Chairman's Statement

I am pleased to present my report to the shareholders.

Results

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

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

Dividend

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

Business Review

Property Sales

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

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

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

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

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

Land Bank

Hong Kong

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

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

Deluxe entrance lobby at Harbour Green in West Kowloon.

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

Chairman's Statement

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

Mainland China

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

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

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

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

Property Development

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

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

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

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

Property Investment

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

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

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

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

Chairman's Statement

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

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

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

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

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

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

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

Mainland Business

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

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

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

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

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

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

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

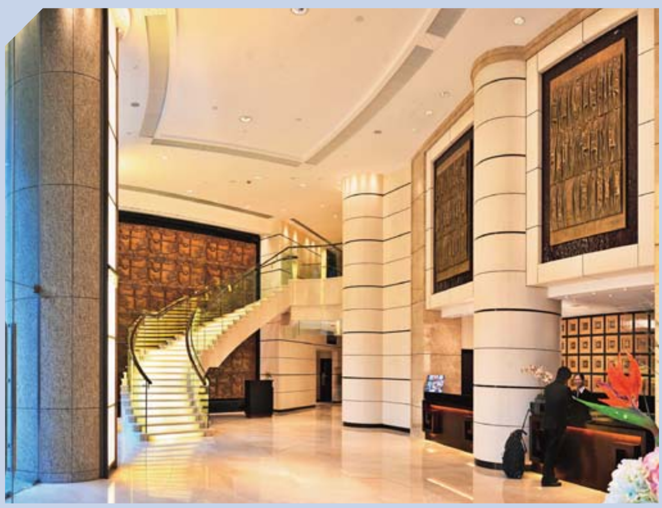
The Group's mainland rental portfolio continued to produce good results. Shanghai Central Plaza remained fully let during the year at increased retail and office rents. The major revamp of the one-million-square-foot Beijing APM is ongoing and will be finished by the end of this year, in time to take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

Hotels

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

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

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



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

Telecommunications and Information Technology

SmarTone

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

SUNeVision

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

Transportation and Infrastructure

Transport International Holdings

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

Other Infrastructure Businesses

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

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

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

Chairman's Statement

Corporate Finance

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

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

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

Customer Service

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

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

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

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

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

Corporate Governance

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

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

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

Corporate Social Responsibility

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

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

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

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

Chairman's Statement

Prospects

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

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

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

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

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

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

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

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

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

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

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

Appreciation

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

Kwok Ping-sheung, Walter
Chairman & Chief Executive

Hong Kong, 13 September 2007

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