The Latitude in Kowloon East will have the finest construction and diverse interior layouts.

Peak One in Sha Tin will feature deluxe facilities and spacious layout.

Chairman's Statement

I am pleased to present my report to the shareholders.

Results

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2009, excluding the effect of fair-value changes on investment properties, was HK$12,415 million, an increase of two per cent from last year. Underlying earnings per share were HK$4.84, an increase of one per cent from last year.

Reported profit attributable to the Company's shareholders was HK$10,356 million, compared to HK$27,602 million last year. Earnings per share were HK$4.04, a decrease of 63 per cent from last year. The reported profit for the year included a revaluation deficit (net of deferred taxation) on investment properties of HK$2,014 million compared to a revaluation gain (net of deferred taxation) of HK$15,851 million last year.

Dividend

The directors have recommended the payment of a final dividend of HK$1.70 per share for the year ended 30 June 2009. Together with the interim dividend of HK$0.80 per share, the total dividend for the full year will be HK$2.50; the same as that of last year.

The Cullinan at Kowloon Station redefines luxury living and appeals to buyers from all over the world.

Lake Dragon is a low-density development in a scenic resort area in Guangzhou. The first phase sold well.

La Grove in Yuen Long with its modern classic design is popular with young homebuyers.

Lime Habitat in Island East is a boutique residence with top architecture and full amenities. All units are sold.

Property Sales

Revenue from property sales for the year as recorded in the accounts, including revenue from joint-venture projects, was HK$16,993 million, an increase of 48 per cent over last year. The Group sold or pre-sold an attributable HK$25,674 million worth of properties in the year under review, an increase of 81 per cent from last year's HK$14,151 million. Sales of Hong Kong properties amounted to HK$22,491 million, mostly from new projects including The Cullinan at Kowloon Station, The Latitude in Kowloon, Peak One in Sha Tin, La Grove in Yuen Long and Lime Habitat in North Point on Hong Kong Island. The remaining HK$3,183 million was from mainland properties, which mainly included Lake Dragon and The Arch in Guangzhou, MIXC Residence in Hangzhou and Taihu International Community in Wuxi.

Property Business – Hong Kong

Land Bank

The Group's total land bank in Hong Kong amounted to 41.9 million square feet in June 2009, comprising 26 million square feet of completed investment properties and 15.9 million square feet of properties under development. The Group also holds more than 24 million square feet of agricultural land in terms of site area. Most of the agricultural land is along existing or planned rail lines in the New Territories and is in the process of land use conversion. The Group will replenish its development land bank through various means when appropriate opportunities arise.

Property Development

The residential market in Hong Kong has been doing well since the beginning of this year, both in terms of prices and volume. This is notwithstanding macro-economic uncertainty and worsened job market conditions. Banks were more willing to offer mortgage financing on attractive terms, homebuyers gained confidence, more mainlanders purchased luxury homes and the profile of buyers became more diverse.

The Group made extra efforts to get new projects ready for pre-sale, providing greater flexibility in the timing of marketing. It took advantage of its high brand recognition and premium pricing to achieve better development margins and returns.

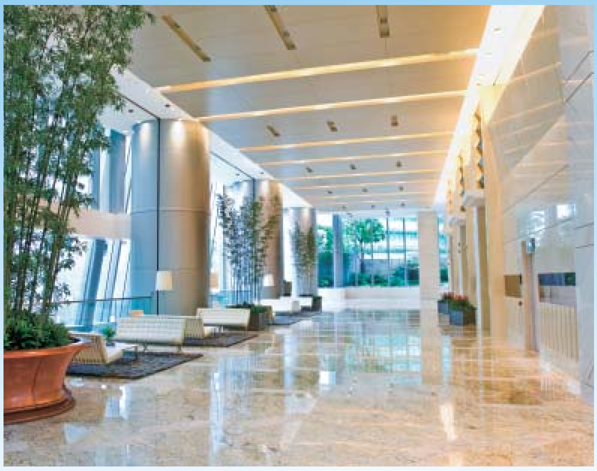
Taihu International Community in Wuxi is in a tranquil environment. It set a new sales record for Wuxi in the first half of 2009.

IFC in Central remains popular among large corporations and multinationals.

In an increasingly competitive property market, the Group remained focused on satisfying buyers' evolving needs and preferences with premium residences that offer efficient layouts, optimal designs and comprehensive clubhouse facilities. The Group constantly sets new standards of luxury with residences such as The Cullinan at Kowloon Station, strengthening its leading position in the market.

The Group completed six projects with 1.8 million square feet of attributable gross floor area in Hong Kong during the year. International Commerce Centre (ICC) is being retained as a long-term investment.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Peak One Phases 1 and 2	Sha Tin Town Lots 421 and 438	Residential	100	658,000
La Grove	83 Shap Pat Heung Road, Lung Tin Tsuen, Yuen Long	Residential	100	358,000
Park Island Phase 6	8 Pak Lai Road, Ma Wan	Residential	Joint Venture	80,000
One Hyde Park	328 Kung Um Road, Pak Sha Tsuen, Yuen Long	Residential	100	49,000
La Grande Vineyard	23 Ngau Tam Mei Road, Yuen Long	Residential	100	48,000
ICC Phase 2	1 Austin Road West, Kowloon	Office	Joint Venture	622,000
Total				**1,815,000**



Leasing of KCC in West Kowloon is going well, with many large multinationals having committed to leasing.

ICC at Kowloon Station is a new business hub in the city with convenient transport connections.

Property Investment

The Group's gross rental income, including contributions from joint-venture projects, increased by 18 per cent to HK$9,763 million. Net rental income increased by 21 per cent to HK$7,271 million.

Overall rental income growth was driven by continuous positive rental reversions and increased contributions from projects including the first phase of ICC, The HarbourView Place and Millennium City 6. The leasing market was slow for most of the year under review, but it has shown signs of stabilizing in recent months. The Group's leasing strategy focused on maintaining occupancy in its rental portfolio, and it managed to achieve 93 per cent.

The Group's Kowloon Station project is in a transport core with links to Central, the airport, and the mainland in the future. ICC is complemented by facilities including The HarbourView Place serviced suites, stylish Elements shopping mall and two hotels: the sophisticated W Hong Kong that opened in the third quarter of 2008 and the luxury Ritz-Carlton that will be completed in 2010. The entire project is scheduled for completion in 2010 and about 90 per cent of the office space is already leased or pre-leased.

The new 600,000-square-foot Kowloon Commerce Centre (KCC) is another premium regional office project in West Kowloon. Leasing of the project is progressing well with many large multinationals already committed to taking space and some tenants have started moving in.

Occupancy of the Group's major malls such as New Town Plaza, APM and IFC mall remained high and they are popular with locals and tourists despite weaker retail sales in the last few months. Regular promotional campaigns and refinements to tenant mixes draw shoppers and boost tenants' business. The renovated WTC More in Causeway Bay and Tsuen Wan Plaza offer shoppers fresh retail experiences.

The HarbourView Place deluxe serviced suites at Kowloon Station are popular and most are leased. The prime location and top-quality service appeal to guests from all over the world.

Shanghai IFC in the new Lujiazui financial centre will become a landmark in the city.

The MIXC Residence in Hangzhou is in the Qianjiang New City central business area with easy accessibility via an extensive transport network.

Property Business — Mainland and Singapore

Land Bank

The Group's mainland land bank amounted to an attributable 55.3 million square feet in June 2009. Over 70 per cent of the 52.3 million square feet of properties under development will be high-end residences and serviced apartments. The rest will be top-grade offices, shopping malls and premium hotels. The remaining three million square feet of completed investment properties, mainly offices and shopping centres in prime locations in Shanghai and Beijing, are being held for rent.

Property Development

The residential markets on the mainland have recovered significantly in terms of prices and volume since early this year. This came after a monetary easing and support measures for the property sector were introduced late last year. The mortgage credit tightening as to second homes in selected cities has yet to reverse the price uptrend, although transaction volumes showed some signs of moderating in major cities.

The Group took advantage of the rising market by pre-selling projects in Guangzhou and Chengdu. Sales of the Guangzhou projects were encouraging as their outstanding quality was recognized in the market. The Group has also established its brand in Guangzhou, achieving premium pricing. The Lake Dragon project in a scenic resort area at Huadu in Guangzhou proved popular with buyers for its superior quality and design, and the first batch of houses to go on the market sold quickly.

Construction has begun on a 1.7-million-square-foot luxury residential development at Wei Fong in Shanghai, which will bring a world-class standard of luxury living to the city. Other residential projects under development are progressing as planned.

Shanghai ICC in the busiest commercial area of Puxi will include a distinctive shopping mall, premium offices and luxury residences.

ION Orchard is a world-class shopping mall in a prime location on the Orchard Road shopping belt in Singapore. It offers diverse trade mix and leading international brands.

Property Investment

The Group's mainland rental portfolio performed well last year. Occupancy of the Shanghai Central Plaza offices remained high at 97 per cent. The many international retailers in the revamped Beijing APM mall have made it a major shopping and entertainment destination in the capital.

Other major mainland projects are on schedule. Shanghai IFC in the city's new Lujiazui financial centre is progressing smoothly. The project is in a premium location with exceptional transport connections and will include offices, a shopping mall and hotel with a total of over four million square feet. Tower 1 of the twin office buildings was finished in July 2009 and will house HSBC China's headquarters occupying 22 floors. Although the rental market in Shanghai remains slow, leasing of the remaining floors of Tower 1 is going well, with the substantial majority of the space let. The first phase of the retail mall and Ritz-Carlton hotel will open in the middle of 2010 and the entire development is scheduled for completion by the first half of 2011. Shanghai IFC Mall will house numerous flagships of top international luxury brands and specialty restaurants, and will be one of the Group's most significant retail projects on the mainland. Preliminary marketing of the mall has been encouraging, with world-renowned retailers negotiating for space.

Construction of another top-quality integrated development – Shanghai International Commerce Centre (Shanghai ICC) on Huai Hai Zhong Road – is under way. It is in the busiest commercial area of Puxi and will be linked to a new mass transit station at the interchange of three transit lines. There will be about three million square feet of total floor area, including a distinctive shopping mall, premium offices and luxury residences. The project will be completed in phases from the second half of 2010. Marketing of the retail space has started and the response has been positive.

ION Orchard is a world-class shopping mall in a prime location at the gateway of the Orchard Road shopping belt in Singapore. It had a soft opening in July 2009 and the grand opening will be held in October this year. The mall has over 900,000 square feet of gross floor area and a distinctive external façade. Occupancy is high at 96 per cent. The mall's innovative retail concept and diversified trade mix with leading international outlets and brands are very popular with shoppers. The Group has a 50 per cent interest in the project.

W Hong Kong at Kowloon Station is filled with modern ambience with a collection of art pieces from all over the world.

The luxury Ritz-Carlton hotel will occupy top floors of ICC at Kowloon Station when it is completed in 2010.

Other Businesses

Hotel

The hotel industry faced a challenging environment for most of the year. Occupancy of the Four Seasons was affected as top-quality hotels were hit by fewer business travellers since late 2008. Other segments of the market were more resilient, though modestly affected by swine flu in the past few months. The Group's Royal Garden, Royal Plaza, Royal Park and Royal View hotels maintained high average occupancy of 90 per cent during the year. The sophisticated W Hong Kong hotel at Kowloon Station has been operating smoothly since it opened in the third quarter of 2008.

In the longer term, Hong Kong will continue to benefit from its status as a major financial and business hub in Asia, as well as a popular destination for leisure travellers. The Group is developing new hotels in Hong Kong, including a luxury Ritz-Carlton at Kowloon Station that will be completed in 2010 and two hotels above the Tseung Kwan O MTR station.

Telecommunications and Information Technology

SmarTone

Intense price competition and the global economic slowdown resulted in a notable decline in profit for SmarTone during the year. The company made further progress in expanding into the fixed-line market by launching wireless fixed broadband services for both home and business. SmarTone acquired additional spectrum in the 1800 MHz frequency band through an auction in June 2009 for future implementation of 4G LTE on 1800 MHz. The company's compelling and differentiated service propositions, superior network performance and a strong financial position enable it to meet customers' total communications needs and explore new revenue streams. The Group remains confident in the prospects for SmarTone and will continue to hold the company as a long-term strategic investment.

SUNeVision

SUNeVision improved further in revenue and operating profitability during the year. iAdvantage further strengthened its position in the carrier-neutral data centre market in Hong Kong and achieved good occupancy. SUNeVision will build on its solid financial position to further develop its core businesses in the coming year.

SmarTone continues to introduce various new services for subscribers.

Transport International Holdings is committed to premium service.

Transportation and Infrastructure

Transport International Holdings

The franchised bus operation of Transport International Holdings (TIH) saw a decrease in ridership in the first half of 2009 as a result of intensifying competition from the railways, higher unemployment rates and the economic downturn. The sale of residential units at Manhattan Hill is virtually complete and a new 'Manhattan Mid-town' shopping mall with 50,000 square feet of floor area began producing rental income in the second quarter of 2009. The TIH subsidiary RoadShow Holdings achieved satisfactory results from its media sales business.

Other Infrastructure Businesses

Businesses at both the River Trade Terminal and the Air Freight Forwarding Centre have been relatively resilient, despite the downturn in global trade. The Wilson Group also turned in a good performance. Traffic and revenue on the Route 3 (Country Park Section) remained steady. All the Group's infrastructure projects are in Hong Kong and they constitute valuable investments for the long term.

Corporate Finance

The Group's strong financial position is demonstrated by its low gearing and high multiple of interest coverage. Net debt to shareholders' funds was a low 15.2 per cent as at 30 June 2009. This and over HK$10,000 million in cash from Hong Kong property sales to be received before the middle of 2010 will further strengthen the Group's financial position for long-term development.

There were very positive responses to the Group's funding arrangements, including RMB bank loans on the mainland. The Group was able to renew its bank lines and acquire a large amount of new facilities at favourable terms despite market volatility last year. As a result, the Group continued to maintain substantial stand-by banking facilities on a committed basis to meet its business requirements. The Group issued some HK$2,938 million in three-to-ten year bonds under its Euro Medium Term Note programme since January this year, to extend its debt maturities and funding sources.

The overwhelming majority of the Group's borrowings are denominated in Hong Kong dollars, meaning that they carry little foreign exchange risk. Conforming to its conservative financial policy, the Group has not entered into any derivative or structured-product transactions for speculative purposes.

The Group has consistently maintained its high credit ratings – an A1 rating and stable outlook from Moody's and an A rating and stable outlook from Standard & Poor's. These are the highest ratings among local developers, reflecting the Group's robust financial position.

The SHKP Club stages popular events and activities to promote family harmony.

The Group offers innovative Home Convenience Service to satisfy residents' needs.

Customer Service

The Group cares about what its customers want and it uses different channels to gather opinions and follow shifts in market preferences. Customer feedback enables the Group to continually improve its service and provide the products that best suit customer needs.

Property management subsidiaries Hong Yip and Kai Shing provide top-notch, caring service designed to cater to residents' needs. They regularly review service standards and have won many awards. Special initiatives like concierges in office developments and customer care ambassadors in shopping malls are praised by tenants and shoppers. The companies have landscape specialists who regularly upgrade the environments in residential and commercial buildings to provide the most comfortable surroundings. Kai Shing and Hong Yip also provide premium service in the Group's mainland developments, and these efforts have earned substantial praise.

The SHKP Club was established to provide a channel for two-way communication with the market. It now has over 290,000 members. The Club offers members a range of property-related benefits, shopping privileges and leisure and recreational activities. It staged an 'Understand Your Loved Ones' campaign recently with talks, workshops and activities to promote family harmony.

Corporate Governance

The Group is dedicated to ensuring high standards of corporate governance in all aspects of its businesses and maintaining effective accountability mechanisms through an effective board of directors, prompt disclosure of information and a proactive investor relations approach.

The board directs and oversees the Group's strategies. The Group has Audit, Remuneration and Nomination committees in place to ensure good governance and adequate internal controls. In addition, an Executive Committee consisting of all executive directors meets regularly to decide on key business issues and policies. All these ensure that the Group's businesses are run efficiently and its assets and shareholders' interests are safeguarded.

The City Art Square in Sha Tin built by the Group is widely praised for art promotion. Chairman Madam Kwong Siu-hing (fourth right) and Vice Chairman and Managing Director Thomas Kwok (third right) attended an activity of the Square.

Vice Chairman and Managing Director Raymond Kwok (front, fourth left) with winners of the Young Writers' Debut Competition, guests and judges.

The ongoing efforts in corporate governance have won the Group widespread international recognition. Awards received during the year include Best Company for Corporate Governance and Best Company for Investor Relations in Hong Kong and Asia from *Asiamoney* magazine and awards for Best Managed Company (property) in Asia from *Euromoney* magazine. It also won Best for Corporate Governance in Asia from *Corporate Governance Asia* magazine for the fourth year running and was ranked first among the Best Shareholder Friendly Companies in the property sector by *Institutional Investor* for the second year in a row. The Group will continue its efforts to stay at the forefront of best corporate governance practices.

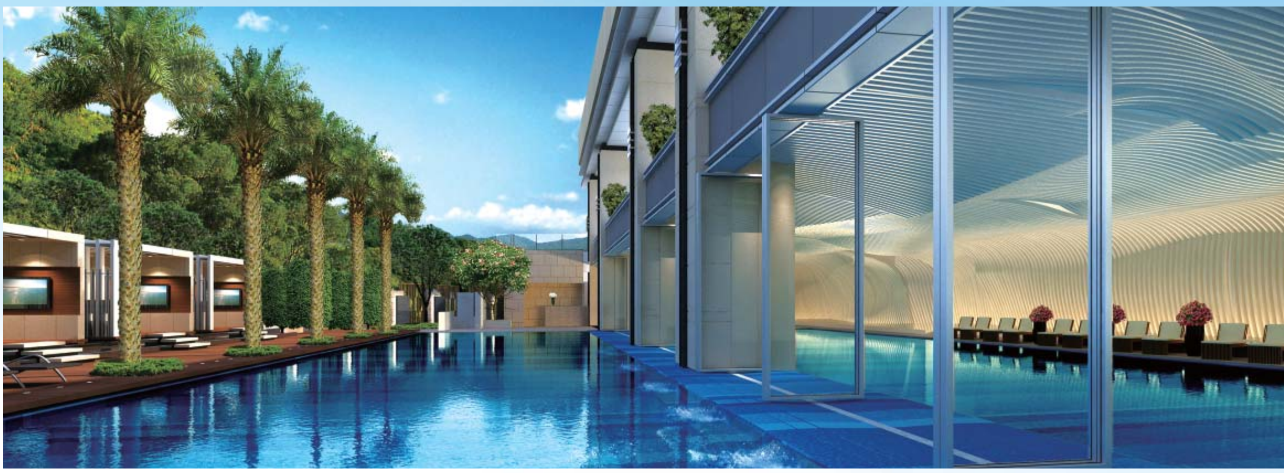
Corporate Social Responsibility

The Group is committed to corporate social responsibility and it supports a wide range of charitable, environmental and educational initiatives. It follows green policies in the design, construction and management of developments and encourages environmental awareness among its staff, residents and the public. These efforts have gained community recognition for the Group and its subsidiaries, including numerous honours in the Hong Kong Awards for Environmental Excellence. The Group also applies green practices in its mainland developments, and some have won international recognition.

The SHKP Book Club stimulates interest in reading with initiatives including competitions, seminars, a free magazine, sponsoring children from low-income families to visit the Hong Kong Book Fair and more. The Group continues to provide scholarships for talented students in Hong Kong and on the mainland.

The completion of Noah's Ark at Ma Wan Park as a new educational and tourist attraction demonstrates the Group's commitment to corporate social responsibility and fostering a caring community. The new attraction promotes love of life, family and the planet, and reinforces core community values. The Group sponsored visits to the Ark for over 10,000 of the less fortunate in Hong Kong in the months before its official opening in May this year.

The Group values its staff as its most important asset. It continues to recruit top graduates from local and mainland universities, and it provides comprehensive training to staff at all levels to help them realize their potential. It also encourages staff to become involved in community service, and its volunteer team has been widely recognized for the much-needed help it provides to the needy.



Aria on Kowloon Peak has stylish architecture and luxurious facilities.

Prospects

Global economic conditions are likely to improve in the times ahead, thanks to strong policy responses by various governments including massive fiscal spending and aggressive monetary easing. However, the pace and sustainability of the global economic recovery remain uncertain on the back of an unwillingness to spend on the part of consumers and businesses, as well as banks' cautious attitudes.

The mainland economy is expected to maintain a reasonable level of growth in the year ahead due to strong macro stimulus measures by the Central government since the start of the year. Ongoing economic integration between Hong Kong and the mainland, particularly the Pearl River Delta, should offer more business opportunities for Hong Kong companies. These and an environment of continued high liquidity and close-to-zero interest rates will bolster Hong Kong's economy.

It is expected that Hong Kong's residential market will remain resilient with its strong underlying fundamentals, despite challenging external and domestic economic conditions. Affordability for homebuyers is relatively strong by historical standards and mortgage interest rates are at a historic low and attractive relative to rental yields. An increase in purchases by mainlanders is also supporting the demand for residential property in Hong Kong. These factors coupled with low levels of new residential supply in the coming years mean promising prospects for the market.

The Group will continue to strengthen its property development business in Hong Kong by adding new residential sites to its land bank through various means, particularly the conversion of agricultural land to residential sites. The Group will enhance its competitiveness and leading position by meeting homebuyers' needs with high-quality products that feature modern designs, efficient layouts and comprehensive facilities, as well as premium service.

The demand for commercial properties including office and retail space for lease is expected to remain relatively slow, given the uncertain macro-economic outlook. The Group will focus on maintaining high occupancy in its rental portfolio in the current environment. It will continue refurbishing its shopping malls and office buildings regularly to meet the rising expectations of tenants and stay ahead of the market. More promotions will be staged to attract additional traffic flow and consumer spending in the Group's malls. In the long term, the Group will continue reviewing and optimizing its rental portfolio.

The Group will maintain a selective and focused investment strategy for mainland business. Major cities including Beijing, Shanghai, Guangzhou and Shenzhen are the preferred choices. With promising prospects for the mainland economy and property markets, the Group will continue looking for good investment opportunities. With the completion of Shanghai IFC and continued sales of residential projects, earnings from the mainland businesses are expected to rise over time.

Major residential projects in Hong Kong to go on sale in the next nine months include Aria in Kowloon, Ap Lei Chau Inland Lot 129 in Island South, Tuen Mun Town Lot 465 and Park Island Phase 6 on Ma Wan. Barring unforeseen circumstances, the results for the coming financial year are expected to be satisfactory.

Directors and Appreciation

Eric Li Ka-cheung was re-designated as an Independent Non-executive Director on 19 March 2009. Dr Li became a Non-Executive Director in May 2005 and he is currently a member of the Group's Audit and Remuneration committees. He will continue to contribute to the Group's development in his new role with his extensive knowledge of accounting and finance.

Michael Wong Yick-kam will retire as an Executive Director and become a Non-executive Director on 1 January 2010. Mr Wong has been with the Group for 28 years. He has helped establish the Group's premium brand and market leadership, and contributed to its high standards of corporate governance and corporate social responsibility. I would like to take this opportunity to express my sincere gratitude to Mr Wong for his invaluable contributions to the Group's development.

Patrick Chan Kwok-wai was appointed an Executive Director and Chief Financial Officer with effect from 8 July 2009. Mr Chan is highly proficient in financial planning and management, and the board believes that his extensive knowledge and experience will be beneficial to the Group's future development.

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

Kwong Siu-hing
Chairman

Hong Kong, 15 September 2009