, MSc, CFA, FCCA  
Deputy Manager

#### **Economic Research**

**Mak Nak-keung**  
BSoc.Sc, MPhil  
Manager

**Wong Kit-hung, Xavier**  
BSoc.Sc, MEcon, CFA  
Deputy Manager

# Directors and Organization

**Cheong Suk-ying, Linda**

*BSoc.Sc, MBA, CFA  
Deputy Manager*

**Investor Relations**

**Chan Man-kit, Thomas**

*BSoc.Sc, MSoc.Sc  
Deputy Manager*

## (16) Financial Investment

**Hong Pak-cheung, William**

*BSc  
Manager*

**Poon Chun-wing, Johnny**

*BSoc.Sc, MBA, FCCA, CFA  
Deputy Manager*

## (17) Corporate Finance

**Chan Kwok-wai, Patrick**

*MBA, FCPA, FCCA, FCPA(Aust.), ACIS, TEP  
Executive Director & Chief Financial Officer*

**Au Man-to**

*LLB, FCIS, ACIB  
Manager*

**Kwok Yue-ye, Amy**

*B Comm  
Manager*

## (18) Property Investment

**Lui Ting, Victor**

*BBA  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd*

**Chan Kwok-kin, Slayman**

*MSc, FRICS, FHKIS, RPS, RPHM  
Deputy Manager*

## (19) Accounts

**Chan Kwok-wai, Patrick**

*MBA, FCPA, FCCA, FCPA(Aust.), ACIS, TEP  
Executive Director & Chief Financial Officer*

**Pun Chun-sun, Bernard**

*MSc, FCA, FCPA  
Chief Accountant*

**Wu Tze-cheung, Philip**

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

**Leung Yu-kai, David**

*ACA, FCCA, FCPA  
Manager*

**Li Ching-kam, Frederick**

*FCCA, CPA  
Manager*

**Lee Hung-chak, Maurice**

*BBA, LLB, FCCA, CPA, CTA  
Deputy Manager*

**Fok Yat-cheong, Edward**

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

**Kwok Tai-wai, David**

*Deputy Manager  
(Information Technology)*

**So Wai-kei, Godwin**

*BA(Hons), ACCA, CPA, ACIS, ACIB  
Deputy Manager*

## (20) SmarTone/SUNeVision

**SmarTone Telecommunications Holdings Limited**

**Li, Douglas**

*Chief Executive Officer*

**SUNeVision Holdings Ltd.**

**Tsim Wing-kit, Alfred**

*Chief Executive Officer*

## (21) Legal/Company Secretarial

**Yung Sheung-tat, Sandy**

*BA(Law)Hons  
Executive Director  
Sun Hung Kai Real Estate Agency Ltd*

**Wong Siu-mun, Katherine**

*ACIS, ACS  
Deputy Company Secretary*

**Tse Kar-lun, Frankie**

*LLB(Hons)  
Deputy Manager*

**Chong Tin-cho**

*BSoc.Sc, LLB(Hons), LLM, LLD  
Deputy Manager*

**Yeung Ming-yip, Jason**

*LLB(Hons)  
Deputy Manager*

**Law Kai-chung, Edmund**

*LLB(Hons)  
Deputy Manager*

## (22) Wilson Group/Logistics/YATA

**Wilson Group**

**Koch, Gary Alfred**

*Vice Chairman and Executive Director*

**Siu Hon-wah, Thomas**

*Managing Director*

**Cheng Siu-hung, Paul**

*Chief Executive Officer  
Autotoll Limited*

**Fong Ping, Vincent**

*Director of Tollways*

**Lui Sung-ye, Alan**

*Director of Corporate Affairs*

**So Wing-shing, Vincent**

*Director of Parking*

**Wong Yuk-lan, Nancy**

*Director of Finance & Administration*

**Wu Tung-chai, Peter**

*Director of Equipment & Services*

**Logistics Services**

**Chung Wai-yin, Jessie**

*BA, MBA  
Director and General Manager  
River Trade Terminal Co. Ltd.*

**Leung Lai-chi, Michelle**

*MMgt, MSoc.Sc  
Director and Chief Operating Officer  
Airport Freight Forwarding Centre  
Company Limited*

**Chan Kei-yan, Paul**

*BA, MBA  
Director and General Manager  
Hoi Kong Container Services Company  
Limited*

**Lam Wai-kui, Raymond**

BBA(Hons)  
General Manager,  
Terminal Operations & Engineering  
River Trade Terminal Co. Ltd.

**So Susan**

BBA, MSc(Real Est), FCCA, FCPA  
General Manager  
Park Island Transport Company Limited

**The YATA Department Store**

**Chong Wai-chung, Daniel**

Managing Director

**Hui Hing-sang, Sam**

Dip.BS  
General Manager (Store Management)

**Au Sin-lun, Catherine**

BA  
General Manager  
(Concession Management)

**Cheung Kai-leung, Raymond**

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

**(23) Hung Kai Finance/  
SHKP Insurance**

**Hung Kai Finance Company  
Limited**

**Yung Wing-chung**

Consultant

**Au Mo-cheung, Alex**

EMBA(Distinction), PDipCD, DBA,  
MHKS, FHKIoD  
Consultant

**Leung Ho-man, Wilson**

BSocWork, MBA, CFA  
Deputy Manager

**Sun Hung Kai Properties  
Insurance Limited**

**Chow Ka-yin**

Consultant

**Wong Kwai-chuen, Andrew**

BBA, MBA, ACII  
Chartered Insurer  
Manager

**Yim Ka-yan, Amy**

MBA, ANZIIF (Snr Assoc)  
Deputy Manager

**(24) Kai Shing Management  
Services Ltd**

**Wong Chin-wah, Jimmy**

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

**Chan Kam-fai**

MCIH  
Manager

**Lam Man-pak, Patrick**

BA(Hons), MCIH, RPHM  
Manager

**Lee Cheung-yiu, Gordon**

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

**Hon Shuk-ching, Irene**

Deputy Manager

**Tsui Elaine**

BBA  
Deputy Manager

**(25) Public Affairs/  
Community Relations**

**Public Affairs**

**Lee Luen-fai**

BA, Cert Ed  
Manager

**Community Relations**

**Lee Kam-chung**

Manager

**(26) Internal Audit**

**Chiu Yue-ming, Daniel**

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

**Wong Chung-wai, Barry**

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

**Hui Sui-tak, Andrew**

MBA, FCCA, CPA  
Deputy Manager

**(27) Internal Affairs**

**Tang Chak-hin**

BBA, MBA  
Manager

**Chan Choi-yin, Clara**

MIHRM(HK)  
Deputy Manager  
(Human Resources Management)

**Ho Kui-yuen, Kenneth**

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

**Chow Chiu-mei, Grace**

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

# Financial Contents

137	Independent Auditor's Report
138	Consolidated Income Statement
139	Consolidated Statement of Comprehensive Income
140	Consolidated Statement of Financial Position
141	Parent Company Statement of Financial Position
142	Consolidated Statement of Cash Flows
143	Consolidated Statement of Changes in Equity
144	Notes to the Financial Statements
190	Principal Subsidiaries
196	Principal Jointly Controlled Entities
198	Principal Associates

# 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 138 to 198, which comprise the consolidated and Company's statements of financial position as at 30 June 2011, and the consolidated income statement, consolidated statement of comprehensive income, the 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 the 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 2011, 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

15 September 2011

# Consolidated Income Statement

For the year ended 30 June 2011

(Expressed in millions of Hong Kong dollars)

	Notes	2011	(Restated) 2010
<b>Revenue</b>	2(a)	<b>62,553</b>	33,211
Cost of sales		<b>(37,259)</b>	(17,142)
Gross profit		<b>25,294</b>	16,069
Other income		<b>574</b>	663
Selling and marketing expenses		<b>(2,498)</b>	(1,408)
Administrative expenses		<b>(2,004)</b>	(1,482)
<b>Operating profit before change in fair value of investment properties</b>	2(a)	<b>21,366</b>	13,842
Increase in fair value of investment properties		<b>25,070</b>	16,469
<b>Operating profit after change in fair value of investment properties</b>		<b>46,436</b>	30,311
Finance costs		<b>(1,095)</b>	(670)
Finance income		<b>62</b>	31
Net finance costs	3	<b>(1,033)</b>	(639)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$4,696 million (2010 (restated): HK\$2,885 million)) of:			
Associates		<b>171</b>	232
Jointly controlled entities		<b>10,573</b>	5,029
	2(a)&9(b)	<b>10,744</b>	5,261
<b>Profit before taxation</b>	4	<b>56,147</b>	34,933
Taxation	7	<b>(7,359)</b>	(4,292)
<b>Profit for the year</b>	2(a)	<b>48,788</b>	30,641
<b>Attributable to:</b>			
Company's shareholders		<b>48,097</b>	30,039
Non-controlling interests		<b>691</b>	602
		<b>48,788</b>	30,641
<b>Dividends</b>	8		
Interim dividend paid		<b>2,442</b>	2,180
Final dividend proposed		<b>6,168</b>	4,755
		<b>8,610</b>	6,935
(Expressed in Hong Kong Dollars)			
<b>Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)</b>	9(a)		
Basic and diluted		<b>\$18.71</b>	\$11.71
<b>Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)</b>	9(b)		
Basic and diluted		<b>\$8.36</b>	\$5.41

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

(Expressed in millions of Hong Kong dollars)

	2011	(Restated) 2010
<b>Profit for the year</b>	<b>48,788</b>	30,641
Exchange difference on translating financial statements of foreign operations		
– exchange difference arising during the year	1,917	337
– exchange difference released on disposal of foreign operations	(47)	–
	<b>1,870</b>	337
Cash flow hedge:		
– fair value losses on effective hedging instruments	(1)	(3)
– fair value losses transferred to income statement	2	1
	<b>1</b>	(2)
Available-for-sale investments:		
– fair value gains	475	250
– fair value gains transferred to income statement on disposal	(26)	(30)
	<b>449</b>	220
Share of other comprehensive income of associates and jointly controlled entities		
– exchange difference on translating financial statements of foreign operations	645	118
– fair value gains on available-for-sale investments	3	–
	<b>648</b>	118
<b>Other comprehensive income for the year</b>	<b>2,968</b>	673
<b>Total comprehensive income for the year</b>	<b>51,756</b>	31,314
<b>Total comprehensive income attributable to:</b>		
Company's shareholders	<b>50,916</b>	30,710
Non-controlling interests	<b>840</b>	604
	<b>51,756</b>	31,314

# Consolidated Statement of Financial Position

As at 30 June 2011

(Expressed in millions of Hong Kong dollars)

	Notes	30 June 2011	(Restated) 30 June 2010	(Restated) 1 July 2009
<b>Non-current assets</b>				
Investment properties	10	212,863	184,001	158,593
Fixed assets	11	17,896	16,825	21,612
Associates	13	3,249	3,111	3,057
Jointly controlled entities	14	38,686	32,715	28,718
Loan receivables	15	275	346	465
Other financial assets	16	3,362	3,554	2,953
Intangible assets	17	5,049	4,357	4,647
		<b>281,380</b>	244,909	220,045
<b>Current assets</b>				
Properties for sale	18	98,861	84,923	68,347
Debtors, prepayments and others	19	23,932	16,060	15,611
Other financial assets	21	1,126	850	602
Bank balances and deposits	22	7,898	8,204	8,143
		<b>131,817</b>	110,037	92,703
<b>Current liabilities</b>				
Bank and other borrowings	23	(9,682)	(11,262)	(2,644)
Trade and other payables	24	(20,452)	(17,667)	(14,600)
Deposits received on sales of properties		(3,525)	(10,672)	(2,854)
Taxation		(5,141)	(5,266)	(3,990)
		<b>(38,800)</b>	(44,867)	(24,088)
<b>Net current assets</b>		<b>93,017</b>	65,170	68,615
<b>Total assets less current liabilities</b>		<b>374,397</b>	310,079	288,660
<b>Non-current liabilities</b>				
Bank and other borrowings	25	(50,753)	(34,126)	(39,381)
Deferred taxation	26	(10,610)	(7,189)	(5,507)
Other long-term liabilities	27	(839)	(739)	(707)
		<b>(62,202)</b>	(42,054)	(45,595)
<b>NET ASSETS</b>		<b>312,195</b>	268,025	243,065
<b>CAPITAL AND RESERVES</b>				
Share capital	28	1,285	1,285	1,282
Share premium and reserves		305,680	261,936	237,117
<b>Shareholders' funds</b>		<b>306,965</b>	263,221	238,399
<b>Non-controlling interests</b>		<b>5,230</b>	4,804	4,666
<b>TOTAL EQUITY</b>		<b>312,195</b>	268,025	243,065

Directors:

**Kwok Ping-kwong, Thomas**

**Kwok Ping-luen, Raymond**



# Parent Company Statement of Financial Position

As at 30 June 2011

(Expressed in millions of Hong Kong dollars)

	Notes	2011	2010
<b>Non-current assets</b>			
Subsidiaries	12	30,148	30,074
<b>Current assets</b>			
Debtors, prepayments and others	19	7	7
Amount due from a subsidiary	20	90,470	79,247
Bank balances	22	8	–
		<b>90,485</b>	79,254
<b>Current liabilities</b>			
Bank and other borrowings	23	–	(3)
Trade and other payables	24	(20)	(20)
		<b>(20)</b>	(23)
<b>Net current assets</b>		<b>90,465</b>	79,231
<b>NET ASSETS</b>		<b>120,613</b>	109,305
<b>CAPITAL AND RESERVES</b>			
Share capital	28	1,285	1,285
Share premium and reserves	30	119,328	108,020
<b>SHAREHOLDERS' FUNDS</b>		<b>120,613</b>	109,305

# Consolidated Statement of Cash Flows

For the year ended 30 June 2011

(Expressed in millions of Hong Kong dollars)

	Notes	2011	2010
<b>Operating activities</b>			
Cash generated from operations	31a	36	9,340
Hong Kong profits tax paid		(4,106)	(1,306)
Outside Hong Kong tax paid		(276)	(80)
<b>Net cash (used in)/from operating activities</b>		<b>(4,346)</b>	7,954
<b>Investing activities</b>			
Purchase of jointly controlled entities		(1,914)	–
Purchase of an associate		–	(5)
Purchase of other financial assets		(131)	(1,071)
Net repayments from/(advances to) associates and jointly controlled entities		1,948	(668)
Additions to fixed assets		(2,255)	(2,778)
Additions to investment properties		(6,503)	(5,940)
Payment of telecommunications licence fees		(972)	(101)
Proceeds from disposal of investment properties		703	3,100
Proceeds from disposal of an associate		1	–
Proceeds from disposal of other financial assets		686	464
Proceeds from disposal of fixed assets		21	5
Proceeds from disposal of subsidiaries	31b	490	–
Interest received from investments		220	116
Dividends received from listed investments		93	94
Dividends received from unlisted investments		6	4
Dividends received from associates and jointly controlled entities		4,804	2,159
Loans and advances repaid		81	343
<b>Net cash used in investing activities</b>		<b>(2,722)</b>	(4,278)
<b>Financing activities</b>			
Bank and other borrowings raised		20,601	9,179
Repayment of bank and other borrowings		(5,869)	(6,010)
(Increase)/decrease in pledged bank deposits		(71)	49
Interest paid		(1,198)	(811)
Interest received		62	31
Proceeds from issue of shares by a subsidiary		56	–
Purchase of additional interests in subsidiaries		(1,039)	(75)
Payment for repurchase of shares by subsidiaries		(194)	(77)
Increase in fundings from non-controlling interests		1,776	83
Dividends paid to shareholders		(7,197)	(5,867)
Dividends paid to non-controlling interests		(294)	(76)
<b>Net cash from/(used in) financing activities</b>		<b>6,633</b>	(3,574)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(435)</b>	102
<b>Cash and cash equivalents at beginning of year</b>		<b>7,772</b>	7,649
<b>Effect of foreign exchange rates changes</b>		<b>74</b>	21
<b>Cash and cash equivalents at end of year</b>	31c	<b>7,411</b>	7,772

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

(Expressed in millions of Hong Kong dollars)

	Attributable to Company's shareholders						Total	Non-controlling interests	Total
	Share Capital	Share Premium	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits			
At 1 July 2009									
– as originally stated	1,282	35,782	761	545	3,222	180,676	222,268	4,652	226,920
– change in accounting policy	–	–	–	–	(3)	16,134	16,131	14	16,145
– as restated	1,282	35,782	761	545	3,219	196,810	238,399	4,666	243,065
Profit for the year	–	–	–	–	–	30,039	30,039	602	30,641
Other comprehensive income/(expenses) for the year	–	–	(2)	220	453	–	671	2	673
Total comprehensive income for the year	–	–	(2)	220	453	30,039	30,710	604	31,314
Issue of shares, net of expenses	3	669	–	–	–	–	672	–	672
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	–	–	1	–	–	(1)	–	–	–
Interim dividend paid	–	–	–	–	–	(2,180)	(2,180)	–	(2,180)
Final dividend paid	–	–	–	–	–	(4,359)	(4,359)	–	(4,359)
Adjustments arising upon acquisition of additional interests in subsidiaries	–	–	(21)	–	–	–	(21)	(390)	(411)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(76)	(76)
At 30 June 2010 and 1 July 2010 (restated)	1,285	36,451	739	765	3,672	220,309	263,221	4,804	268,025
Profit for the year	–	–	–	–	–	<b>48,097</b>	<b>48,097</b>	<b>691</b>	<b>48,788</b>
Other comprehensive income for the year	–	–	<b>1</b>	<b>452</b>	<b>2,366</b>	–	<b>2,819</b>	<b>149</b>	<b>2,968</b>
Total comprehensive income for the year	–	–	<b>1</b>	<b>452</b>	<b>2,366</b>	<b>48,097</b>	<b>50,916</b>	<b>840</b>	<b>51,756</b>
Recognition of equity-settled share-based payments	–	–	<b>76</b>	–	–	–	<b>76</b>	<b>1</b>	<b>77</b>
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	–	–	<b>1</b>	–	–	<b>(1)</b>	–	–	–
Shares issued by a subsidiary on exercise of share options	–	–	<b>(9)</b>	–	–	–	<b>(9)</b>	<b>9</b>	–
Interim dividend paid	–	–	–	–	–	<b>(2,442)</b>	<b>(2,442)</b>	–	<b>(2,442)</b>
Final dividend paid	–	–	–	–	–	<b>(4,755)</b>	<b>(4,755)</b>	–	<b>(4,755)</b>
Adjustments arising upon acquisition of additional interests in subsidiaries	–	–	<b>(42)</b>	–	–	–	<b>(42)</b>	<b>(1,437)</b>	<b>(1,479)</b>
Release upon disposal of subsidiaries	–	–	–	–	–	–	–	<b>(11)</b>	<b>(11)</b>
Contribution from non-controlling interests	–	–	–	–	–	–	–	<b>1,318</b>	<b>1,318</b>
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	<b>(294)</b>	<b>(294)</b>
At 30 June 2011	<b>1,285</b>	<b>36,451</b>	<b>766</b>	<b>1,217</b>	<b>6,038</b>	<b>261,208</b>	<b>306,965</b>	<b>5,230</b>	<b>312,195</b>

# 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 2010.

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

<sup>1</sup> Amendments that are effective for annual periods beginning on or after 1 January 2010

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2010

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

## 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.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>3</sup>
HKAS 1 (Amendments)	Presentation of items of other comprehensive income <sup>4</sup>
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets <sup>5</sup>
HKAS 19 (as revised in 2011)	Employee benefits <sup>6</sup>
HKAS 24 (Revised)	Related party disclosures <sup>7</sup>
HKAS 27 (as revised in 2011)	Separate financial statements <sup>6</sup>
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures <sup>6</sup>
HKFRS 7 (Amendment)	Disclosures – transfers of financial assets <sup>8</sup>
HKFRS 9	Financial instruments <sup>6</sup>
HKFRS 10	Consolidated financial statements <sup>6</sup>
HKFRS 11	Joint arrangements <sup>6</sup>
HKFRS 12	Disclosure of interests in other entities <sup>6</sup>
HKFRS 13	Fair value measurement <sup>6</sup>
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement <sup>7</sup>

<sup>3</sup> Amendments that are effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>8</sup> Effective for annual periods beginning on or after 1 July 2011

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

### c. Early adoption of HKAS 12 (amendments)

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

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

### c. Early adoption of HKAS 12 (amendments) (cont'd)

As a result of the early adoption of amendments to HKAS 12, the comparative figures for 2010 and 2009 have been restated to reflect the change in accounting policy, as summarized below.

#### Effect on Consolidated Statement of Financial Position

	30 June 2011	30 June 2010	1 July 2009
Increase in associates	17	11	7
Increase in jointly controlled entities	4,107	3,334	2,926
Decrease in deferred taxation	18,018	14,816	13,212
Increase in retained profits	22,048	18,130	16,134
Increase/(decrease) in exchange reserves	69	13	(3)
Increase in non-controlling interests	25	18	14

#### Effect on Consolidated Income Statement

	Year ended 30 June	
	2011	2010
Increase in share of results of associates	6	4
Increase in share of results of jointly controlled entities	717	392
Decrease in taxation	3,202	1,604
Increase in profit attributable to the Company's shareholders	3,918	1,996
Increase in profit attributable to the non-controlling interests	7	4
Increase in total comprehensive income attributable to the Company's shareholders	3,974	2,012
Increase in basic and diluted earnings per share	HK\$1.52	HK\$0.78

### d. 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(h) and note 1(i) 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.

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

### e. Revenue

Revenue derived from the Group's principal activities comprises proceeds from sale of properties (excluding proceeds on development properties sold prior to their completion which are included in deposits received on sale of properties under current liabilities), gross rental income from properties letting under operating leases, revenue from hotel operation, telecommunications, 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.

### f. 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

Profit 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.

#### (viii) Telecommunications

Revenue from telecommunication is recognized when the service is rendered.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

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

#### (ix) Toll income

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

#### (x) Department store

Revenue from sale of own-bought goods and commission income from concession and consignment sales is recognized upon the transfer of risks and rewards of ownership of the goods.

#### (xi) Provision of container and cargo handling service

Revenue from the provision of container and cargo handling service is recognized when the service is rendered.

#### (xii) Others

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

### g. Subsidiaries

A subsidiary is a company in which the Company directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors. Investments in subsidiaries are carried in the Company's financial statements at cost less impairment loss.

### h. 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.

### i. 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.



## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

### i. *Joint ventures (cont'd)*

#### (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.

### j. *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.

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.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

### j. Intangible assets (cont'd)

#### (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.

### k. 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.

#### (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.

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

### k. *Financial assets, financial liability and equity (cont'd)*

#### (iv) **Available-for-sale investments (cont'd)**

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.

### l. *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 gains and losses' 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.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

### m. 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.

#### (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.

### n. 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.

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

### n. Depreciation (cont'd)

#### (iii) Network equipment

Network equipment including assets and equipment of the digital mobile radio telephone and local multipoint distribution services networks are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight line basis to write off their costs over their estimated useful lives at rates ranging from 10% to 50% per annum. No depreciation is provided on network equipment under construction.

#### (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.

### o. 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(l) 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.

### p. Materials

Materials comprising mainly building materials, hotel stocks, handsets and consumable goods are valued at the lower of cost, calculated on a weighted average cost basis, and net realizable value.

### q. Translation of foreign currencies

Foreign currency transactions during the year are converted into Hong Kong dollars at the market rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at closing rates of exchange ruling at the 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 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.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

### *r. 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 their tax bases used in the computation of taxable profits, while deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising on 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.

### *s. Provision*

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

### *t. 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.

### *u. Retirement benefits*

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 Mandatory Provident Fund Schemes.

### *v. 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 each year end date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in income statement 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, the amount previously recognized in capital reserves will be transferred to retained profits.

## 2. SEGMENT INFORMATION

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

### (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 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
	<b>36,230</b>	<b>11,644</b>	<b>10,248</b>	<b>5,003</b>	<b>46,478</b>	<b>16,647</b>
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
	<b>9,878</b>	<b>7,405</b>	<b>2,731</b>	<b>2,106</b>	<b>12,609</b>	<b>9,511</b>
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
	<b>62,553</b>	<b>22,076</b>	<b>16,264</b>	<b>7,453</b>	<b>78,817</b>	<b>29,529</b>
Other 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		<b>38,044</b>		<b>10,744</b>		<b>48,788</b>

## 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 2010 (Restated)

	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	12,481	5,447	911	491	13,392	5,938
Mainland China	110	38	1,525	640	1,635	678
	12,591	5,485	2,436	1,131	15,027	6,616
Property rental						
Hong Kong	8,057	6,061	1,809	1,471	9,866	7,532
Mainland China	726	498	–	–	726	498
Singapore	–	–	490	284	490	284
	8,783	6,559	2,299	1,755	11,082	8,314
Hotel operation	1,409	238	496	135	1,905	373
Telecommunications	3,957	327	–	–	3,957	327
Transportation, infrastructure and logistics	2,862	693	2,598	132	5,460	825
Other businesses	3,609	782	245	51	3,854	833
	33,211	14,084	8,074	3,204	41,285	17,288
Other income		663		–		663
Unallocated administrative expenses		(905)		–		(905)
Operating profit before change in fair value of investment properties		13,842		3,204		17,046
Increase in fair value of investment properties		16,469		3,360		19,829
Operating profit after change in fair value of investment properties		30,311		6,564		36,875
Net finance costs		(639)		(221)		(860)
Profit before taxation		29,672		6,343		36,015
Taxation						
– Group		(4,292)		–		(4,292)
– Associates		–		(29)		(29)
– Jointly controlled entities		–		(1,053)		(1,053)
Profit for the year		25,380		5,261		30,641

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 income includes mainly investment income from equity and bonds investments.



## 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
<b>At 30 June 2011</b>				
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	–
	<b>116,039</b>	<b>7,835</b>	<b>123,874</b>	<b>(12,236)</b>
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	–
	<b>215,075</b>	<b>30,650</b>	<b>245,725</b>	<b>(3,930)</b>
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)
	<b>355,853</b>	<b>41,935</b>	<b>397,788</b>	<b>(23,282)</b>
Bank balances and deposits			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)			<b>413,197</b>	<b>(101,002)</b>
<b>At 30 June 2010 (Restated)</b>				
Property development				
Hong Kong	76,911	3,100	80,011	(13,297)
Mainland China	18,680	2,804	21,484	(5,397)
Singapore	–	388	388	–
	95,591	6,292	101,883	(18,694)
Property investment				
Hong Kong	152,725	20,403	173,128	(2,140)
Mainland China	33,564	1,588	35,152	(1,335)
Singapore	–	3,727	3,727	–
	186,289	25,718	212,007	(3,475)
Hotel operation	10,119	1,249	11,368	(144)
Telecommunications	3,367	–	3,367	(1,996)
Transportation, infrastructure and logistics	5,605	2,429	8,034	(971)
Other businesses	2,626	138	2,764	(2,000)
	<b>303,597</b>	<b>35,826</b>	<b>339,423</b>	<b>(27,280)</b>
Bank balances and deposits			8,204	–
Other financial assets			4,404	–
Bank and other borrowings			–	(45,388)
Unallocated corporate assets/(liabilities)			2,915	(1,798)
Taxation			–	(5,266)
Deferred taxation			–	(7,189)
Total assets/(liabilities)			<b>354,946</b>	<b>(86,921)</b>

## 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	
	2011	2010	2011	2010
Property development for sale	10	9	22,869	13,567
Property investment for rental	–	–	6,379	6,110
Hotel operation	257	156	1,246	2,153
Telecommunications	536	560	688	569
Transportation, infrastructure and logistics	360	359	82	22
Other businesses	193	167	222	87
Unallocated corporate assets	27	27	16	8
	<b>1,383</b>	1,278	<b>31,502</b>	22,516

#### (d) Geographical information

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

	2011	2010
Hong Kong	56,959	32,064
Mainland China	5,312	926
Others	282	221
	<b>62,553</b>	33,211

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

	2011			(Restated) 2010		
	The Company and its subsidiaries	Associates and jointly controlled entities	Consolidated	The Company and its subsidiaries	Associates and jointly controlled entities	Consolidated
Hong Kong	188,138	29,617	217,755	170,884	27,319	198,203
Mainland China	47,496	8,173	55,669	34,177	4,392	38,569
Singapore	–	4,145	4,145	–	4,115	4,115
Others	174	–	174	122	–	122
	<b>235,808</b>	<b>41,935</b>	<b>277,743</b>	205,183	35,826	241,009
Loan receivables			275			346
Other financial assets			3,362			3,554
Total non-current assets			<b>281,380</b>			244,909

### 3. NET FINANCE COSTS

	2011	2010
Interest expenses on		
Bank loans and overdrafts	811	489
Other loans wholly repayable within five years	117	53
Other loans not wholly repayable within five years	302	275
	<b>1,230</b>	817
Notional non-cash interest accretion	97	86
Less: Amount capitalized	<b>(232)</b>	(233)
	<b>1,095</b>	670
Interest income on bank deposits	<b>(62)</b>	(31)
	<b>1,033</b>	639

Finance costs have been capitalized for properties under development at rates ranging from 1.31% to 7.04% per annum (2010: 0.67% to 7.56%).

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.

### 4. PROFIT BEFORE TAXATION

	2011	2010
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	23,147	6,616
Cost of other inventories sold	1,905	495
Depreciation and amortization of hotel properties	198	138
Depreciation of other properties, plant and equipment	850	814
Amortization of intangible assets (included in cost of sales)	335	326
Operating lease rentals for land and buildings, transmission sites and leased lines	969	934
Staff costs (including directors' emoluments and retirement schemes contributions)	4,471	3,774
Share-based payments	77	–
Auditors' remuneration	15	14
Loss on disposal of fixed assets	23	10
and crediting:		
Dividend income from:		
listed investments	93	94
unlisted investments	6	4
Interest income from:		
listed debt securities	86	102
unlisted debt securities	7	6
Profit on disposal of available-for-sale investments	88	88
Profit on disposal of financial assets at fair value through profit or loss	13	59
Fair value gains on financial assets at fair value through profit or loss	98	25

## 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	Fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	(Note b) Share-based payments	2011 Total emoluments	2010 Total emoluments
<b>Executive Directors</b>							
Kwok Ping-kwong, Thomas	0.14	1.78	0.20	0.17	1.58	3.87	2.15
Kwok Ping-luen, Raymond	0.30	1.84	0.21	0.17	1.58	4.10	2.31
Chan Kai-ming	0.10	2.91	0.33	0.27	1.58	5.19	3.37
Chan Kui-yuen, Thomas	0.13	4.23	6.46	0.39	1.58	12.79	10.57
Kwong Chun	0.10	2.29	1.92	-	1.58	5.89	4.40
Wong Chik-wing, Mike	0.10	9.72	5.84	0.69	1.58	17.93	15.23
Chan Kwok-wai, Patrick	0.10	5.53	8.91	0.26	-	14.80	8.92
<b>Non-Executive Directors</b>							
Kwong Siu-hing	0.12	-	-	-	-	0.12	0.12
Kwok Ping-sheung, Walter	0.13	-	-	-	-	0.13	0.13
Lee Shau-kee	0.11	-	-	-	-	0.11	0.11
Woo Po-shing	0.10	-	-	-	-	0.10	0.10
Kwan Cheuk-yin, William	0.15	-	-	-	-	0.15	0.15
Lo Chiu-chun, Clement	0.15	-	-	-	-	0.15	0.15
Wong Yick-kam, Michael (Note a)	0.30	-	-	-	-	0.30	16.35
<b>Independent Non-Executive Directors</b>							
Dicky Peter Yip	0.35	-	-	-	-	0.35	0.35
Wong Yue-chim, Richard	0.22	-	-	-	-	0.22	0.22
Li Ka-cheung, Eric	0.63	-	-	-	-	0.63	0.57
Fung Kwok-lun, William	0.10	-	-	-	-	0.10	0.04
<b>Past Directors</b>							
Cheung Kin-tung, Marvin	-	-	-	-	-	-	0.14
<b>Total 2011</b>	<b>3.33</b>	<b>28.30</b>	<b>23.87</b>	<b>1.95</b>	<b>9.48</b>	<b>66.93</b>	65.38
Total 2010	3.29	30.80	29.40	1.89	-	-	-

## 5. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (cont'd)

The above analysis included three (2010: three) individuals whose emoluments were among the five highest pay in the Group. Details of the emoluments paid to the remaining two (2010: two) individuals are:

	2011	2010
Salaries, allowances and benefits in kind	13.17	13.84
Discretionary bonuses	15.69	5.94
Retirement scheme contributions	1.99	1.02
Share-based payments (Note b)	1.05	–
	<b>31.90</b>	20.80

Number of employees whose emoluments fell within:

Emoluments Band		Number of employees	Number of employees
HK\$M	HK\$M		
10.0	– 10.5	–	1
10.5	– 11.0	–	1
13.5	– 14.0	1	–
18.0	– 18.5	1	–
		<b>2</b>	2

Notes:

- (a) Mr. Wong Yick-kam, Michael ceased to be Executive Director and re-designated as Non-Executive Director on 1 January 2010.
- (b) 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\$216 million (2010: HK\$190 million). Forfeited contributions for the year of HK\$1 million (2010: HK\$2 million) were used to reduce the existing level of contributions.

## Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

### 7. TAXATION

	2011	(Restated) 2010
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	2,608	1,986
Under provision in prior years	1,115	6
	<b>3,723</b>	1,992
Tax outside Hong Kong	<b>503</b>	668
	<b>4,226</b>	2,660
Deferred taxation charge/(credit)		
Change in fair value of investment properties	2,682	2,082
Tax released on disposal of investment properties	–	(674)
Other origination and reversal of temporary differences	451	224
	<b>3,133</b>	1,632
	<b>7,359</b>	4,292

(a) Hong Kong profits tax is provided at the rate of 16.5% (2010: 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:

	2011	(Restated) 2010
Profit before share of results of associates, jointly controlled entities and taxation	45,403	29,672
Tax at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	7,492	4,896
Effect of change in tax rate and different tax rates of subsidiaries operating outside Hong Kong	2,057	991
Net effect of non-deductible expenses and non-taxable income	(3,285)	(1,539)
Utilization/recognition of tax losses not previously recognized	(50)	(37)
Tax losses and other temporary differences not recognized	45	(3)
Under provision in prior years	1,115	6
Others	(15)	(22)
Tax expenses	<b>7,359</b>	4,292

(c) During the year, 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 in the current tax charge by the Group for this settlement.

## 8. DIVIDENDS

	2011	2010
Dividends recognized as distribution during the year:		
2011 interim dividend of HK\$0.95 per share based on 2,570 million shares (2010: HK\$0.85 per share based on 2,564 million shares)	<b>2,442</b>	2,180
2010 final dividend of HK\$1.85 per share based on 2,570 million shares (2010: 2009 final dividend of HK\$1.70 per share based on 2,564 million shares)	<b>4,755</b>	4,359
	<b>7,197</b>	6,539
Proposed final dividend of HK\$2.40 per share based on 2,570 million shares (2010: HK\$1.85 per share based on 2,570 million shares)	<b>6,168</b>	4,755

## 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\$48,097 million (2010 (restated): HK\$30,039 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,570,039,181 (2010: 2,565,240,040). The diluted earnings per share is based on 2,570,556,026 (2010: 2,565,240,040) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 516,845 (2010: Nil) shares deemed to be issued at no consideration if all outstanding options had been exercised.

### (b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK\$21,479 million (2010: HK\$13,883 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2011	(Restated) 2010
Profit attributable to the Company's shareholders as shown in the consolidated income statement	<b>48,097</b>	30,039
Increase in fair value of investment properties	<b>(25,070)</b>	(16,469)
Effect of corresponding deferred tax charges	<b>2,682</b>	2,082
Realized fair value gains of investment properties disposed net of deferred tax	<b>378</b>	849
Share of results of associates and jointly controlled entities		
– fair value gains of investment properties	<b>(4,795)</b>	(3,360)
– effect of corresponding deferred tax charges	<b>99</b>	475
	<b>(26,706)</b>	(16,423)
Non-controlling interests	<b>88</b>	267
Net effect of changes in the valuation of investment properties	<b>(26,618)</b>	(16,156)
Underlying profit attributable to the Company's shareholders	<b>21,479</b>	13,883

## Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

### 10. INVESTMENT PROPERTIES

#### The Group

(a) Movement during the year

	<b>Completed</b>	<b>Under development</b>	<b>Total</b>
Valuation			
At 1 July 2009	135,297	23,296	158,593
Additions	548	5,562	6,110
Transfer upon completion	12,848	(12,848)	–
Transfer from			
– properties under development	–	6,708	6,708
– properties for sale	–	126	126
– deposits for acquisition of properties	14	–	14
Disposals	(2,897)	–	(2,897)
Transfer to			
– properties for sale	(52)	(1,347)	(1,399)
– other properties	(31)	–	(31)
– other fixed assets	–	(1)	(1)
Exchange difference	127	182	309
Increase in fair value	10,436	6,033	16,469
At 30 June 2010 and 1 July 2010	156,290	27,711	184,001
Additions	<b>523</b>	<b>6,759</b>	<b>7,282</b>
Transfer upon completion	<b>12,193</b>	<b>(12,193)</b>	<b>–</b>
Transfer from			
– properties under development	<b>130</b>	<b>–</b>	<b>130</b>
– properties for sale	<b>–</b>	<b>201</b>	<b>201</b>
– deposits for acquisition of properties	<b>–</b>	<b>26</b>	<b>26</b>
Disposals	<b>(510)</b>	<b>–</b>	<b>(510)</b>
Transfer to			
– properties for sale	<b>–</b>	<b>(4,975)</b>	<b>(4,975)</b>
– other properties	<b>(6)</b>	<b>–</b>	<b>(6)</b>
Exchange difference	<b>779</b>	<b>865</b>	<b>1,644</b>
Increase in fair value	<b>19,304</b>	<b>5,766</b>	<b>25,070</b>
At 30 June 2011	<b>188,703</b>	<b>24,160</b>	<b>212,863</b>



## 10. INVESTMENT PROPERTIES (cont'd)

(b) Value of properties shown above comprises:

	<b>2011</b>	2010
Properties in Hong Kong held under		
Long lease (not less than 50 years)	<b>27,007</b>	24,017
Medium-term lease (less than 50 years but not less than 10 years)	<b>140,405</b>	127,625
Properties outside Hong Kong held under		
Long lease (not less than 50 years)	<b>1,309</b>	1,120
Medium-term lease (less than 50 years but not less than 10 years)	<b>44,142</b>	31,239
	<b>212,863</b>	184,001

(c) Investment properties revaluation

The Group's investment properties were valued at 30 June 2011 and 30 June 2010 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\$193 million (2010: HK\$203 million).

(e) Gross rental income and direct operating expenses from investment properties during the year amounted to HK\$9,384 million (2010: HK\$8,421 million) and HK\$2,339 million (2010: HK\$2,087 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
<b>The Group</b>						
(a) Movement during the year						
Cost						
At 1 July 2009	5,952	10,086	4,846	3,666	3,054	27,604
Additions	49	2,111	28	464	202	2,854
Transfer upon completion	1,598	(1,598)	–	–	–	–
Transfer from						
– investment properties	–	–	31	–	–	31
– investment properties under development	–	–	–	–	1	1
Disposals	(1)	–	–	(192)	(68)	(261)
Transfer to investment properties	–	(6,708)	–	–	–	(6,708)
Exchange difference	–	–	–	–	3	3
At 30 June 2010 and 1 July 2010	7,598	3,891	4,905	3,938	3,192	23,524
Additions	<b>222</b>	<b>805</b>	<b>27</b>	<b>585</b>	<b>636</b>	<b>2,275</b>
Transfer upon completion	<b>2,339</b>	<b>(2,691)</b>	<b>260</b>	–	<b>92</b>	–
Transfer from investment properties	–	–	<b>6</b>	–	–	<b>6</b>
Disposals	<b>(8)</b>	–	–	<b>(1,044)</b>	<b>(141)</b>	<b>(1,193)</b>
Transfer to investment properties	–	<b>(130)</b>	–	–	–	<b>(130)</b>
Exchange difference	–	–	–	–	<b>13</b>	<b>13</b>
At 30 June 2011	<b>10,151</b>	<b>1,875</b>	<b>5,198</b>	<b>3,479</b>	<b>3,792</b>	<b>24,495</b>
Accumulated depreciation						
At 1 July 2009	1,370	–	1,058	1,969	1,595	5,992
Charge for the year	138	–	104	422	288	952
Disposals	–	–	–	(180)	(65)	(245)
At 30 June 2010 and 1 July 2010	1,508	–	1,162	2,211	1,818	6,699
Charge for the year	<b>198</b>	–	<b>107</b>	<b>383</b>	<b>360</b>	<b>1,048</b>
Disposals	–	–	–	<b>(1,014)</b>	<b>(134)</b>	<b>(1,148)</b>
At 30 June 2011	<b>1,706</b>	–	<b>1,269</b>	<b>1,580</b>	<b>2,044</b>	<b>6,599</b>
Net book value at 30 June 2011	<b>8,445</b>	<b>1,875</b>	<b>3,929</b>	<b>1,899</b>	<b>1,748</b>	<b>17,896</b>
Net book value at 30 June 2010	6,090	3,891	3,743	1,727	1,374	16,825

## 11. FIXED ASSETS (cont'd)

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

	2011	2010
Properties in Hong Kong held under		
Long lease (not less than 50 years)		
Hotel properties	946	784
Other properties	2,296	2,306
	<b>3,242</b>	3,090
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	5,756	3,695
Properties under development	1,646	3,730
Other properties	1,633	1,437
	<b>9,035</b>	8,862
Properties outside Hong Kong held under		
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	1,743	1,611
Properties under development	229	161
	<b>1,972</b>	1,772
	<b>14,249</b>	13,724

## 12. SUBSIDIARIES

### The Company

	2011	2010
Unlisted shares, at cost	30,148	30,074

Particulars regarding principal subsidiaries are set out in the section headed "Principal Subsidiaries" of the Annual Report 2011.

## Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

### 13. ASSOCIATES

#### The Group

	<b>30 June 2011</b>	(Restated) 30 June 2010	(Restated) 1 July 2009
Unlisted shares, at cost less impairment loss	<b>36</b>	36	31
Hong Kong listed shares, at cost	<b>585</b>	585	585
Share of post-acquisition reserves	<b>2,208</b>	2,235	2,186
	<b>2,829</b>	2,856	2,802
Amounts due from associates	<b>420</b>	255	255
	<b>3,249</b>	3,111	3,057
Market value of Hong Kong listed shares	<b>2,984</b>	2,945	2,703

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\$165 million (2010: Nil) which are interest bearing at market rates.

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

	<b>30 June 2011</b>	(Restated) 30 June 2010	(Restated) 1 July 2009
Non-current assets	<b>3,887</b>	3,757	3,730
Current assets	<b>1,362</b>	1,353	1,512
Current liabilities	<b>(955)</b>	(675)	(794)
Non-current liabilities	<b>(1,465)</b>	(1,579)	(1,646)
Net assets	<b>2,829</b>	2,856	2,802
Revenue	<b>2,369</b>	2,454	
Fair value change of investment properties net of related deferred tax	<b>39</b>	26	
Profit for the year	<b>171</b>	232	

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2011.

## 14. JOINTLY CONTROLLED ENTITIES

### The Group

	<b>30 June 2011</b>	(Restated) 30 June 2010	(Restated) 1 July 2009
Unlisted shares, at cost less impairment loss	<b>2,225</b>	311	725
Share of post-acquisition reserves	<b>28,714</b>	22,305	18,662
	<b>30,939</b>	22,616	19,387
Amounts due from jointly controlled entities	<b>7,747</b>	10,099	9,331
	<b>38,686</b>	32,715	28,718

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\$556 million (2010: HK\$3,188 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:

	<b>30 June 2011</b>	(Restated) 30 June 2010	(Restated) 1 July 2009
Non-current assets	<b>55,364</b>	48,622	45,818
Current assets	<b>12,851</b>	13,131	15,578
Current liabilities	<b>(18,621)</b>	(8,250)	(5,848)
Non-current liabilities	<b>(18,655)</b>	(30,887)	(36,161)
Net assets	<b>30,939</b>	22,616	19,387
Revenue	<b>13,895</b>	5,620	
Fair value change of investment properties net of related deferred tax	<b>4,657</b>	2,859	
Profit for the year	<b>10,573</b>	5,029	

Particulars regarding principal jointly controlled entities are set out in the section headed "Principal Jointly Controlled Entities" of the Annual Report 2011.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 15. LOAN RECEIVABLES

### The Group

	2011	2010
Loan receivables	290	371
Less: Amount due within one year included under current assets	(15)	(25)
	275	346

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 2011, 3% (2010: 5%) of loan receivables have been overdue but not impaired, of which 100% (2010: 98%) 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 2011 and 30 June 2010 is not significant.

## 16. OTHER FINANCIAL ASSETS

### The Group

	2011	2010
<b>Held-to-maturity debt securities</b>		
Listed debt securities, overseas	81	348
Unlisted debt securities	-	80
	81	428
<b>Available-for-sale debt securities</b>		
Listed debt securities, overseas	640	891
Listed debt securities, Hong Kong	21	52
Unlisted debt securities	59	41
	720	984
<b>Available-for-sale equity securities</b>		
Listed equity securities, overseas	633	554
Listed equity securities, Hong Kong	1,447	1,180
Unlisted equity securities	481	408
	2,561	2,142
	3,362	3,554
Market value of listed securities		
Listed overseas	1,354	1,798
Listed in Hong Kong	1,468	1,232
	2,822	3,030

## 17. INTANGIBLE ASSETS

### The Group

	Concession assets	Goodwill	Telecommunications licences	Total
Cost				
At 1 July 2009	6,930	35	789	7,754
Additions	–	–	36	36
At 30 June 2010 and 1 July 2010	6,930	35	825	7,790
Additions	–	–	<b>1,027</b>	<b>1,027</b>
At 30 June 2011	<b>6,930</b>	<b>35</b>	<b>1,852</b>	<b>8,817</b>
Accumulated amortization				
At 1 July 2009	2,823	–	284	3,107
Amortization	259	–	67	326
At 30 June 2010 and 1 July 2010	3,082	–	351	3,433
Amortization	<b>258</b>	–	<b>77</b>	<b>335</b>
At 30 June 2011	<b>3,340</b>	–	<b>428</b>	<b>3,768</b>
Net book value at 30 June 2011	<b>3,590</b>	<b>35</b>	<b>1,424</b>	<b>5,049</b>
Net book value at 30 June 2010	3,848	35	474	4,357

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

	2011	2010
Properties pending development for sale	<b>46,826</b>	28,890
Properties under development for sale	<b>41,796</b>	42,489
Stock of completed properties for sale	<b>10,239</b>	13,544
	<b>98,861</b>	84,923

## Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

### 19. DEBTORS, PREPAYMENTS AND OTHERS

	Notes	2011		2010	
		The Group	The Company	The Group	The Company
Debtors, deposits and prepayments		<b>18,238</b>	<b>7</b>	10,508	7
Deposits for acquisition of properties		<b>5,012</b>	–	4,882	–
Amounts due from customers					
for contract works	19a	<b>67</b>	–	60	–
Short-term loans		<b>53</b>	–	63	–
Derivative financial instruments	19b	<b>562</b>	–	547	–
		<b>23,932</b>	<b>7</b>	16,060	7

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

Included in debtors, prepayments and others of the Group are trade debtors of HK\$13,713 million (2010: HK\$5,228 million), of which 97% (2010: 92%) are aged less than 60 days, 1% (2010: 2%) between 61 to 90 days and 2% (2010: 6%) more than 90 days.

As at 30 June 2011, 8% (2010: 14%) of trade debtors are past due but not impaired, of which 89% (2010: 85%) 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 2011 and 30 June 2010 is not significant.

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

The Group		Notes	2011	2010
Contract costs incurred plus recognized profits less recognized losses			<b>242</b>	1,499
Less: Progress billings			<b>(196)</b>	(1,495)
			<b>46</b>	4
Represented by:				
Due from customers included in current assets		19	<b>67</b>	60
Due to customers included in current liabilities		24	<b>(21)</b>	(56)
			<b>46</b>	4



## 19. DEBTORS, PREPAYMENTS AND OTHERS (cont'd)

### 19b. Derivative financial instruments

	Notes	2011		2010	
		Assets	Liabilities	Assets	Liabilities
Fair value hedges	19 & 24				
– interest rate swaps		<b>560</b>	–	544	–
– currency swaps		<b>2</b>	<b>2</b>	3	4
		<b>562</b>	<b>2</b>	547	4
Cash flow hedges					
– interest rate swap		–	<b>1</b>	–	2

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 USD debt) analysed as follows:

	Notional principal amount	
	2011	2010
Fixed-to-floating interest rate swaps maturing		
Within one year	<b>371</b>	–
After one year, but within five years	<b>2,350</b>	921
After five years	<b>1,923</b>	3,123
	<b>4,644</b>	4,044
Currency swaps maturing		
Within one year	<b>312</b>	–
After one year, but within five years	<b>140</b>	452
	<b>452</b>	452

The fixed-to-floating interest rate swaps converted the fixed rates to floating rates at HIBOR plus a weighted average margin of 0.47% (2010: 0.42%) per annum. 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\$17 million (2010: HK\$152 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.

At the year end date, 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	
	2011	2010
Floating-to-fixed interest rate swap maturing		
After one year, but within five years	<b>100</b>	100

The floating-to-fixed interest rate swap converted the floating rate to fixed rate at 2.66% (2010: 2.66%). The swap is measured at fair value and the increase in fair value during the year are recognized in the cash flow hedging reserve in equity and will be released to the income statement when the hedged forecast transaction affects profit or loss.

## Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

### 20. AMOUNT DUE FROM A SUBSIDIARY

#### The Company

Amount due from a subsidiary is unsecured, interest free and repayable on demand.

### 21. OTHER FINANCIAL ASSETS

#### The Group

	2011	2010
<b>Financial assets at fair value through profit or loss</b>		
Listed equity securities, Hong Kong	612	514
Listed equity securities, overseas	32	22
	<b>644</b>	536
<b>Available-for-sale debt securities maturing within one year</b>		
Listed debt securities, overseas	141	–
<b>Held-to-maturity debt securities maturing within one year</b>		
Listed debt securities, overseas (Market value: HK\$265 million (2010: HK\$319 million))	262	314
Unlisted debt securities, overseas (Market value: HK\$81 million (2010: Nil))	79	–
	<b>341</b>	314
	<b>1,126</b>	850

### 22. BANK BALANCES AND DEPOSITS

#### The Group

	2011		2010	
	The Group	The Company	The Group	The Company
Bank deposits	5,164	8	6,418	–
Bank balances and cash	2,734	–	1,786	–
	<b>7,898</b>	<b>8</b>	8,204	–

Deposits with banks are interest bearing at prevailing market rates. About 59% (2010: 69%) of the Group's bank balances and deposits are denominated in Hong Kong dollars, 23% (2010: 17%) in United States dollars, 16% (2010: 12%) in Renminbi and 2% (2010: 2%) in other currencies.

### 23. BANK AND OTHER BORROWINGS

	Note	2011		2010	
		The Group	The Company	The Group	The Company
Unsecured bank overdrafts		76	–	92	3
Long-term bank and other borrowings due within one year	25	9,606	–	11,170	–
		<b>9,682</b>	<b>–</b>	11,262	3

## 24. TRADE AND OTHER PAYABLES

	Notes	2011		2010	
		The Group	The Company	The Group	The Company
Creditors and accrued expenses		<b>17,686</b>	<b>20</b>	16,089	20
Amounts due to customers for contract works	19a	<b>21</b>	–	56	–
Amounts due to non-controlling interests		<b>2,742</b>	–	1,516	–
Derivative financial instruments	19b	<b>3</b>	–	6	–
		<b>20,452</b>	<b>20</b>	17,667	20

Included in trade and other payables of the Group are trade creditors of HK\$2,179 million (2010: HK\$1,489 million), of which 68% (2010: 59%) are aged less than 60 days, 2% (2010: 2%) between 61 to 90 days and 30% (2010: 39%) 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

	2011		2010	
	The Group	The Company	The Group	The Company
Unsecured bank overdrafts	<b>76</b>	–	92	3
Long-term bank and other loans	<b>60,359</b>	–	45,296	–
	<b>60,435</b>	–	45,388	3

The maturity of the Group's long-term bank and other loans are as follows:

	Note	2011	2010
<b>Secured bank loans repayable</b>			
Within one year		<b>150</b>	195
After one year, but within two years		<b>3,824</b>	225
After two years, but within five years		<b>910</b>	2,646
After five years		–	207
		<b>4,884</b>	3,273
<b>Unsecured bank loans repayable</b>			
Within one year		<b>7,089</b>	10,975
After one year, but within two years		<b>16,858</b>	5,424
After two years, but within five years		<b>14,316</b>	13,480
		<b>38,263</b>	29,879
<b>Other unsecured loans repayable</b>			
Within one year		<b>2,367</b>	–
After one year, but within two years		<b>2,652</b>	2,373
After two years, but within five years		<b>2,690</b>	3,276
After five years		<b>9,503</b>	6,495
		<b>17,212</b>	12,144
		<b>60,359</b>	45,296
Less: Amount due within one year included under current liabilities	23	<b>(9,606)</b>	(11,170)
		<b>50,753</b>	34,126

## 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	
	2011	2010	2011	2010
Secured bank loans	<b>4,734</b>	3,078	<b>4,734</b>	3,078
Unsecured bank loans	<b>31,174</b>	18,904	<b>31,174</b>	18,904
Other unsecured loans	<b>14,845</b>	12,144	<b>15,489</b>	12,711
	<b>50,753</b>	34,126	<b>51,397</b>	34,693

- (a) As at 30 June 2011, the Group had entered into fixed-to-floating interest rate swaps in the aggregate notional amount of HK\$4,644 million (2010: HK\$4,044 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 2026 (2010: September 2019) and carry interest, after hedging where appropriate, at effective rate per annum of 2.32% (2010: 1.98%) at the year end date.
- (d) The carrying amount of the borrowings are denominated in the following currencies:

	2011		2010	
	The Group	The Company	The Group	The Company
Hong Kong dollars	<b>44,533</b>	–	35,641	3
United States dollars	<b>5,399</b>	–	3,081	–
Renminbi	<b>10,430</b>	–	6,598	–
Other currency	<b>73</b>	–	68	–
	<b>60,435</b>	–	45,388	3

## 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 2009					
– as originally stated	2,557	16,837	(662)	(13)	18,719
– change in accounting policy	–	(13,212)	–	–	(13,212)
– as restated	2,557	3,625	(662)	(13)	5,507
Charged to income statement	189	1,408	14	21	1,632
Exchange difference	4	46	–	–	50
At 30 June 2010 and 1 July 2010 (restated)	2,750	5,079	(648)	8	7,189
Charged to income statement	<b>423</b>	<b>2,682</b>	<b>17</b>	<b>11</b>	<b>3,133</b>
Exchange difference	<b>20</b>	<b>269</b>	<b>(1)</b>	–	<b>288</b>
At 30 June 2011	<b>3,193</b>	<b>8,030</b>	<b>(632)</b>	<b>19</b>	<b>10,610</b>

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK\$3,050 million (2010: HK\$3,732 million), of which none (2010: HK\$1 million) of tax losses will expire (2010: December 2010). 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

	2011	2010
Asset retirement and other obligations	<b>58</b>	78
Contractual obligations for telecommunications licences	<b>781</b>	661
	<b>839</b>	739

## Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

### 28. SHARE CAPITAL

	2011		2010	
	Number of shares in million	Amount	Number of shares in million	Amount
<b>Authorized:</b>				
Ordinary shares of \$0.50 each				
At beginning and end of year	<b>2,900</b>	<b>1,450</b>	2,900	1,450
<b>Issued and fully paid:</b>				
Ordinary shares of \$0.50 each				
At beginning of year	<b>2,570</b>	<b>1,285</b>	2,564	1,282
Issue of shares in lieu of cash dividends	-	-	6	3
At end of year	<b>2,570</b>	<b>1,285</b>	2,570	1,285

On 4 May 2010, the Company issued and allotted 5,705,819 new fully paid shares of HK\$0.50 each in the Company at HK\$117.74 to the shareholders who elected to receive shares in the Company in lieu of cash for the interim dividends pursuant to the scrip dividend schemes announced by the Company on 11 March 2010. 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 ("the Old Scheme"), whereby the directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Details of share options 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 2011.

#### The Old Scheme

Upon the termination of the Old Scheme, no further options could be offered and no options remained outstanding at 30 June 2011 and 30 June 2010.

#### 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, 4,840,000 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 4,840,000 ordinary shares in the Company.

- (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 2010	Granted during the year	Exercised during the year	Lapsed 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

The was no outstanding or movement in share options during the year ended 30 June 2010.

### 30. SHARE PREMIUM AND RESERVES

#### The Company

	Share premium	Capital reserves	Retained profits	Total
At 1 July 2009	35,782	5,281	65,924	106,987
Premium arising from issue of shares, net of expenses	669	–	–	669
Profit for the year	–	–	6,903	6,903
Final dividend paid for the year ended 30 June 2009	–	–	(4,359)	(4,359)
Interim dividend paid for the year	–	–	(2,180)	(2,180)
At 30 June 2010 and 1 July 2010	36,451	5,281	66,288	108,020
Profit for the year	–	–	<b>18,431</b>	<b>18,431</b>
Final dividend paid for the year ended 30 June 2010	–	–	<b>(4,755)</b>	<b>(4,755)</b>
Interim dividend paid for the year	–	–	<b>(2,442)</b>	<b>(2,442)</b>
Recognition of equity-settled share-based payments	–	<b>74</b>	–	<b>74</b>
At 30 June 2011	<b>36,451</b>	<b>5,355</b>	<b>77,522</b>	<b>119,328</b>

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2011 amounted to HK\$77,522 million (2010: HK\$66,288 million).

### 31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Reconciliation of operating profit to cash generated from operations

	2011	2010
Operating profit before change in fair value of investment properties	<b>21,366</b>	13,842
Depreciation and amortization	<b>1,383</b>	1,278
Impairment of assets	<b>444</b>	–
Loss on disposal of subsidiaries	<b>2</b>	–
Profit on disposal of investment properties	<b>(193)</b>	(203)
Loss on disposal of fixed assets	<b>23</b>	10
Profit on disposal of available-for-sale investments	<b>(88)</b>	(88)
Dividend income from investments	<b>(99)</b>	(98)
Interest income	<b>(170)</b>	(168)
Share-based payments	<b>77</b>	–
Exchange difference	<b>188</b>	49
<b>Operating profit before changes in working capital</b>	<b>22,933</b>	14,622
Decrease/(increase) in properties for sale	<b>15,986</b>	(2,167)
Additions to properties pending development for sale	<b>(22,806)</b>	(13,682)
Increase in debtors, prepayments and others	<b>(10,305)</b>	(681)
(Increase)/decrease in financial assets at fair value through profit or loss	<b>(108)</b>	66
Increase in trade and other payables	<b>1,483</b>	3,364
(Decrease)/increase in deposits received on sales of properties	<b>(7,147)</b>	7,818
<b>Cash generated from operations</b>	<b>36</b>	9,340

## Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

### 31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

#### (b) Disposal of subsidiaries and assets

Analysis of assets and liabilities over which control was lost:

	2011
Net assets disposed of:	
Deposit for acquisition of properties	228
Debtors, deposits and prepayments	493
Bank balances and cash	38
Trade and other payables	(141)
	<b>618</b>
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
	<b>(2)</b>
	<b>2011</b>
Net cash inflow on disposal of subsidiaries:	
Consideration received	528
Bank balances and cash disposed of	(38)
	<b>490</b>

#### (c) Analysis of the balance of cash and cash equivalents at end of year

	2011	2010
Bank deposits	5,164	6,418
Bank balances and cash	2,734	1,786
Bank overdrafts	(76)	(92)
	<b>7,822</b>	8,112
Less: Pledged bank deposits	(411)	(340)
	<b>7,411</b>	7,772



## 32. JOINTLY CONTROLLED ASSETS

### The Group

At the year end date, the aggregate amounts of assets and liabilities recognized in the financial statements relating to the Group's interests in jointly controlled assets are as follows :

	<b>2011</b>	(Restated) 2010
Investment properties	<b>10,249</b>	8,975
Properties under development for sale	–	184
Stocks of completed properties for sale	<b>190</b>	143
	<b>10,439</b>	9,302
Trade and other payables	<b>225</b>	197
Taxation	<b>58</b>	59
Deferred taxation	<b>70</b>	67
	<b>353</b>	323
Revenue	<b>867</b>	467
Expenses	<b>410</b>	120

## 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:

		<b>Associates</b>		<b>Jointly controlled entities</b>	
		<b>2011</b>	2010	<b>2011</b>	2010
Interest income	(a)	–	–	<b>101</b>	98
Rental income	(b)	–	6	<b>1</b>	1
Rental expenses	(b)	–	–	<b>29</b>	29
Other revenue from services rendered	(c)	<b>93</b>	93	<b>1,002</b>	710
Purchase of goods and services	(c)	–	–	<b>322</b>	384
Purchase of assets	(d)	–	490	–	–

- (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) In January 2010, the Group purchased 50% interest in a development site from a wholly-owned subsidiary of Transport International Holdings Limited, for a consideration of HK\$490 million.

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:

	2011	2010
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	2,941	4,323
Authorized but not contracted for	2,272	2,841
(b) Capital commitments in respect of investments		
Contracted but not provided for	-	2
(c) The Group's share of capital commitments of jointly controlled entities		
Contracted but not provided for	246	705
(d) Guarantees given to banks and financial institutions for the borrowings of an associate and jointly controlled entities of HK\$1,646 million (2010: HK\$3,037 million) and other guarantees of HK\$4 million (2010: 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:

	2011	2010
Subsidiaries	55,636	42,826
An associate	363	363
Jointly controlled entities	922	2,445
	<b>56,921</b>	45,634

### 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:

	2011	2010
Not later than one year	8,331	7,445
Later than one year but not later than five years	10,369	9,021
Later than five years	1,627	1,967
	<b>20,327</b>	18,433

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:

	2011	2010
Not later than one year	704	637
Later than one year but not later than five years	735	555
Later than five years	583	266
	<b>2,022</b>	1,458

## 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\$411 million (2010: HK\$340 million) have been pledged for securing performance bonds related to telecommunications licences and some other guarantees issued by the banks.

At the year end date, certain assets of the Group's subsidiaries with an aggregate net carrying amount of approximately HK\$20,274 million (including bank balances of HK\$8 million) (2010: HK\$16,441 million (including bank balances of HK\$6 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 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.

### (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.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 37. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATIONS (cont'd)

### (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 balances and deposits, 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 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.

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 2011, 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\$180 million (2010: HK\$48 million). The equity would be decreased/increased by HK\$86 million (2010: HK\$173 million).

## 38. FINANCIAL RISK MANAGEMENT (cont'd)

### (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 2011, 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\$391 million (2010: HK\$297 million). The equity would be decreased/increased by approximately HK\$38 million and HK\$50 million, respectively (2010: HK\$46 million and HK\$55 million, respectively).

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 2010.

### (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 2011, 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\$62 million and HK\$294 million, respectively (2010: HK\$50 million and HK\$271 million, respectively).

### (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.

## Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

### 38. FINANCIAL RISK MANAGEMENT (cont'd)

#### (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 2011	Notes	Total contractual					
		Carrying amount	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	–	–	–
		<b>81,705</b>	<b>87,965</b>	<b>26,713</b>	<b>25,827</b>	<b>23,878</b>	<b>11,547</b>

As at 30 June 2010	Notes	Total contractual					
		Carrying amount	undiscounted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	24	16,089	16,091	13,430	1,068	1,458	135
Amounts due to non-controlling interests	24	1,516	1,516	978	–	538	–
Bank and other borrowings	23 & 25	45,388	48,626	12,219	8,784	20,842	6,781
Other long-term liabilities	27	739	1,094	–	116	463	515
Derivative financial instruments	19b	6	6	4	2	–	–
		<b>63,738</b>	<b>67,333</b>	<b>26,631</b>	<b>9,970</b>	<b>23,301</b>	<b>7,431</b>

#### (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 balances, 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.

## 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 2011

	Level 1	Level 2	Total
<b>Financial assets</b>			
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, Hong Kong	612	–	612
Listed equity securities, overseas	32	–	32
Derivative financial instruments			
Interest rate swaps	–	560	560
Currency swaps	–	2	2
	<b>3,585</b>	<b>890</b>	<b>4,475</b>
<b>Financial liabilities</b>			
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)

### 38. FINANCIAL RISK MANAGEMENT (cont'd)

#### (f) Fair values (cont'd)

As at 30 June 2010

	Level 1	Level 2	Total
<b>Financial assets</b>			
Available-for-sale debt securities			
Listed debt securities, overseas	891	–	891
Listed debt securities, Hong Kong	52	–	52
Unlisted debt securities	41	–	41
Available-for-sale equity securities			
Listed equity securities, overseas	554	–	554
Listed equity securities, Hong Kong	1,180	–	1,180
Unlisted equity securities	–	166	166
Financial assets at fair value through profit or loss			
Listed equity securities, Hong Kong	514	–	514
Listed equity securities, overseas	22	–	22
Derivative financial instruments			
Interest rate swaps	–	544	544
Currency swaps	–	3	3
	3,254	713	3,967
<b>Financial liabilities</b>			
Derivative financial instruments			
Interest rate swap	–	2	2
Currency swaps	–	4	4
	–	6	6

### 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 balances and deposits. 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.



### 39. CAPITAL MANAGEMENT (cont'd)

The net debt-to-shareholders' funds ratios at the year end were as follows:

	2011	(Restated) 2010
Secured bank loans	4,884	3,273
Unsecured bank and other loans	55,551	42,115
Total borrowings	60,435	45,388
Less: Bank balance and deposits	(7,898)	(8,204)
Net debt	52,537	37,184
Shareholders' funds	306,965	263,221
Net debt-to-shareholders' funds ratio	17.1%	14.1%

### 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 138 to 198 were approved by the board of directors on 15 September 2011.

# 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 2011 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	73.82	Provision of data centre, facilities management, web applications and value added services and installation and maintenance services	232,920,753
SmarTone Telecommunications Holdings Limited (Listed in Hong Kong)	3	67.05	Mobile telephone system operation	102,839,386
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
		100		(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
Artsland Properties Investment Limited	1	100	Property investment	US\$1
Assured Outcome Limited	1	100	Property investment	US\$1

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
Century Loyal Limited		100	Property development	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
Cranejoy Limited		100	Property development	350,000,000
Dartfield Development Limited		100	Property development	2
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
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\$95,000,000*
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
Gainhouse Estates Limited	1	100	Property development	US\$1
Garudia Limited		100	Property investment	2
General Winner Limited		100	Property development	1
Golden Square Properties Enterprises Limited	1	100	Property investment	2
		100		(Note 10) 999,998
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*
廣州宏城廣場房地產開發有限公司	5a	50	Property investment	RMB1,010,000,000*
廣州新天房地產發展有限公司	5b	70	Property development	RMB300,000,000*
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
Jetcrown Properties Limited	1	100	Property development	US\$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
Laboster Company Limited	6	100	Property investment	2
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
Manceton Limited		100	Property investment	2
Mighty Choice Assets Limited	1	100	Property investment	US\$1

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
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
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
Pioneer Dragon Limited		100	Property development	2
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
Shanghai Central Plaza Property Co., Ltd.	5a	80	Property investment	US\$42,000,000*
Shanghai International Commerce Centre Co., Ltd. (Formerly known as Shanghai Maxdo International Tower Ltd.)	5c	100	Property investment	US\$290,500,000*
Shanghai SHK International Commerce Centre Co., Ltd. (Formerly known as Shanghai Maxdo International Hotel 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
Smartland Enterprises Limited		100	Property investment	2
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\$65,345,000*
Sun Hung Kai ICC (Nanjing) Co., Ltd. (Formerly known as 華祥房地產(南京)有限公司)	5c	100	Property development and investment	RMB721,914,400*

## 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 (Suzhou) Co., Ltd. (Formerly known as Ever Crown Properties (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	Property investment and management	(Note 11) 25,000
		75		(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
Talcon Limited	1	100	Property development	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
Treasure On Development Limited		100	Property development and investment	2
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
Wiseland Enterprises Limited	1	100	Property development	US\$1
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*

- 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 2011 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
Brilliant Palace Limited	4	40	Investment holding	Ordinary
#+ 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	Manufacturers 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
+ 杭州潤鴻置業有限公司	5	40	Property investment	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
+ Maxfine Development Limited		33.3	Investment holding	Ordinary
+ Newfoundland 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



<b>Name</b>	<b>Note</b>	<b>Total Attributable Equity Interest Held by the Company (%)</b>	<b>Activities</b>	<b>Class of Share/ Registered capital</b>
#+ 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
Tartar Investments Limited	4	40	Investment holding	Ordinary
Teamfield Property Limited		57.52	Property investment	Ordinary
+ Tinyau Company Limited		50	Property investment	Ordinary
+ Topcycle Development Limited		50	Property development	Ordinary
Wuxi International Investment Limited	1	40	Investment holding	Ordinary
# 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.

# 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 2011 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.

<b>Name</b>	<b>Note</b>	<b>Total Attributable Equity Interest Held by the Company (%)</b>	<b>Activities</b>	<b>Class of Share</b>
#+ 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.*

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