

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following unaudited consolidated figures of the Group for the period ended 31 December 2007 with comparative figures for 2006:-

Consolidated Profit and Loss Account For the six months ended 31 December 2007

(Expressed in millions of Hong Kong dollars)

		(Unaudited) Six months ended 31 December	
	Note	2007	2006
Revenue	2	11,919	14,781
Cost of sales		(5,357)	(8,220)
Gross profit		6,562	6,561
Other income		322	314
Selling and marketing expenses		(598)	(755)
Administrative expenses		(622)	(585)
Operating profit before change in fair value of investment properties	2	5,664	5,535
Increase in fair value of investment properties		5,842	5,547
Operating profit after change in fair value of investment properties		11,506	11,082
Finance costs		(516)	(430)
Finance income		158	133
Net finance costs	3	(358)	(297)
Profit on disposal of long-term investments less impairment loss, net	4	530	4
Share of results of associates		285	565
Share of results of jointly controlled entities		4,000	1,462
	2	4,285	2,027
Profit before taxation	5	15,963	12,816
Taxation	6	(2,117)	(1,816)
Profit for the period		13,846	11,000
Attributable to:			
Company's shareholders		13,626	10,910
Minority interests		220	90
		13,846	11,000
Interim dividend at HK\$0.80 (2006 : HK\$0.70) per share		2,051	1,744
(Expressed in Hong Kong dollars)			
Earnings per share for profit attributable to Company's Shareholders	7(a)		
Basic		\$5.42	\$4.38
Diluted		N/A	\$4.38
Earnings per share excluding the effect of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	7(b)		
Basic		\$2.47	\$2.13
Diluted		N/A	\$2.13

Consolidated Balance Sheet

As at 31 December 2007

(Expressed in millions of Hong Kong dollars)

	(Unaudited) 31 December 2007	(Audited) 30 June 2007
Non-current assets		
Investment properties	146,381	135,143
Fixed assets	22,680	21,476
Associates	3,709	3,414
Jointly controlled entities	24,698	19,684
Long-term investments	5,584	6,297
Loan receivables	923	1,120
Intangible assets	602	634
Goodwill	34	-
	<u>204,611</u>	<u>187,768</u>
Current assets		
Properties for sale	61,580	48,796
Debtors, prepayment & others	10,076	12,525
Short-term investments	880	841
Bank balances and deposits	7,544	7,364
	<u>80,080</u>	<u>69,526</u>
Current liabilities		
Bank and other borrowings	(2,054)	(773)
Trade and other payables	(14,017)	(14,136)
Deposits received on sale of properties	(223)	(6)
Taxation	(3,868)	(3,944)
	<u>(20,162)</u>	<u>(18,859)</u>
Net current assets	<u>59,918</u>	<u>50,667</u>
Total assets less current liabilities	<u>264,529</u>	<u>238,435</u>
Non-current liabilities		
Bank and other borrowings	(34,998)	(32,559)
Deferred taxation	(18,153)	(16,684)
Other long-term liabilities	(667)	(697)
	<u>(53,818)</u>	<u>(49,940)</u>
Net assets	<u>210,711</u>	<u>188,495</u>
Capital and reserves		
Share capital	1,282	1,246
Share premium and reserves	205,137	184,230
Shareholders' funds	<u>206,419</u>	<u>185,476</u>
Minority interests	4,292	3,019
Total equity	<u>210,711</u>	<u>188,495</u>

Notes to Consolidated Profit and Loss Account

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 30 June 2007.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA.

		Effective for accounting period beginning on or after
HKAS 1 (Amendment)	Capital disclosures	1 January 2007
HKFRS 7	Financial instruments: Disclosures	1 January 2007
HK(IFRIC) - INT 10	Interim financial reporting and impairment	1 November 2006
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions	1 March 2007

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

2. Segment Information

The following is an analysis of the revenue and results for the period, analysed by business segments, the Group's primary basis of segmentation.

For the six months ended 31 December 2007

	The Company and its subsidiaries		Associates and jointly controlled entities	Attributable Profit
	Segment Revenue	Segment Results	Share of Results	Total
Property				
Property sales	3,554	2,348	1,387	3,735
Rental income	3,232	2,355	484	2,839
	6,786	4,703	1,871	6,574
Hotel operation	509	165	79	244
Telecommunications	2,056	191	-	191
Other businesses	2,568	641	56	697
	11,919	5,700	2,006	7,706
Other income		322	-	322
Unallocated administrative expenses		(358)	-	(358)
Operating profit before change in fair value of investment properties		5,664	2,006	7,670
Increase in fair value of investment properties		5,842	3,463	9,305
Operating profit after change in fair value of investment properties		11,506	5,469	16,975
Net finance costs		(358)	(257)	(615)
Profit on disposal of long-term investments less impairment loss, net		530	-	530
Profit before taxation		11,678	5,212	16,890
Taxation				
- Group		(2,117)	-	(2,117)
- Associates		-	(31)	(31)
- Jointly controlled entities		-	(896)	(896)
Profit after taxation		9,561	4,285	13,846

For the six months ended 31 December 2006

	The Company and its subsidiaries		Associates and jointly controlled entities	Attributable Profit
	Segment Revenue	Segment Results	Share of Results	Total
Property				
Property sales	6,888	2,633	648	3,281
Rental income	2,966	2,143	392	2,535
	<u>9,854</u>	<u>4,776</u>	<u>1,040</u>	<u>5,816</u>
Hotel operation	415	140	57	197
Telecommunications	2,102	48	-	48
Other businesses	2,410	578	78	656
	<u>14,781</u>	<u>5,542</u>	<u>1,175</u>	<u>6,717</u>
Other income		314	-	314
Unallocated administrative expenses		(321)	-	(321)
Operating profit before change in fair value of investment properties		5,535	1,175	6,710
Increase in fair value of investment properties		5,547	1,290	6,837
Operating profit after change in fair value of investment properties		11,082	2,465	13,547
Net finance costs		(297)	(81)	(378)
Profit on disposal of long-term investments less impairment loss, net		4	-	4
Profit before taxation		10,789	2,384	13,173
Taxation				
- Group		(1,816)	-	(1,816)
- Associates		-	(44)	(44)
- Jointly controlled entities		-	(313)	(313)
Profit for the period		<u>8,973</u>	<u>2,027</u>	<u>11,000</u>

Revenue from properties sales includes HK\$88 million (2006: HK\$36 million) from sale of investment properties.

Other businesses comprise revenue and profit derived from other activities including property management, car parking and transport infrastructure management, toll road fees, logistics business, construction, financial services, internet infrastructure, enabling services and department store.

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

3. Net finance costs

	Six months ended 31 December	
	2007	2006
Interest expenses on		
Bank loans and overdrafts	719	520
Other loans wholly repayable within five years	36	63
Other loans not wholly repayable within five years	150	48
	<u>905</u>	<u>631</u>
Notional non-cash interest accretion	42	37
Less : Portion capitalized	(431)	(238)
	<u>516</u>	<u>430</u>
Interest income on bank deposits	(158)	(133)
	<u>358</u>	<u>297</u>

4. Profit on disposal of long-term investments less impairment loss, net

	Six months ended 31 December	
	2007	2006
Profit on deemed disposal of a subsidiary	2	-
Profit on disposal of jointly controlled entities	20	-
Profit on disposal of available-for-sale investments	508	12
Impairment of available-for-sale investments	-	(8)
	<u>530</u>	<u>4</u>

5. Profit before taxation

	Six months ended 31 December	
	2007	2006
Profit before taxation is arrived at after charging:		
Cost of properties sold	1,016	3,915
Cost of other inventories sold	329	526
Depreciation and amortization	540	494
Amortization of intangible assets (included in cost of sales)	32	31
and crediting:		
Dividend income from listed and unlisted investments	101	73
Interest income from listed and unlisted debt securities	31	11
Net realized and unrealized holding gains on marketable securities	175	203

6. Taxation

	Six months ended 31 December	
	2007	2006
Current taxation		
Hong Kong profits tax	727	691
China income tax	25	10
	<u>752</u>	<u>701</u>
Deferred taxation		
Change in fair value of investment properties	1,183	974
Other origination and reversal of temporary differences	182	141
	<u>1,365</u>	<u>1,115</u>
	<u>2,117</u>	<u>1,816</u>

Hong Kong profits tax is provided at the rate of 17.5 per cent (2006 : 17.5 per cent) based on the estimated assessable profits for the period. China income tax is calculated at the rates applicable in China.

7. Earnings per share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to Company's shareholders of HK\$13,626 million (2006: HK\$10,910 million).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 2,513,110,536 (2006: 2,491,795,194). No diluted earnings per share for the period ended 31 December, 2007 is presented as there are no potential dilutive ordinary shares. The diluted earnings per share for the period ended 31 December 2006 was based on 2,491,799,895 shares which was the weighted average number of shares in issue during the period plus the weighted average number of 4,701 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 Company's shareholders of HK\$6,200 million (2006: HK\$5,297 million), excluding the effect of fair value changes on investment properties. A reconciliation of profit is as follows:

	Six months ended	
	31 December	
	2007	2006
Profit attributable to Company's shareholders as shown in the consolidated profit and loss account	13,626	10,910
Increase in fair value of investment properties	(5,842)	(5,547)
Deferred tax on changes in fair value of investment properties	1,183	974
Adjustments for realized gains of disposed investment properties	33	26
Increase/(decrease) in fair value of investment properties net of deferred tax attributable to minority interests	56	(2)
Share of increase in fair value of investment properties net of deferred tax of associates and jointly controlled entities	(2,856)	(1,064)
Underlying profit attributable to Company's shareholders	6,200	5,297

FINANCIAL REVIEW

Review of Results

Profit attributable to Company's shareholders for the six months ended 31 December 2007 was HK\$13,626 million, an increase of HK\$2,716 million or 24.9% compared to HK\$10,910 million for the corresponding period last year. The reported profit has included an increase in fair value of investment properties net of related deferred taxation of HK\$7,459 million for the current period and HK\$5,639 million for the corresponding period of the last financial year.

Underlying net profit for the period, excluding the effect of fair value changes on investment properties, amounted to HK\$6,200 million, a rise of HK\$903 million or 17.0% compared to HK\$5,297 million in the same period of last year. The increase was primarily attributable to higher profit contributions from property sales and net rental income as a result of improved development profit margin and notable rental reversions. Profit from property sales and net rental income for the period amounted to HK\$3,735 million and HK\$2,839 million, representing an increase of 13.8% and 12.0%, as compared to same period of last year, respectively.

Financial Resources and Liquidity

(a) Net debt and gearing

The Company's shareholders' funds as at 31 December 2007 increased to HK\$206,419 million or HK\$80.5 per share from HK\$185,476 million or HK\$74.4 per share at the previous year end. The increase of HK\$20,943 million or 11% was largely attributable to the net underlying profit retained for the six months ended 31 December 2007, the increase in fair value of the Group's investment property portfolio, and the increase in the Company's equity of HK\$10,891 million following the issue of 72.5 million new shares under a share placement made in October 2007.

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 31 December 2007, calculated on the basis of net debt to Company's shareholders' funds, was 14.3% compared to 14% at 30 June 2007. Interest cover, measured by the ratio of underlying profit from operations to total net interest expenses including those capitalized, was 7.2 times compared to 10.4 times for the same period last year.

As at 31 December 2007, the Group's gross borrowings totalled HK\$37,052 million. All borrowings of the Group are unsecured except for HK\$1,305 million related to the non-recourse bank borrowings of the Group's subsidiary, Route 3 (CPS) Company Limited, which were secured by way of charges over its assets. Net debt, after deducting cash and bank deposits of HK\$7,544 million, amounted to HK\$29,508 million. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2007 <i>HK\$ Million</i>	30 June 2007 <i>HK\$ Million</i>
Repayable :		
Within one year	2,054	773
After one year but within two years	4,726	5,429
After two years but within five years	18,389	21,585
After five years	11,883	5,545
Total borrowings	37,052	33,332
Cash and bank deposits	7,544	7,364
Net debt	29,508	25,968

(b) Treasury policies

The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 31 December 2007, about 91% of the Group's borrowings were raised through its wholly-owned finance subsidiaries and the remaining 9% 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 31 December 2007, about 86% of the Group's borrowings were denominated in Hong Kong dollars, 4% in Singapore dollars, 8% in US dollars and 2% in other currencies. The foreign currency borrowings were mainly for financing property projects outside Hong Kong.

The Group's borrowings are principally arranged on a floating rate basis. For some of the fixed rate notes issued by the Group, interest rate swaps have been used to convert the rates to floating rate basis. As at 31 December 2007, about 90% 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 10% were on fixed rate basis. The use of financial derivative instruments is strictly controlled and solely for management of the Group's underlying exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

As at 31 December 2007, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate amount of HK\$2,713 million and a currency swap (to hedge principal repayment of USD debt) in the amount of HK\$235 million.

Charges of assets

As at 31 December 2007, certain bank deposits of the Group's subsidiary, Smartone, in the aggregate amount of HK\$340 million, were pledged for securing performance bonds related to 3G licence and some other guarantees issued by the banks. Additionally, the assets of the Group's subsidiary, Route 3 (CPS) Company Limited, with an aggregate net book value of HK\$4,506 million, have been charged as collateral securities for its bank borrowings. Except for the above two charges, all the Group's assets are free from any encumbrances.

Contingent liabilities

As at 31 December 2007, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint venture companies and other guarantees in the aggregate amount of HK\$2,410 million (30 June 2007: HK\$3,402 million).

EMPLOYEES AND REMUNERATION POLICIES

As of end of 2007, the Group employed more than 27,000 employees. Given a continued buoyant economy, the Group has been alert to retaining and motivating talent and will make necessary compensation review to respond to the changes in employment market. Apart from the base salary, employees are offered with incentives such as discretionary bonuses and merit payments to reward employees their performance and contributions. The Group provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual requirements.

The Company has a share option scheme under which the Company may grant options to eligible employees to subscribe for shares in the Company. Particulars of the scheme are to be set out in the relevant sections of the Interim Report.

INTERIM DIVIDEND

The Directors declared an interim dividend of HK\$0.80 per share (2006: HK\$0.70 per share) payable in cash on 7 April 2008 to shareholders on the Register of Members as at 31 March 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 25 March 2008 to Monday, 31 March 2008 (both days inclusive). In order to establish entitlements to the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 20 March 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

Except for the share placement by the Company in October 2007, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares during the period for the six months ended 31 December 2007. In addition, the Company has not redeemed any of its ordinary shares during the period.

CORPORATE GOVERNANCE

During the six months ended 31 December 2007, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the following deviation:

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and not performed by the same individual. Given the current corporate structure, there is no separation between the roles of Chairman and Chief Executive Officer. Although the Group's Chairman and Chief Executive Officer is the same individual, power and authority are not concentrated as responsibilities are also shared with the two Vice-Chairmen and all major decisions are made in consultation with members of the Board and appropriate board committees, as well as top management. There are four Independent Non-Executive Directors on the Board offering independent and different perspectives. Therefore, the Board is of the view that there are adequate balance of power and safeguards in place.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements are unaudited, but have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 securities of the Company. Having made specific enquiry with Directors, all Directors confirmed that they have fully complied with the Model Code during the period for the six months ended 31 December 2007.

INTERIM REPORT

The interim report containing all the financial and other related information of the Company required by the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) will be published on the Stock Exchange’s website and the Group’s website www.shkp.com and copies will be sent to shareholders before the end of March 2008.

By Order of the Board
LAI Ho-kai, Ernest
Company Secretary

Hong Kong, 6 March 2008

As at the date of this announcement, the Board of Directors comprises eight Executive Directors, being KWOK Ping-sheung, Walter, KWOK Ping-kwong, Thomas, KWOK Ping-luen, Raymond, CHAN Kai-ming, CHAN Kui-yuen, Thomas, KWONG Chun, WONG Yick-kam, Michael and WONG Chik-wing, Mike; five Non-Executive Directors, being LEE Shau-kee, WOO Po-shing (WOO Ka-biu, Jackson being his Alternate Director), LI Ka-cheung, Eric, KWAN Cheuk-yin, William and LO Chiu-chun, Clement; and four Independent Non-Executive Directors, being CHUNG Sze-yuen, YIP Dicky Peter, WONG Yue-chim, Richard and CHEUNG Kin-tung, Marvin.