



The Group strives to create places that inspire, stimulate and transform the way our customers think, perform and behave. The Beverly Hills - luxurious living set in scenic surroundings.





Business in Hong Kong

Land Bank

2006 Highlights

- *Sizeable landbank with total attributable gross floor area of approximately 20.6 million square feet*
- *Approximately 29.9 million square feet of agricultural land in terms of site area - the largest of such holding among all Hong Kong property developers*
- *Several urban sites acquired, comprising over 770,000 square feet of developable gross floor area*

At the year end, the Group had a land bank in Hong Kong with total attributable gross floor area of approximately 20.6 million square feet, including completed investment properties and hotels with total gross floor area of approximately 9.24 million square feet and stock of unsold property units with total gross area of approximately 2.37 million square feet. In addition, the Group held rentable car parking spaces with a total area of around 2.5 million square feet.

| Location | Site area (sq.ft.) | Gross floor area (sq.ft.) | Land-use purpose | Group's interest (%) |
|--|--------------------|---------------------------|-------------------------|----------------------|
| Projects acquired during the year: | | | | |
| 1. 14 - 30 King Wah Road, North Point | 73,680 | 263,718 | Commercial/ Residential | 100.0 |
| 2. 500 - 502 Tung Chau Street, Cheung Sha Wan | 35,629 | 320,660 | Commercial/ Residential | 100.0 |
| | | 584,378 | | |
| Project acquired after the year end: | | | | |
| 3. Kam Kwok Building, Gloucester Road, and National Building, Jaffe Road | 15,955 | 187,032 | Commercial/ Residential | 92.3 |
| | | 771,410 | | |

Over the years, the Group has made significant acquisition of agricultural land with high development potential. The Group acquired during the year over 3.1 million square feet of agricultural land lots and proceeded to apply to the Government for land-use conversion of the land lots at a reasonable premium, with the aim of increasing development sites for the Group at relatively lower costs. At the year end, the Group had a holding of agricultural land lots of approximately 29.9 million square feet in terms of total land area, which is the largest holding among all property developers in Hong Kong. It is anticipated that, over the next few years, land-use conversion of agricultural land lots of the Group will, on average, provide development sites totalling around three million square feet in gross floor area each year.

During the year, the Group submitted applications to the Government for land exchange for the following sites: the site in Wu Kai Sha, Shatin District, which was approved by the Town Planning Board for Comprehensive Development Area Zoning, allowing a maximum permitted plot ratio of three times, can be developed to approximately 3 million square feet in total gross floor

area; the agricultural land lots situated at Tai Tong Road, Yuen Long are expected to result in a site with total gross floor area amounting to approximately 1.42 million square feet while the land lots located in Site B of Lam Tei at Tuen Mun will provide approximately 57,000 square feet in attributable gross floor area.

The Group's site in Fanling Sheung Shui Town Lot No. 229, together with adjacent land lots in Ng Uk Tsuen, is currently under construction. The gross floor area of this residential project will be increased to approximately 228,000 square feet in total. An application is currently being processed for the development of land lots in Wo Shang Wai, Yuen Long into low-density residential units comprising approximately 840,000 square feet in total gross floor area.

The Group has submitted applications to the Town Planning Board for land-use conversion in respect of agricultural land lots located at Ma Sik Road in Fanling totalling approximately 2.2 million square feet in land area. Assuming an average plot ratio of three times, the project will provide approximately 6.6 million square feet in total gross floor area.

Business in Hong Kong

Property Development

2006 Highlights

- *Approximately 680,448 square feet of residential properties completed for sale*
- *An attributable HK\$3,434.6 million worth of properties in Hong Kong sold and pre-sold*
- *Encouraging response received for the sale of “CentreStage” on Hollywood Road*
- *Purchasers applaud the newly completed “Grand Promenade” for its high standards of design, layout, building quality, facilities and management*

The majority of the Group’s development land bank in Hong Kong is earmarked for residential properties, with a view to producing high quality housing. The Group’s emphasis on quality and on the needs of the customer originates from a core aim of creating places that inspire, stimulate and transform the way residents think, perform and behave. Each residential project is therefore typically characterised by an overall pleasing ambience that today’s discerning buyers are looking for, including a focus on the provision of recreational facilities.



“From my many years in the industry, I have observed how outstanding professional interior design can enrich the lives of customers. I’m very proud to be part of a team that has accomplished so many unique projects and that continues to contribute to the Group’s reputation as a visionary developer.”

Ms. Anita Tang

Deputy General Manager, Sales Department



The Group’s approach to buildings is that they are not merely spaces to work or live in, but are also “places” in their own right. The Beverly Hills is an example of this committed approach, delivering an ambience that discerning new homebuyers find attractive.

The following development projects were completed during this financial year:

| Project | Location | Land-use purpose | Group's interest (%) | Attributable gross floor area (sq.ft.) |
|-----------------------------------|--|----------------------------|----------------------|--|
| 1. Grand Promenade - Towers 1 & 6 | 38 Tai Hong Street, Sai Wan Ho | Residential | 63.06 | 355,895 |
| 2. CentreStage | 108 Hollywood Road and 1-17 Bridges Street | Commercial/ Residential | 100.00 | 276,971 |
| 3. CentrePlace | 1 High Street | Residential | 100.00 | 63,666 |
| 4. Novotel Citygate | 51 Man Tung Road, Tung Chung | Hotel | 20.00 | 47,344 |
| | | | | 743,876 |



“The facilities really contribute to making this a first class living environment. The huge clubhouse goes beyond my expectations, providing everything from an extensive spa to a six star gym. You couldn't ask for more.”

Atsushi Hashimoto
Grand Promenade resident



Grand Promenade provides panoramic 270° views across the harbour from Central to Lei Yue Mun.

Up to the year end, 1,532 units and 329 units at Grand Promenade and CentreStage respectively were sold. Cumulatively, 76% and 85% respectively of the units at these two projects have been sold. A sales launch for CentrePlace is set to take place shortly. Novotel Citygate opened its doors to guests in April 2006.

Property Sales

A series of interest rate increases led to slower property transactions in the second half of the financial year. In light of the then cautious market sentiment, the Group decided to defer the launch of a few new developments including Grand Waterfront at To Kwa Wan until this August, so as to capitalize on subsequent improved conditions. As a result, the Group sold during the year an attributable HK\$3,434.6 million worth of properties in Hong Kong as compared with HK\$6,810.9 million for the year before.

At the year end, the Group had a total of 6,486 residential units available for sale from the following major property development projects:

(1) Major completed development projects offered for sale:

| Project name and location | Site area (sq.ft.) | Gross floor area (sq.ft.) | Land-use purpose | Group's interest (%) | No. of residential units unsold & pending sale as at financial year end | Gross area of remaining unsold residential units (sq.ft.) |
|---|--------------------|---------------------------|----------------------------|--|---|---|
| 1. Casa Marina I 28 Lo Fai Road, Tai Po | 283,200 | 226,561 | Residential | 100.00 | 48 | 164,667 |
| 2. Casa Marina II 1 Lo Ping Road, Tai Po | 228,154 | 182,545 | Residential | 100.00 | 48 | 145,849 |
| 3. King's Park Hill 1-98 King's Park Hill Road | 168,392 | 241,113 | Residential | 61.76 | 34 | 75,121 |
| 4. Palatial Crest 3 Seymour Road | 17,636 | 185,295 | Commercial/ Residential | 63.35 | 20 | 25,823 |
| 5. Royal Peninsula 8 Hung Lai Road | 162,246 | 1,478,552 | Residential | 50.00 | 38 | 47,276 |
| 6. Sereno Verde & La Pradera 99 Tai Tong Road, Yuen Long | 380,335 | 1,141,407 | Residential | 44.00 | 14 | 12,355 |
| 7. Royal Terrace 933 King's Road | 16,744 | 138,373 | Commercial/ Residential | 100.00 | 24 | 19,795 |
| 8. Park Central - Phases 1 & 2 Tseung Kwan O Town Lot Nos. 57 and 66 | 359,883 | 2,932,813 | Commercial/ Residential | 24.63 | 53 | 43,861 |
| 9. Metro Harbour View - Phases 1 & 2 8 Fuk Lee Street | 228,595 | 1,714,463 | Residential | 60.64 | 204 | 117,960 |
| 10. Paradise Square 3 Kwong Wa Street | 17,297 | 159,212 | Commercial/ Residential | 100.00 | 50 | 31,927 |
| 11. Grand Promenade 38 Tai Hong Street, Sai Wan Ho | 131,321 | 1,410,629 | Residential | 63.06 | 488 | 511,549 |
| 12. Splendid Place 39 Taikoo Shing Road | 10,405 | 86,023 | Commercial/ Residential | 75.00 | 18 | 12,059 |
| 13. Central Heights Park Central - Phase 3 | 39,148 | 319,066 | Residential | 25.00 | 215 | 193,649 |
| 14. Royal Green - Phase 1 18 Ching Hiu Road, Sheung Shui | 97,133 (Note 1) | 320,262 | Residential | 45.00 | 211 | 144,669 |
| 15. CentreStage 108 Hollywood Road and 1-17 Bridges Street | 26,903 | 276,971 | Commercial/ Residential | 100.00 | 59 | 71,551 |
| | | | | Sub-total : | 1,524 | 1,618,111 |
| | | | | Gross area attributable to the Group: | | 1,053,091 |

(2) Projects under construction offered for pre-sale and projects pending sale or pre-sale:

| Project name and location | Site area (sq.ft.) | Gross floor area (sq.ft.) | Land-use purpose | Group's interest (%) | Residential | |
|---|---------------------|---------------------------|----------------------------|----------------------|--------------|---------------------|
| | | | | | No. of units | Gross area (sq.ft.) |
| (A) Project under construction offered for pre-sale | | | | | | |
| 1. Royal Green - Phase 2 18 Ching Hiu Road, Sheung Shui | 97,133 (Note 1) | 165,358 | Residential | 45.00 | 187 | 152,712 |
| (B) Projects pending sale or pre-sale | | | | | | |
| 2. Scenic Horizon 250 Shau Kei Wan Road | 6,808 | 54,810 | Commercial/ Residential | 18.13 | 100 | 50,227 |
| 3. CentrePlace 1 High Street | 15,824 | 63,666 | Residential | 100.00 | 95 | 63,666 |
| 4. Grand Waterfront 38 San Ma Tau Street, To Kwa Wan | 130,523 | 1,109,424 | Commercial/ Residential | (Note 2) | 1,782 | 978,923 |
| 5. The Sherwood 8 Fuk Hang Tsuen Road, Tuen Mun | 396,434 | 836,868 | Commercial/ Residential | 100.00 | 1,576 | 806,729 |
| 6. The Beverly Hills Tai Po Town Lot No. 161 | 982,376 (Note 3) | 1,164,126 | Residential | 90.10 | 535 | 1,164,126 |
| 7. 50 Tan Kwai Tsuen, Yuen Long | 54,487 | 54,487 | Residential | 100.00 | 119 | 54,487 |
| 8. 33 Lai Chi Kok Road, Mong Kok | 9,600 | 84,156 | Commercial/ Residential | 100.00 | 108 | 68,284 |
| 9. Lot No. 1740 in DD 122 Tong Yan San Tsuen, Yuen Long | 78,781 | 78,781 | Residential | 100.00 | 60 | 78,781 |
| 10. 500-502 Tung Chau Street, Cheung Sha Wan | 35,629 | 320,660 | Commercial/ Residential | 100.00 | 400 | 267,216 |
| Sub-total : | | | | | 4,962 | 3,685,151 |
| Gross area attributable to the Group: | | | | | | 2,916,857 |
| Total saleable residential units and total residential gross area from the major development projects: | | | | | 6,486 | 5,303,262 |
| Total gross area attributable to the Group: | | | | | | 3,969,948 |

Note 1: Total site area for the whole Phase 1 and Phase 2 of the "Royal Green" is 97,133 square feet.

Note 2: The Group has respective interests of 46.07% and 26.13% in the residential portion and the commercial portion of this project.

Note 3: This project will be sold in phases.



| *Royal Green. Spacious, refined living in lush surroundings.*

Progress of Major Residential and Hotel Developments

Royal Green - Phase 2, 18 Ching Hiu Road, Sheung Shui (45% owned)

| | |
|---------------------|--|
| Site area | : 97,133 square feet (for the whole “Royal Green” project) |
| Gross floor area | : 165,358 square feet |
| Residential units | : 282 (of which 187 remained unsold at the year end) |
| Expected completion | : August 2006 |

Its 39-storey tower stands majestically high above all other buildings in the area and are set amidst gorgeous lush green surroundings. Typical units range in size from 500 square feet to 940 square feet. The development’s luxurious “Green Palace” duplex units are situated at the top of the tower and provide residents with breathtaking panoramic views. From the grand entry foyer and hotel-style lobby to the exclusive resort-style residents’ clubhouse, every detail of this development reflects the Group’s attention to world-class design and architectural standards.

163 Wai Yip Street, Kwun Tong (100% owned)

| | |
|---------------------|-----------------------|
| Site area | : 19,050 square feet |
| Gross floor area | : 241,663 square feet |
| Guest rooms | : 598 |
| Expected completion | : January 2007 |

This site will be developed into a 31-storey hotel offering 598 stylish guest rooms, gourmet restaurants and exceptional hospitality to travellers and local residents alike.

*Grand Waterfront, 38 San Ma Tau Street,
To Kwa Wan (46.07% owned in residential portion
and 26.13% in commercial portion)*

| | | |
|---------------------|---|-----------------------|
| Site area | : | 130,523 square feet |
| Gross floor area | : | 1,109,424 square feet |
| Residential units | : | 1,782 |
| Expected completion | : | March 2007 |

Dominating Victoria Harbour, the Grand Waterfront represents the latest in world-class waterfront living. With 5 residential towers over a commercial podium, units in the development will range from 500 square feet 2-bedroom apartments to executive units of over 1,700 square feet. The project's state of the art home automation technology and luxurious clubhouse have been specifically tailored to the lifestyle demands of modern city dwellers.



| *Grand Waterfront. Designed with the ultimate urbanite in mind – harbour-side living with state-of-the-art home automation technology.*



| City living in the country. The luxurious townhouses and exceptional facilities of The Beverly Hills are set in the hills overlooking Tolo Harbour.

**Lot No. 1740 in DD 122, Tong Yan San Tsuen,
Yuen Long (100% owned)**

| | | |
|---------------------|---|--------------------|
| Site area | : | 78,781 square feet |
| Gross floor area | : | 78,781 square feet |
| Residential units | : | 60 |
| Expected completion | : | June 2007 |

This site will be developed into 11 low-density residential blocks and two luxurious detached houses with a total gross floor area of approximately 78,000 square feet. In total there will be 60 units including low-rise apartments, duplex units and deluxe private villas together with car parking and clubhouse facilities.

**The Beverly Hills, Tai Po Town Lot No. 161
(90.10% owned)**

| | | |
|---------------------|---|--------------------------|
| Site area | : | 982,376 square feet |
| Gross floor area | : | 1,164,126 square feet |
| Residential units | : | 535 |
| Expected completion | : | September 2007 (Phase 3) |

The site will be developed by phases into 535 luxurious houses with a total gross floor area of approximately 1,164,000 square feet and approximately 1,000 car parking spaces. The first two phases comprising 372 houses have a total gross floor area of approximately 723,000 square feet. Completed in July 2002, these two phases are undergoing upgrading work, which is expected to be completed in late 2006. Phase 3 will be developed into 163 luxurious houses with a total gross floor area of approximately 441,000 square feet. Superstructure work is in progress.

500-502 Tung Chau Street, Cheung Sha Wan (100% owned)

| | | |
|---------------------|---|---------------------|
| Site area | : | 35,629 square feet |
| Gross floor area | : | 320,660 square feet |
| Residential units | : | 400 |
| Expected completion | : | August 2008 |

This residential development consists of a 38-storey twin tower above a 6-storey shopping and car-parking podium. The total gross floor area of the site is approximately 320,660 square feet and comprises approximately 400 residential flats, 97 car parking spaces, a podium and clubhouse facilities. Piling work has been completed and superstructure work is now in progress.

11-12 Headland Road, Island South (44.42% owned)

| | | |
|---------------------|---|--------------------|
| Site area | : | 43,492 square feet |
| Gross floor area | : | 32,619 square feet |
| Residential units | : | 4 |
| Expected completion | : | August 2008 |

This site will be developed into four three-storey luxurious mansions with a total gross floor area of approximately 32,600 square feet. The living space of each mansion will range from the basement up to the second floor and will be complemented by a private roof, garden, swimming pool and car parking spaces.

33 Lai Chi Kok Road, Mong Kok (100% owned)

| | | |
|---------------------|---|--------------------|
| Site area | : | 9,600 square feet |
| Gross floor area | : | 84,156 square feet |
| Residential units | : | 108 |
| Expected completion | : | September 2008 |

This site will be developed into a 28-storey residential tower over a two-level commercial podium, complemented by a residents clubhouse. Deluxe duplex units will be situated on the top floor of the tower, leading to a private roof. The development will provide a total gross floor area of approximately 84,000 square feet.

Yau Tong Bay Marine Lots and Associated Areas (19.01% owned)

The environmental impact assessments of both the reclamation and the proposed development of this site were approved by the Director of Environment Protection Department in April 2002. Subsequently, in June 2002, the new Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan incorporating the extension of the Comprehensive Development Area ("CDA") boundary and increase in development intensity was gazetted by the Town Planning Board. The entire CDA site is intended to be developed into 38 residential towers with a total gross floor area of 9.7 million square feet, of which 1.72 million square feet is attributable to the Group. The Planning Department is now reviewing the reclamation involved in order to assess whether it is in compliance with the Protection of Harbour Ordinance.

Progress of Major Office and Industrial Property Developments

The Group has many new offices and industrial properties in the pipeline providing some 1.7 million square feet in gross floor area. The majority of these properties, amounting to 1.3 million square feet, will become premium office and commercial spaces equipped with state-of-the-art facilities to meet the needs of modern companies and multinational corporations. Industrial space accounts for the approximately 0.4 million square feet. They are well positioned to benefit from the impending redevelopments of Kwun Tong town centre and the former Kai Tak airport site in Southeast Kowloon.

Commercial / Office

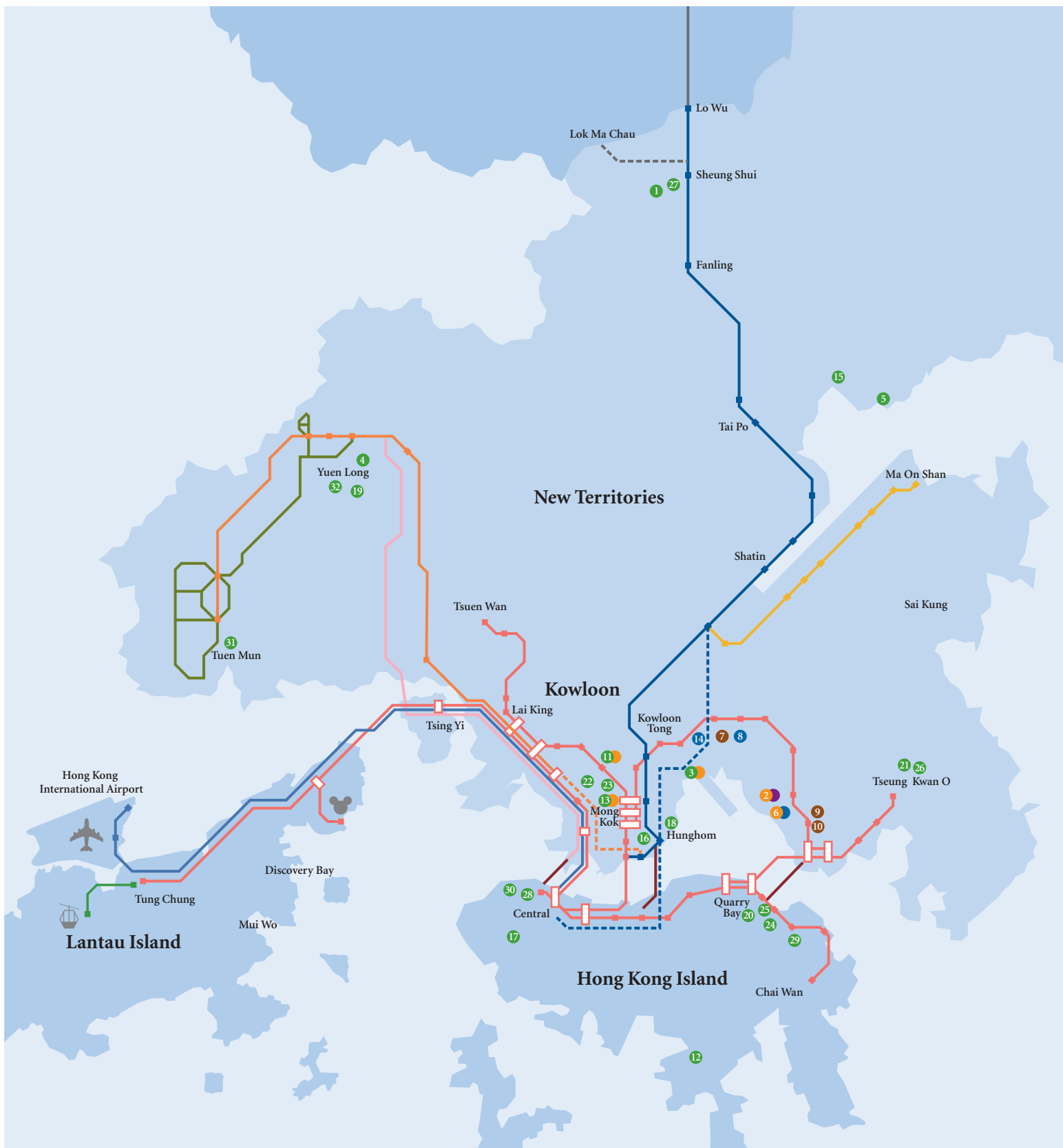
- **223-231 Wai Yip Street, Kwun Tong (88.5% owned)**

This site comprises 91,000 square feet site in the commercial hub of Kowloon East. Two premium office towers will be built on the site with a floor area of over 1.0 million square feet, fully equipped with the latest intelligent automation system, a convention centre, a retail podium and ample parking spaces. Upon completion by the fourth quarter of 2007, it will become the landmark development in Kowloon East and bring significant return to the Group.

- **9-11 Sheung Hei Street, San Po Kong (100% owned)**
This development will comprise approximately 125,000 square feet of office space. Foundation work is in progress and the development is expected to be completed in early 2008.
- **712 Prince Edward Road East, San Po Kong (100% owned)**
This site will be developed into an office building with a total gross floor area of approximately 216,000 square feet. Foundation work is in progress and the development is expected to be completed by the end of 2008.

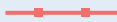

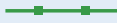

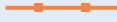
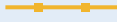
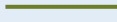
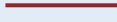
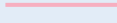
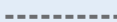

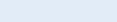
Industrial

- **1-3 Tai Yau Street, San Po Kong (70% owned)**
This site will be developed into a 22-storey modern industrial building with a total gross floor area of about 189,400 square feet. Foundation works were completed in July 2006 and the development is expected to be completed in late 2007.
- **78 Hung To Road, Kwun Tong (100% owned)**
This site will be developed into a modern industrial building with a total gross floor area of approximately 120,000 square feet. Upon completion of the foundation works in September 2006, superstructure works will commence, with expected completion in early 2008.
- **52 Hung To Road, Kwun Tong (100% owned)**
This development will contain approximately 125,000 square feet of industrial space and the scheduled completion date is mid-2008.



| Major Projects Under Development | | | | | |
|---|-------------|------------|--------|-------|------------|
| Location | Residential | Commercial | Office | Hotel | Industrial |
| 1 Royal Green - Phase 2 | ● | | | | |
| 2 Newton Hotel | | | | ● | |
| 3 Grand Waterfront | ● | ● | | | |
| 4 Lot No.1740 in DD 122, Tong Yan San Tsuen | ● | | | | |
| 5 The Beverly Hills | ● | | | | |
| 6 223-231 Wai Yip Street | | ● | ● | | |
| 7 1-3 Tai Yau Street | | | | | ● |
| 8 9-11 Sheung Hei Street | | | ● | | |
| 9 78 Hung To Road | | | | | ● |
| 10 52 Hung To Road | | | | | ● |
| 11 500-502 Tung Chau Street | ● | ● | | | |
| 12 11-12 Headland Road | ● | | | | |
| 13 33 Lai Chi Kok Road | ● | ● | | | |
| 14 712 Prince Edward Road East | | | ● | | |

| Major Completed Development Projects <i>offered for sale or pending sale</i> | |
|--|---|
| 15 Casa Marina I & II | ● |
| 16 King's Park Hill | ● |
| 17 Palatial Crest | ● |
| 18 Royal Peninsula | ● |
| 19 Sereno Verde & La Pradera | ● |
| 20 Royal Terrace | ● |
| 21 Park Central - Phases 1 & 2 | ● |
| 22 Metro Harbour View - Phases 1 & 2 | ● |
| 23 Paradise Square | ● |
| 24 Grand Promenade | ● |
| 25 Splendid Place | ● |
| 26 Central Heights | ● |
| 27 Royal Green - Phase 1 | ● |
| 28 CentreStage | ● |
| 29 Scenic Horizon | ● |
| 30 CentrePlace | ● |
| 31 The Sherwood | ● |
| 32 50 Tan Kwai Tsuen | ● |

- Existing Line**
-  MTR
 -  Airport Express
 -  Tung Chung Cable Car
 -  KCR East Rail
 -  KCR West Rail
 -  KCR Ma On Shan Rail
 -  Light Rail
 -  Cross Harbour Tunnels
 -  Route 3
- Under Construction**
-  Lok Ma Chau Spur Line
 -  Kowloon Southern Link
- Under Planning**
-  Shatin to Central Link



“The power of visionary thinking, the desire to maintain Hong Kong’s position as a world financial centre and a revolution in design - International Finance Centre - Hong Kong’s icon to the world.”

Cesar Pelli
Architect, Two iFC.

Business in Hong Kong

Property Investment

2006 Highlights

- *Approximately HK\$2,730.0 million of gross rental income, including contributions from jointly controlled entities*
- *Approximately 9.24 million square feet of completed investment properties and hotels*
- *Quality portfolio with core properties attaining 95% occupancy at the year end*

The Group's gross rental income, including attributable contributions from jointly controlled entities, increased by 16.0% during the year to approximately HK\$2,730.0 million. Net rental income increased from last year's HK\$1451.3 million to HK\$1707.5 million. Average occupancy of the Group's core rental properties remained robust, at 95% as at the end of the period under review. During the year, 26.6% of the tenancies in the Group's investment properties, representing gross floor area of about 1.3 million square feet, were renewed.

Commercial

Increased retail spending as a result of the improved economy, coupled with an influx of mainland and overseas visitors, continued to bolster the local retail sector and fuelled solid performance at the Group's retail sites.

IFC Mall is now established as a major retail and leisure destination in Central. The Mall maintained near full occupancy throughout the year with an attractive tenant mix that includes international brand name retailers and up-market restaurants. The Group's wider network of large-scale shopping malls in new towns, including Metro City Phases II & III in Tseung Kwan O, Sunshine City in Ma On Shan, City Landmark in Tsuen Wan, Trend Plaza in Tuen Mun, Shatin Centre and Shatin Plaza, also performed well with high occupancy levels.

During the year the Group continued to upgrade and renovate its substantial portfolio of shopping centres with the intention of creating a better retail experience for shoppers, satisfying changing customer tastes and increasing sales for tenants.

Phase 1 of renovation works at Trend Plaza in Tuen Mun was completed in early 2006, with phases 2 and 3 set to commence in 2007. Rental income at the Trend Plaza increased by 30% during the year, while double-digit business growth was reported by tenants over the same period. This process of realigning the tenant mix and upgrading facilities to create more attractive retail environments will continue at the Group's other shopping centres such as Shatin Plaza and Metro City II in Tseung Kwan O.



ifc mall. Hong Kong's premier retail and entertainment destination.



Four Seasons Place – Hong Kong's most exclusive address.



“State of the art infrastructure, CBD location and accessibility combine to make Two ifc a truly world-class property - a beautiful building in which to welcome our clients, a tremendous working environment for our employees - and that's before mentioning the amazing views.”

Mr. Matthew McGrath
Managing Director
Regional Head of Corporation Communications
UBS AG

Offices

The Group's office portfolio comprises approximately 2.5 million square feet of rental office space. During the year, the office market recorded strong rental growth, fuelled by greater demand particularly from the finance and other services sectors. Following the final completion of the IFC in September 2005, the office space in IFC is almost fully leased. The Group's two other quality office towers in prime locations, Kowloon Building in Mong Kok and AIA Tower in North Point, also experienced strong demand, achieving occupancy levels of over 98% and 96% respectively at the year end.

Residential

The Group has about 1 million square feet of residential investment properties, including luxury developments such as Four Seasons Place in Central and Eva Court in Mid-Levels. With multinational companies increasing their headcounts and an increasing influx of expatriates being based in Hong Kong, the demand for both serviced suites and residential accommodation remained strong. The serviced suites at Four Seasons Place were the most sought after of their kind in Hong Kong, enjoying satisfactory occupancy level and room rates. Eva Court enjoyed 92% occupancy as at the end of the period under review.

Industrial

The Group also owns a number of industrial premises, making its investment property portfolio more balanced and diversified.

Property Investment

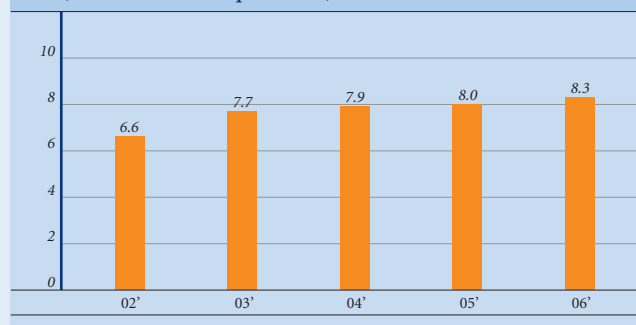
Major Completed Investment Properties

| Name | Location | Lease expiry | Group's interest (%) | Attributable gross floor area (square feet) | | | | Total | Attributable no. of carpark |
|--|--|------------------|----------------------|---|------------|---------|--------------------|---------|-----------------------------|
| | | | | Residential | Commercial | Office | Industrial/ Office | | |
| Hong Kong Island | | | | | | | | | |
| Eva Court | 36 MacDonnell Road, Mid-Levels | 2895 | 67.94 | 73,521 | – | – | – | 73,521 | 32 |
| Golden Centre | 170-188 Des Voeux Road Central, Central | 2050 | 100.00 | – | 21,842 | 134,450 | – | 156,292 | – |
| ING Tower (formerly known as Aetna Tower) | 308-320 Des Voeux Road Central / 98-116 Wing Lok Street | 2865 | 100.00 | – | 31,987 | 182,373 | – | 214,360 | – |
| On Loong Commercial Building (excluding 6/F-A & 21/F) | 276-278 Lockhart Road, Wanchai | 2027 | 100.00 | – | 1,708 | 23,856 | – | 25,564 | – |
| Joseph Yen Industrial Building | 24 Lee Chung Street, Chai Wan | 2038 (Note 1) | 100.00 | – | – | – | 114,300 | 114,300 | 10 |
| AIA Tower | 183 Electric Road, North Point | 2047 | 94.56 | – | 21,123 | 463,412 | – | 484,535 | 242 |
| One International Finance Centre | 1 Harbour View Street, Central | 2047 | 38.34 | – | 50,278 | 300,770 | – | 351,048 | 135 |
| Two International Finance Centre (excluding levels 55, 56 and 77 to 88) | 8 Finance Street, Central | 2047 | 38.34 | – | 195,108 | 632,706 | – | 827,814 | 365 |
| Four Seasons Place | 8 Finance Street, Central | 2047 | 38.34 | 203,222 | – | – | – | 203,222 | – |
| 248 Queen's Road East (formerly known as MLC Tower and CEF Life Tower) | 248 Queen's Road East, Wanchai | 2854 | 17.13 | – | 1,967 | 55,401 | – | 57,368 | 8 |
| Nine Queen's Road Central (4/F, 18/F, 20/F & 32/F) | Nine Queen's Road Central | (Note 2) | 100.00 | – | – | 54,974 | – | 54,974 | – |
| CentreStage | 108 Hollywood Road and 1-17 Bridges Street | 2072 | 100.00 | – | 16,084 | – | – | 16,084 | 64 |
| Kowloon | | | | | | | | | |
| Hollywood Plaza | 610 Nathan Road, Mong Kok | 2047 | 22.64 | – | 22,762 | 43,760 | – | 66,522 | – |
| Kowloon Building | 555 Nathan Road, Mong Kok | 2060 | 67.94 | – | 19,468 | 57,496 | – | 76,964 | – |
| Righteous Centre | 585 Nathan Road, Mong Kok | 2037 | 100.00 | – | 10,763 | 41,004 | – | 51,767 | – |
| Winning Centre | 29 Tai Yau Street, San Po Kong | 2047 | 100.00 | – | – | – | 150,212 | 150,212 | – |
| Well Tech Centre (1/F to 15/F & 20/F to 29/F) | 9 Pat Tat Street, San Po Kong | 2047 | 67.94 | – | – | – | 92,654 | 92,654 | 32 |
| 579 Nathan Road | 579 Nathan Road, Mong Kok | 2037 | 100.00 | – | 7,805 | 18,810 | – | 26,615 | – |
| Paradise Square | 3 Kwong Wa Street, Mong Kok | 2054 | 100.00 | – | 25,979 | – | – | 25,979 | 72 |
| Everglory Centre | 1B Kimberley Street, Tsimshatsui | 2042 | 100.00 | – | 3,797 | 24,762 | – | 28,559 | – |
| Dragon Centre | 79 Wing Hong Street, Cheung Sha Wan | 2023 | 100.00 | – | – | – | 172,117 | 172,117 | 76 |

Major Completed Investment Properties (cont'd)

| Name | Location | Lease expiry | Group's interest (%) | Attributable gross floor area (square feet) | | | | Total | Attributable no. of carpark |
|--|---|--------------|----------------------|---|-------------------|---------|-------------------|---------|-----------------------------|
| | | | | Residential | Commercial | Office | Industrial/Office | | |
| New Territories | | | | | | | | | |
| Fanling Centre | 33 San Wan Road, Fanling | 2047 | 92.61 | – | 140,316 | – | – | 140,316 | 279 |
| Flora Plaza | 88 Pak Wo Road, Fanling | 2047 | 60.00 | – | 94,657 | – | – | 94,657 | 130 |
| Block C, Hang Wai Industrial Centre | Pui To Road / Kin On Street / Kin Wing Street/ Kin Tai Street, Tuen Mun | 2047 | 67.94 | – | – | – | 198,564 | 198,564 | 130 |
| The Trend Plaza | Tuen Mun Heung Sze Wui Road, Tuen Mun | 2047 | 67.94 | – | 132,673 | – | – | 132,673 | 53 |
| Marina Cove | Lot No. 526 in D.D. No. 210, Sai Kung | 2047 | 40.00 | – | 9,566 (Note 3) | – | – | 9,566 | 151 |
| City Landmark I (formerly known as City Landmark) | 68 Chung On Street, Tsuen Wan | 2047 | 74.96 | – | 138,555 | 156,981 | – | 295,536 | 100 |
| City Landmark II (formerly known as Town Square) | 145-165 Castle Peak Road, Tsuen Wan | 2047 | 91.66 | – | 142,093 | – | – | 142,093 | 116 |
| Skyline Plaza | 88 Tai Ho Road, Tsuen Wan | 2047 | 100.00 | – | 154,259 | – | – | 154,259 | 104 |
| Shatin Centre | 2-16 Wang Pok Street, Sha Tin | 2047 | 67.94 | – | 67,960 | – | – | 67,960 | 370 |
| Shatin Plaza | 21-27 Shatin Centre Street, Sha Tin | 2047 | 77.55 | – | 114,730 | – | – | 114,730 | 104 |
| Blocks A & B, Sunshine City | 18 On Shing Street, Ma On Shan | 2047 | 100.00 | – | 9,305 | – | – | 9,305 | – |
| Blocks C & D Sunshine City | 22 On Shing Street, Ma On Shan | 2047 | 50.00 | – | 5,118 | – | – | 5,118 | – |
| Blocks N, P, Q & R, Sunshine City | 8 On Shing Street, Ma On Shan | 2047 | 100.00 | – | 58,881 | – | – | 58,881 | 196 |
| Sunshine City Plaza | 18 On Luk Street, Ma On Shan | 2047 | 100.00 | – | 532,637 | – | – | 532,637 | 831 |
| Sunshine Bazaar | 628 Sai Sha Road, Ma On Shan | 2047 | 100.00 | – | 79,642 | – | – | 79,642 | 234 |

Completed Investment Properties
(GFA in million square feet)





A combined residential and commercial development, The Sherwood includes extensive clubhouse facilities for residents.

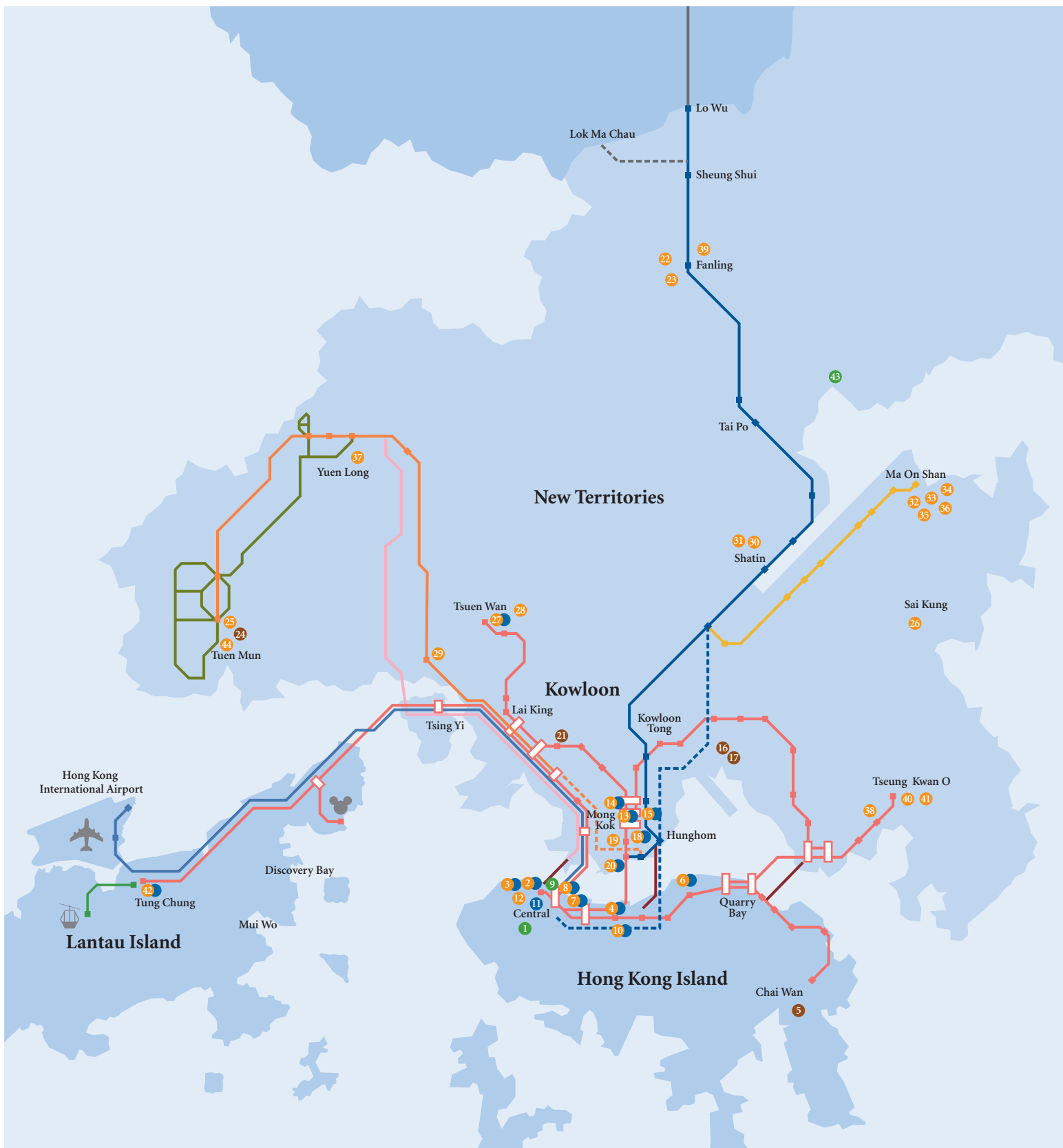
Major Completed Investment Properties (cont'd)

| Name | Location | Lease expiry | Group's interest (%) | Attributable gross floor area (square feet) | | | | Attributable no. of carpark | |
|--|--|--------------|----------------------|---|------------------|------------------|-------------------|-----------------------------|--------------|
| | | | | Residential | Commercial | Office | Industrial/Office | | |
| <i>New Territories (cont'd)</i> | | | | | | | | | |
| Citimall | 1 Kau Yuk Road, Yuen Long | 2047 | 100.00 | – | 140,341 | – | – | 140,341 | 51 |
| La Cité Noble Shopping Arcade | 1 Ngan O Road, Tseung Kwan O | 2047 | 100.00 | – | 35,186 | – | – | 35,186 | – |
| Dawning Views Plaza | 23 Yat Ming Road, Fanling | 2047 | 100.00 | – | 87,766 | – | – | 87,766 | – |
| Metro City Phase 2 Shopping Arcade | 8 Yan King Road, Tseung Kwan O | 2047 | 100.00 | – | 956,849 | – | – | 956,849 | 669 |
| The Metropolis, Metro City Phase 3 Shopping Arcade | 8 Mau Yip Road, Tseung Kwan O | 2047 | 100.00 | – | 266,954 | – | – | 266,954 | 232 |
| Citygate | 20 Tat Tung Road, Tung Chung, Lantau Islands | 2047 | 20.00 | – | 92,536 | 32,280 | – | 124,816 | 233 |
| The Beverly Hills, Phases 1 & 2 | Tai Po Town Lot, No. 161, Tai Po | 2047 | 90.10 | 489,361 | – | – | – | 489,361 | – |
| The Sherwood | 8 Fuk Hang Tsuen Road, Tuen Mun | 2052 | 100.00 | – | 30,139 | – | – | 30,139 | 308 |
| Total: | | | | 766,104 | 3,720,834 | 2,223,035 | 727,847 | 7,437,820 | 5,327 |

Note 1: It is renewable for 75 years.

Note 2: Of the four lots, three lots will expire in 2854 and the remaining lot will expire in 2856.

Note 3: There are also 121 pontoons and 30 hardstand spaces attributable to the Group.



Major Completed Investment Properties

| Location | Residential | Commercial | Office | Industrial/Office |
|--|-------------|------------|--------|-------------------|
| | ● | ● | ● | ● |
| 1 Eva Court | ● | | | |
| 2 Golden Centre | | ● | ● | |
| 3 ING Tower | | ● | ● | |
| 4 On Loong Commercial Building | | ● | ● | |
| 5 Joseph Yen Industrial Building | | | | ● |
| 6 AIA Tower | | ● | ● | |
| 7 One International Finance Centre | | ● | ● | |
| 8 Two International Finance Centre | | ● | ● | |
| 9 Four Seasons Place | ● | | | |
| 10 248 Queen's Road East | | ● | ● | |
| 11 Nine Queen's Road Central | | | ● | |
| 12 CentreStage | | ● | | |
| 13 Hollywood Plaza | | ● | ● | |
| 14 Kowloon Building | | ● | ● | |
| 15 Righteous Centre | | ● | ● | |
| 16 Winning Centre | | | | ● |
| 17 Well Tech Centre | | | | ● |
| 18 579 Nathan Road | | ● | ● | |
| 19 Paradise Square | | ● | | |
| 20 Everglory Centre | | ● | ● | |
| 21 Dragon Centre | | | | ● |
| 22 Fanling Centre | | ● | | |
| 23 Flora Plaza | | ● | | |
| 24 Block C, Hang Wai Industrial Centre | | | | ● |
| 25 The Trend Plaza | | ● | | |
| 26 Marina Cove | | ● | | |
| 27 City Landmark I | | ● | ● | |
| 28 City Landmark II | | ● | | |
| 29 Skyline Plaza | | ● | | |
| 30 Shatin Centre | | ● | | |
| 31 Shatin Plaza | | ● | | |
| 32 Blocks A & B, Sunshine City | | ● | | |
| 33 Blocks C & D Sunshine City | | ● | | |
| 34 Blocks N, P, Q & R, Sunshine City | | ● | | |
| 35 Sunshine City Plaza | | ● | | |
| 36 Sunshine Bazaar | | ● | | |
| 37 Citimall | | ● | | |
| 38 La Cité Noble Shopping Arcade | | ● | | |
| 39 Dawning Views Plaza | | ● | | |
| 40 Metro City Phase 2 Shopping Arcade | | ● | | |
| 41 The Metropolis | | ● | | |
| 42 Citygate | | ● | ● | |
| 43 The Beverly Hills, Phases 1 & 2 | ● | | | |
| 44 The Sherwood | | ● | | |

Existing Line

| | |
|--|-----------------------|
| | MTR |
| | Airport Express |
| | Tung Chung Cable Car |
| | KCR East Rail |
| | KCR West Rail |
| | KCR Ma On Shan Rail |
| | Light Rail |
| | Cross Harbour Tunnels |
| | Route 3 |

Under Construction

| | |
|--|-----------------------|
| | Lok Ma Chau Spur Line |
| | Kowloon Southern Link |

Under Planning

| | |
|--|------------------------|
| | Shatin to Central Link |
|--|------------------------|

Business in Hong Kong

Property Related Businesses



The conscientious approach of the Group's construction division to every project is reflected in the numerous industry awards it receives.

Hotels

The number of tourist arrivals in Hong Kong has steadily increased during the year, driven by continued economic growth and the expansion of the Individual Visit Scheme for mainland tourists coming to Hong Kong. These factors contributed to the Group's three Newton hotels recording a marked increase in room revenue for the year, resulting in a higher average occupancy of 82% and a 9.3% growth in average room rates. The restaurants in these hotels, particularly at the Newton Hotel Hong Kong, also performed well with a double-digit growth in business.

The Group is constructing a new hotel in Kwun Tong. On completion in early 2007, this 31-storey hotel building will become a new landmark in Kowloon East offering 598 luxurious rooms complemented by innovative food and beverage concepts.

The grand opening of the luxurious Four Seasons Hotel took place in September 2005, bringing a new standard of deluxe accommodation, elegant decor and fine dining to Hong Kong. The Hotel's prime location in the IFC complex at the heart of city created an immediate high demand for its rooms from international business and leisure travellers. The Hotel provides an exceptional experience in every detail, with the intuitive, personalised Four Seasons service that has earned the acclaim of discerning travelers for over four decades. The Four Seasons Hotel is also widely regarded as the best dining venue as its excellent restaurants offer a range of exotic gourmet and local delicacies.

Construction

The construction division plays a vital role in the Group's ability to deliver projects of the highest standards. The early involvement of the construction division during the design stage of projects ensures that design and constructability of projects are core consideration and that quality and cost controls are adhered to throughout, thereby improving returns.

Utilizing the division, the Group is able to build desirable properties that use areas efficiently while benefiting from proper circulation, appealing building form and advanced construction technology. This helps to fulfil our commitment to delivering beyond expectations to our customers.

The Group maintains constant communications with its construction staff in order to advance their work skills and enhance site safety. The Group is also committed to various green initiatives during construction that have been widely recognized as being effective in minimizing the impact of new developments on neighbourhoods and on the environment. For its conscientious approach the Group has consecutively received numerous accolades including "Outstanding Waste Management Performance Grand Award" and "Considerate Contractors Site Award" from the Environment, Transport and Works Bureau.

Property Management

The Group's reputation for excellent customer service is significantly attributable to the work of its property management subsidiaries, Well Born Real Estate Management Limited and Hang Yick Properties Management Limited. These companies currently manage some 200 property developments across the territory, comprising a total of over 73,000 residential, commercial and industrial units and shops, and more than 16,000 car parking spaces. They continue to win widespread praise from the public for their dedication to creating comfortable living conditions for residents, friendly shopping experiences for customers and business friendly environments for entrepreneurs.

The two companies' unrivalled reputation in the property management industry has earned widespread recognition from many professional organizations. The 146 performance-related accolades received by the companies this year included being named Business Superbrands, winning the Customer Relationship Excellence Awards for the fourth consecutive year and winning the Grand Award of Hong Kong's first Green Building Awards.



The Group's property management subsidiaries, Wellborn and Hang Yick, have won many performance accolades for their outstanding customer service.



Hong Kong Management Association Chairman Dr. David Li presents the Group's other property management subsidiary, Goodwill, with the 2005 Management Development Credit Unit Award. The award recognises the company's significant commitment to staff training.

Business in Hong Kong Marketing

As one of the largest property developers in Hong Kong, the Group has adopted a dynamic and innovative approach to brand building in order to retain a dominant position and share of voice in the highly competitive property market. During the year, the Group's successful sales and promotion campaigns for its major developments have won unprecedented industry-wide acclaim. Its use of innovative marketing techniques has been effective in establishing a good appetite for its properties among potential buyers as well as creating a distinct positioning for certain developments among niche target segments, such as expatriate buyers.

Grand Promenade (38 Tai Hong Street, Sai Wan Ho)

The award-winning promotional campaign for Grand Promenade emphasized the unrivalled location and quality of living offered by this property, as the largest luxury waterfront residential development of the Group in Island East. Using a theme of "Island East, Island's Best," promotional activities leveraged the Group's philosophy to "Put People First" by showcasing the unique appeal and quality inherent in all aspects of this development including the master layout, spatial arrangement, premises design, clubhouse facilities, and fittings and finishes.



"Island East, Island's Best". The highly original marketing campaign for Grand Promenade won a host of industry awards.

The Group's emphasis on "CUSTOMER" is at the heart of its project marketing strategies.

| | |
|----------|---------------|
| C | = Convenience |
| U | = Up-to-date |
| S | = Services |
| T | = Technology |
| O | = Operators |
| M | = Management |
| E | = Education |
| R | = Relaxation |



The above-the-line promotional campaign for Grand Promenade was designed to create maximum visibility and impact using multiple channels to reach audience. The campaign ran extensively via outdoor channels including pioneering helicopter flypasts and ferry banners as well as giant outdoor fixed banners and video screens. Advertisements also ran on the main tram, bus and MTR routes, on local TV and radio and in the print media. Other campaign elements included direct mail, free tram shuttles for show flat visitors and a carefully crafted press programme which targeted print media exposure to complement the above-the-line activities. To enhance its international image, Grand Promenade became the first Hong Kong property development to publish a sales brochure in 12 languages.

The Grand Promenade campaign created a strong demand among prospective buyers with half of the units on offer being sold within the first three weeks of the campaign for a gross total of HK\$6 billion. 90,000 prospective buyers visited the show flats over the same period. Some of the units on the upper floors were sold at record prices for a new property in this location. Overseas interest in the development was strong, particularly among Japanese and Korean buyers, and 13% of all buyers were expatriates.

The marketing strategy for the launch of Grand Promenade won The Hong Kong Institute of Surveyors' Best Project Marketing Award and the Institute's Top 10 Best Brochure Award.



Sumo and Geisha. Japanese Week sales promotion activities to celebrate the launch of Grand Promenade's extensive 5 star clubhouse facilities.

CentreStage (108 Hollywood Road and 1-17 Bridges Street, Central)

“*In love with the city*” was the theme for the marketing campaign of CentreStage. Targeted at both local and expatriate young upwardly mobile professional buyers, the campaign promoted the development as a cosmopolitan luxury city residence and linked the property to high fashion throughout.

A CentreStage sales brochure was created to resemble a fashion catalogue using images specially shot by world-renowned British fashion and portrait photographer Nigel Barker (judge of US television show “America’s Next Top Model”). Ten international models took part in Mr Barker’s shoot in Hong Kong. He also hosted a cocktail reception at which he personally autographed CentreStage sales brochures.

To promote harmonious community relations for CentreStage, the Group submitted its proposals for enhancing the streetscape and preserving the greenery around Hollywood Road and Sun Yat Sen Historical Trail to the Government.

Following the success of the Grand Promenade launch, the CentreStage campaign adopted a similar, mass communication approach with TV commercials supported by static outdoor displays and helicopter banner advertisements. To showcase the quality of the fixtures and fittings used in CentreStage units, the Group

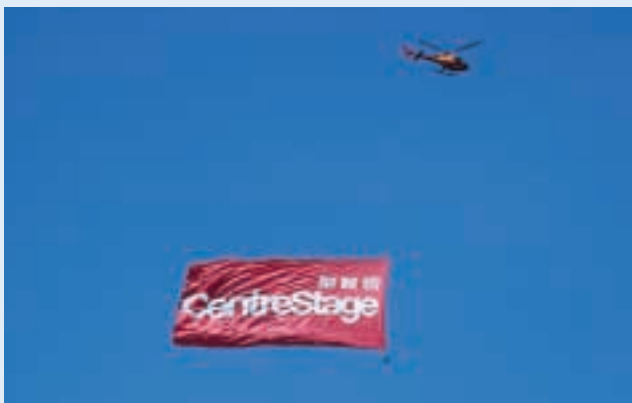
conducted a tour for Hong Kong press to the New York headquarters of Varenna, one of the world’s leading kitchen specialists. Varenna’s highly sophisticated and elegant designs have been used in each CentreStage unit. The campaign also comprised point-of-sale activities in upscale Lan Kwai Fong and SOHO bars and restaurants using booth displays and promotional materials to directly reach and inform the target audience.

The campaign’s success led to 60% of the CentreStage residential units being sold on the first day of the launch, with a total 80% of the entire development sold within the first two weeks. 20% of all buyers were expatriates. The CentreStage launch created a new record for prices per square foot among Mid-Levels properties.

The CentreStage advertising campaign was shortlisted for the 2006 EFFIE Awards, which are presented annually by the New York American Marketing Association. The Awards recognise campaigns that have delivered superior results in achieving the pre-defined objectives. CentreStage was the only Hong Kong property project finalist in the Real Estate Category.

Grand Waterfront (38 San Ma Tau Street, Kowloon)

The promotional campaign for Grand Waterfront established a marketing precedent in Hong Kong by appointing Jennifer Hawkins, Miss Universe 2004, as the ambassador for its launch. The rationale



A Henderson Land ‘first’ in property marketing, ‘billboards in the sky’ created outstanding awareness for Grand Promenade and CentreStage.



Nigel Barker, the world-renowned fashion photographer and judge on US TV show America’s Next Top Model, put his talents to good use for the CentreStage marketing campaign.



World-class beauty in harmony with world-class luxury living. Jennifer Hawkins, Miss Universe 2004 was chosen as the ambassador for Grand Waterfront and featured throughout the marketing campaign.

behind leveraging the image of a Miss Universe was to celebrate the perfect harmony between world-class beauty and a world-class luxury residence.

The campaign for Grand Waterfront sought to establish pre-sales recognition of this development among the target audience. Consequently, continuous marketing initiatives were undertaken to promote its intrinsic uniqueness.

The technical excellence of the development was highlighted in a press conference that announced the use of Microsoft's Windows XP Media Center Edition in all Grand Waterfront Executive Units. Offering the ultimate in digital entertainment experience to residents, Grand Waterfront is the first property project in Hong Kong to offer such multimedia technology as an inbuilt feature. Further pioneering technical achievements of Grand Waterfront were highlighted by press tours to the Samsung intelligent home exhibition in Seoul and the Aiphone showroom in Tokyo. These tours demonstrated the Group's precedence as the first Hong Kong property developer to introduce Samsung bathroom TVs as standard in all units of one of its developments.

Another press tour was conducted to New York to visit the biggest showroom of Poggenpohl, one of the world's leading manufacturers of luxury fitted kitchens. Poggenpohl products are features of each Grand Waterfront Executive Units.

Further profile raising activities included a press conference to announce the appointment of Jones Lang LaSalle to manage the overseas sales of Grand Waterfront through sales offices to be set up in various international cities including Tokyo, London, Beijing and Sydney.

Henderson Club

Henderson Club is a stakeholder-oriented initiative based on the Group's philosophy of exceeding customer expectations through excellence in service delivery and product quality. The Club is growing into a useful customer relationship management mechanism for the Group, rewarding loyal customers by delivering valuable lifestyle benefits and privileges to them.

Another year of development of the Club scheme saw membership numbers continuing to increase steadily, while the introduction of new promotions generated a good response from existing members.

Among the variety of complimentary membership activities during the year were free health talks organized by Union Hospital, exclusive previews of the show suites for new Group properties including Four Seasons Place and CentreStage, regular make-up and skincare workshops, cooking classes, health workshops, local tours and summer barbecues.

The Henderson Club Visa Card (co-branded with the Bank of East Asia) offers exclusive privileges and a bonus point scheme to cardholders. The Card's welcome offers are changed regularly with the latest welcome gift in 2006 being an all-in-one printer/cookware set. During the year the Card payment scheme was further enhanced to enable cardholders to pay parking space rental and management fees, and residential management fees.

Henderson Club continues to review its membership benefits on a regular basis and will be introducing further product and service enhancements during the coming year.

Business in Hong Kong

Subsidiary and Associated Companies

Henderson Investment Limited

At 30 June 2006, the Group held a 67.94% interest in this listed subsidiary. For the year ended that date, the consolidated net profit after taxation and minority interests of Henderson Investment amounted to HK\$3,667.2 million, an increase of HK\$159.5 million or 4.5% over the re-stated profit for the previous year.

The underlying profit for the year, excluding the revaluation surplus of investment properties, was HK\$2,066.1 million, or a decrease of HK\$154.3 million or 6.9%. Based on the underlying profit, earnings per share were HK\$0.72 (2005 re-stated: HK\$0.79).

Property Investment

Together with the investment properties held by its listed associates, Henderson Investment has a vast portfolio with a total attributable gross floor area of 2.0 million square feet. For the year under review, its gross rental income remained stable at HK\$613.8 million, with average occupancy maintained at a high 95% at the year end.

Hotel

Newton Hotel Hong Kong and Newton Hotel Kowloon, with average occupancy increased to 83% and average room rate growth of 9.7%, recorded marked increase in room revenue for the year, with double-digit growth in business.

Infrastructural Projects

Henderson Investment holds 64% of China Investment Group Limited, which is engaged in the toll-bridge and toll-road joint venture operations in Mainland China. Owing to the repair work undertaken for the Hangzhou Qianjiang Third Bridge, profit for the infrastructural segment dropped by 46.2% to HK\$81.8 million. During the year, Henderson Investment's interests in Province Expressway 34, Ningbo Fenghua, Zhejiang Province together with its ancillary facilities from Jiangkou to Sanheng and to Daqiao, and from Sanheng to Xiachen, as well as Province Expressway 36 together with its ancillary facilities from Jiangkou to Xikou, were disposed of as they suffered declining traffic flows resulting from keen competition from the newly-completed highways and toll-roads nearby.

Others

Megastrength Security Services Company Limited is wholly-owned by Henderson Investment and provides a wide range of professional security services, which are complementary to Henderson Investment's property management operation.

For the coming year, both Henderson Investment's rental income, as well as recurring earnings from its listed associates, are expected to show steady growth.

The Hong Kong and China Gas Company Limited (38.46% owned by Henderson Investment Limited)

Gas Business in Hong Kong

| | 2006 | 2005 | Change % |
|---|-----------|-----------|----------|
| Town gas sold in Hong Kong, million MJ (for the 6 months ended 30 June) | 14,995 | 15,226 | -2 |
| Number of customers in Hong Kong at 30 June | 1,606,841 | 1,574,513 | +2 |
| Number of employees at at 30 June | 1,890 | 1,919 | -2 |
| Number of customers per employee | 850 | 820 | +4 |

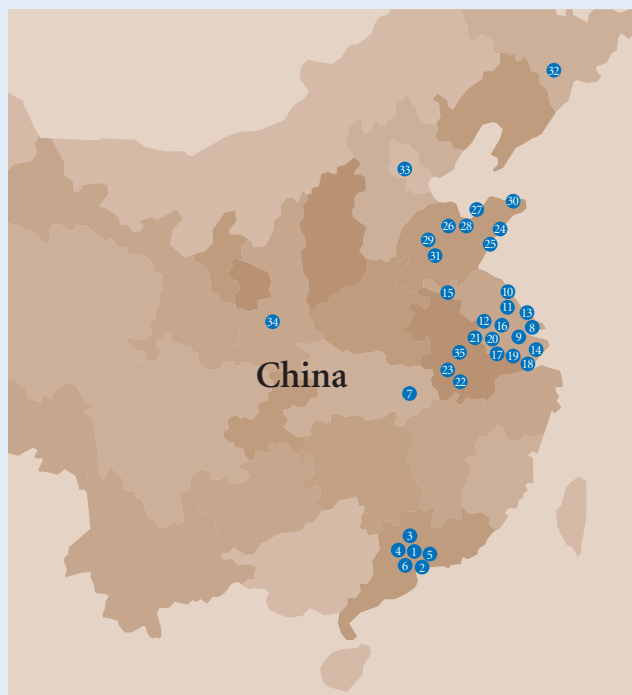
Property Developments

- International Finance Centre Complex (approximately 15.8% owned)
- Grand Promenade (50% owned)
- Grand Waterfront (entitled to 73% of the net sales proceeds of the residential portion and full interest in the commercial portion)

Introduction of Natural Gas to Hong Kong

Joint Ventures in Mainland China

- City piped gas and water business



City piped gas projects

Guangdong Province

- Panyu
- Zhongshan
- Dongyong
- Jianke
- Shenzhen
- Shunde

Hubei Province

- Wuhan

Jiangsu Province

- Suzhou Industrial Park
- Yixing
- Taizhou
- Changzhou
- Nanjing
- Zhangjiagang
- Wujiang
- Xuzhou
- Danyang
- Jintan

Zhejiang Province

- Tongxiang

- Huzhou
- Yuhang

Anhui Province

- Maanshan
- Anqing
- Tongling

Shandong Province

- Jimo
- Laoshan
- Zibo
- Longkou
- Weifang
- Jinan
- Weihai
- Taian

Jilin Province

- Jilin

Beijing

- Economic-Technological Development Area

Shaanxi Province

- Xian

Water projects

- Suzhou Industrial Park
- Wujiang
- Wuhu



Over 1.6 million customers, 140 years of proud service and 3000 kilometres of pipeline network. Fueling homes and businesses every day is a responsibility we take very seriously. It is our commitment to ensuring Hong Kong's continued prosperity.

The Hong Kong and China Gas Company Limited



The high price of crude oil is focusing the world's attention on cleaner and more competitively priced fuel alternatives. Hong Kong and China Gas has demonstrated great foresight by introducing natural gas as a partial feedstock for the territory-wide supply of town gas.

Hong Kong and China Gas reported an unaudited consolidated net profit after taxation of HK\$2,509.5 million for the six months ended 30 June 2006, which comprised HK\$1,803.6 million arising from its gas business and property rental income (an increase of HK\$38.7 million as compared with the corresponding period in 2005) and HK\$705.9 million from the sale of properties and a revaluation surplus on an investment property.

Gas business in Hong Kong

A slower pace of completion and occupancy of new residential units, compounded by the warmer weather during the first half of 2006, has led to a decrease of 2.1% in the volume of residential gas sales compared with the corresponding period in 2005, whilst the volume of commercial and industrial gas sales has decreased by 0.6%. Total volume of gas sales in Hong Kong for the six months ended 30 June 2006 decreased slightly by 1.5% compared with the same period last year. At 30 June 2006, the number of customers was 1,606,841, an increase of 32,328 from the end of June 2005.

Introduction of natural gas to Hong Kong

By the fourth quarter of this year, Hong Kong and China Gas will introduce natural gas from the Guangdong Liquefied Natural Gas

(LNG) Terminal to Hong Kong to partially replace naphtha as feedstock for the production of town gas. Hong Kong and China Gas has a 3% interest in this terminal project and the LNG for this project will be supplied from Australia under a 25-year contract. Tai Po gas production plant is now undertaking trial runs of the production of town gas using a dual naphtha and natural gas feedstock mix. Full implementation is scheduled to start in October 2006. As Hong Kong and China Gas has a contract for natural gas to be supplied at a price currently lower than naphtha, savings in production cost will be shared with customers through the existing fuel cost adjustment mechanism, thereby enhancing the competitiveness of the gas tariff. In addition, the introduction of natural gas will also help to protect the environment.

Business development in Mainland China

Hong Kong and China Gas is diversifying its business on the mainland. Having built up a well-established base, Hong Kong and China Gas's focus remains on natural gas and expansion of its city piped gas and other energy-related businesses. It is also studying the feasibility of participating in upstream projects. In addition,



Diversification is steadily transforming Hong Kong and China Gas into a sizeable nationwide, multi-business corporation in the Mainland.

using its gas business as a role model, Hong Kong and China Gas is continuing to expand its water supply and wastewater business. Involvement in another utility sector is further extending the scope of its investments on the mainland.

Following signing of a joint venture agreement to establish a piped gas project in Xian, Shaanxi province in early 2006, Hong Kong and China Gas has since signed further agreements this year to establish joint ventures in Yuhang, Hangzhou, Zhejiang province; Tongling, Anhui province; and Jintan, Jiangsu province. Hong Kong and China Gas now has city piped gas joint venture projects in 34 mainland cities across Guangdong province, eastern China, Shandong province, central China, northern China, northeastern China and western China. Following the arrival of natural gas in some regions in recent years, Hong Kong and China Gas's joint ventures there

converted to natural gas. After the Guangdong LNG Terminal is formally commissioned in the fourth quarter of 2006, its joint ventures in Guangdong province will also convert to natural gas. As availability of natural gas will greatly boost gas consumption, these mainland joint ventures are poised to enter a thriving period of business development.

Complementing its city piped gas projects are Hong Kong and China Gas's other energy-related businesses. In addition to investing in the Guangdong LNG Terminal project, Hong Kong and China Gas is also participating in high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou,



Submarine pipes have been laid in preparation for the delivery of natural gas from Guangdong LNG terminal to Hong Kong and China Gas Production Plant in Tai Po.



In a joint tri-partnership, Hong Kong and China Gas has participated to construct a high-pressure natural gas pipeline system in Hangzhou that will eventually supply household, commercial and industrial business customers.

Zhejiang province. This kind of investment underpins downstream joint venture projects which enable Hong Kong and China Gas to strengthen its city-gas market interests.

Due to the high level of international oil prices in recent years and the central government's progressive environmental energy policy, demand for natural gas is increasing rapidly. In view of this, Hong Kong and China Gas is now conducting feasibility studies regarding participation in natural gas upstream projects and the exploitation of other energy sources such as coal-bed gas in order to meet the increasing demand for energy on the mainland.

Hong Kong and China Gas has diversified its portfolio to include the water supply and wastewater business on the mainland, entering this sector in 2005. Hong Kong and China Gas now operates a water supply project in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province. Increasing urbanisation and growth in the size of cities are boosting water consumption. To cope with the rising need for clean water

sources, the central government is opening up the water utility market. In view of the expanding business opportunities in this sector, Hong Kong and China Gas will continue to seek opportunities to develop city-water projects with a view to further expanding its scope of investments.

Hong Kong and China Gas currently has a total of 43 projects spread across 36 cities in nine provinces and an area of Beijing. Hong Kong and China Gas's mainland city-gas joint ventures have built up an excellent brand reputation across all cities where they are located. Diversification is rapidly transforming Hong Kong and China Gas into a sizable, nation-wide, multi-business corporation from its origins as a local company focused on a single business.

Environmentally-friendly energy businesses

Liquefied petroleum gas (LPG) filling station business, run by its wholly-owned subsidiary company, ECO Energy Company Limited (ECO), continues to achieve business growth. Following the implementation of a new pricing mechanism in March 2006, ECO filling stations have been able to adjust their LPG selling prices every month instead of every six months. This will improve business prospects as prices can now be more directly linked to the cost of LPG. Meanwhile, ECO's landfill gas project at the North East New Territories landfill site is progressing well and its operational tests will be conducted within this year. Construction work of a 19 km pipeline to Tai Po gas production plant is also nearly completed. The plant would start using the treated landfill gas to partially replace



Hong Kong and China Gas has added a new and exciting diversified business to its portfolio by harnessing the various synergies between its mainland city-gas ventures and the immense untapped potential of the country's water utility sector.



| The popularity of Grand Promenade was mirrored in the excellent response to the pre-sale of Grand Waterfront.

naphtha as a fuel for town gas production by the end of this year. Using landfill gas will effectively limit depletion of underground oil resources and reduce air pollution, thereby further contributing to the Group's commitment to protect the environment.

Property developments

Hong Kong and China Gas has a 50% interest in the Grand Promenade property development project at Sai Wan Ho, whose significant returns contributed to its profitability. Following the success of Grand Promenade, the pre-sale of Grand Waterfront which is located at the Ma Tau Kok south plant site commenced in August 2006 and drew excellent response. Hong Kong and China Gas is entitled to 73% of the net sales proceeds of the residential portion, and has the full interest in the commercial portion of this project. Hong Kong and China Gas has an approximate 15.8% interest in the International Finance Centre (IFC). The shopping

mall and office towers of IFC are almost fully let. Four Seasons Hotel and Four Seasons Place, which provide approximately 400 six-star hotel guest rooms and 520 hotel suites respectively, reported satisfactory results since their opening in September 2005.

Business outlook for 2006

Hong Kong and China Gas has not increased its basic gas tariff for the past eight years. Nevertheless it has made every effort to enhance its operational effectiveness, thus maintaining steady business performance. Full implementation of the production of town gas using a dual naphtha and natural gas feedstock mix is scheduled to start in October 2006. Since Hong Kong and China Gas contracted in 2002 to take natural gas at a comparatively low price, given the increasing competitiveness in the energy market, it now expects to lower its gas tariff to the benefit of both customers and future business development.

Hong Kong Ferry (Holdings) Company Limited (31.33% owned by Henderson Investment Limited)

Completed development projects

- Metro Harbour View (with about 200 residential units unsold)
- MetroRegalia (with a total gross floor area of approximately 53,000 sq.ft)

Projects under development

| | | Approximate gross floor area (sq.ft) | Expected completion |
|-----------------------|--|--|------------------------|
| 222 Tai Kok Tsui Road | - residential use - non residential use | 270,000 50,000 | |
| | Total | 320,000 | Late 2008 |
| 6 Cho Yuen Street | - residential use - non residential use | 140,000 25,000 | |
| | Total | 165,000 | Early 2009 |

Property Investment

Metro Harbour Plaza:

A large-scale department store will soon be opened and provide added attractiveness to shoppers

Ferry, Shipyard and Related Operations

Harbour Cruise:

Received positive responses for its pilot scheme to expand the market

Travel and Hotel Operations

Silvermine Beach Hotel:

Benefitted from the opening of Asia World Expo and Ngong Ping 360 Skyrail



Silvermine Beach Hotel has benefited from its location close to the newly-opened Asia World Expo.



New renovations and the opening of a large-scale department store at Metro Harbour Plaza will broaden the retail mix and enhance the shopping experience there.

The unaudited consolidated net profit after taxation of Hong Kong Ferry for the six months ended 30 June 2006 amounted to HK\$121.8 million, a decrease of HK\$68.2 million or 35.9% over that for the same period last year.

Metro Harbour View at 8 Fuk Lee Street, Tai Kok Tsui continued to be the major profit driver for Hong Kong Ferry. For the six months ended 30 June 2006, 95 residential units of this project were sold, bringing the number of unsold units down to 200. Rental income from its commercial arcade, Metro Harbour Plaza, increased by 11% and the occupancy rate at the end of June 2006 was approximately 82% after taking into account the committed tenancies. A large-scale department store with a total floor area of about 100,000 square feet will soon be opened and its arrival will provide added attractiveness to the shoppers at Metro Harbour Plaza.

Good progress has been made in the construction for the development site at 222 Tai Kok Tsui Road, which will be developed into a residential-cum-commercial property with a total gross floor area of approximately 320,000 square feet, comprising some 270,000 square feet of residential space and about 50,000 square feet of non-residential space. It is expected to be completed by late 2008.

For the project at Nos. 43-51A Tong Mi Road (“MetroRegalia”), with occupation permit having been obtained and interior works substantially completed, it is targeted for sales launch in late 2006. The project provides a total gross floor area of approximately 53,000 square feet.

The foundation and construction works for No.6 Cho Yuen Street, Yau Tong will commence in late 2006 and should be completed by early 2009, providing a total gross floor area of approximately 165,000 square feet, comprising some 140,000 square feet of residential space and 25,000 square feet of non-residential space.

The Ferry, Shipyard and Related Operations recorded a loss of HK\$0.9 million for the period under review before accounting for the litigation fee arising from the proposed redevelopment of the Central Ferry Piers. Such fee amounted to HK\$9.8 million. Travel and Hotel Operations also incurred a loss of HK\$2.3 million.

For the coming year, it is anticipated that income from property sales and rental will continue to be the primary source of profit for Hong Kong Ferry.

Miramar Hotel and Investment Company, Limited (44.21% owned by Henderson Investment Limited)

Hotel Operations

Miramar Hotel as the flagship hotel with another seven hotels under its management

Property Business

Miramar Shopping Centre

- a shopping mecca with a well-planned tenant mix, including brand-name retail outlets, prestigious boutiques and superb restaurants

Miramar Tower

- comprises 18 storeys of Grade A office spaces which are situated above the Miramar Shopping Centre
- offers tenants a panoramic view of Victoria Harbour and lush landscape of Kowloon Park
- with facilities to receive both local and overseas satellite TV broadcast signals, it is home to many renowned multinational companies

No. 6 Knutsford Terrace

- features shops on the ground and first floors, with the offices occupying the remaining floors of this 22-storey commercial complex

Food and Beverage Operations

- Cuisine Cuisine and Lumiere in IFC
- Tsui Hang Village with operations covering Hong Kong, and Nanshan and Beijing in the mainland

Travel Operations

- As a General Agent for Crystal Cruises, as well as the Representative Agent in Hong Kong for Oceania Cruises
- Hire-car operation: to expand cross-border traffic between Hong Kong and China by adding more vehicle quotas
- Miramar Travel: higher market penetration expected as a result of increasing marketing activities

Miramar reported a consolidated net profit after taxation of HK\$1,169.4 million for the year ended 31 March 2006, an increase of 38.2% over the re-stated profit for the previous year. On a basis consistent with that for the previous year (before the re-statement of profit to comply with new accounting standards related to investment properties and hotel properties), the profit for the year including profit generated from land sales amounting to approximately HK\$150

million would have been HK\$448 million, an increase of 40.0% over the previous year. Increased tourist arrivals, improved employment levels and encouraging performance from property leasing activities have all contributed favourably to the company's results.

Miramar Hotel achieved healthy growth in its operating results with close to 90% average occupancy and an increase of 19% in average room rate. Performance in its food and beverage operation was steady. In the hotel management business, average room rate for the seven hotels under management recorded satisfactory growth with steady increases in average occupancy. Progress was made during the year to



| *Miramar Hotel and Shopping Centre are tourist landmarks in Kowloon's busiest retail and dining precinct.*

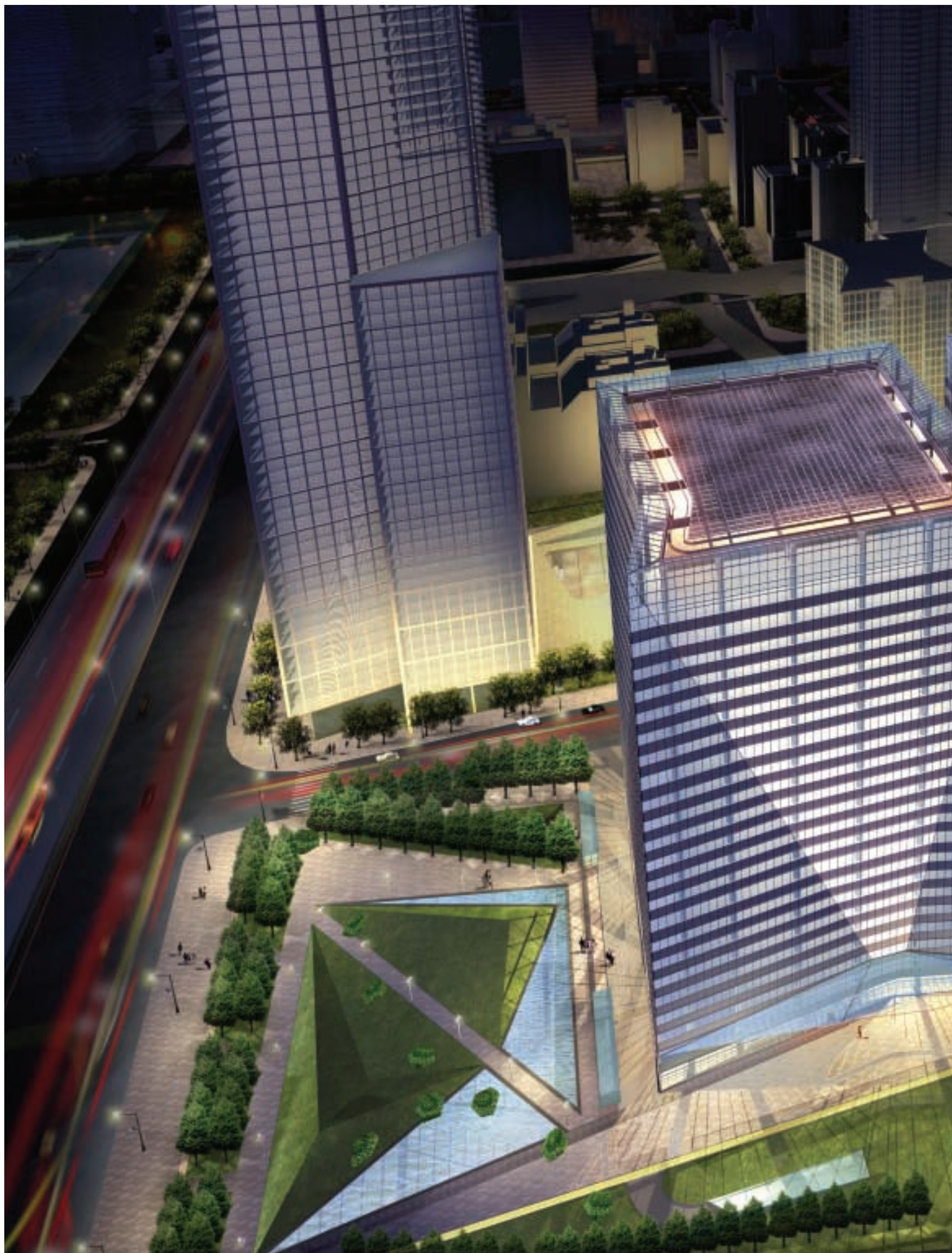
upgrade the client-mix and the overall image of the Miramar Shopping Centre, with its average occupancy reaching 91%.

During the year, Miramar sold approximately 60 acres (194 lots) of residential land and 20 acres of commercial land in Placer County, California, contributing approximately HK\$150 million in after-tax profit. At the end of the financial year, approximately 80 acres (290 lots) of residential land and 70 acres of commercial land remained available for sale. In Shanghai, almost all the office units at Shang-Mira Garden have been sold and its shopping arcade continued to achieve a high occupancy rate of 99%.

The overall results for Miramar Express improved slightly and the commercial travel sector increased its profit by more than 40%.

Miramar Travel, its group tour business arm, joined forces with an industry veteran and Miramar reduced its shareholding to 54%. With a series of marketing activities under an innovative style of operation, marked improvement is expected for its travel business.

The outlook for the next financial year for Miramar as a whole is optimistic.





The twin “crystal jewel boxes” created by world-renowned architect, Cesar Pelli, will rise magnificently as a new landmark in the heart of Beijing.

Business in Mainland China and Macau

Following the successful privatisation of Henderson China Holdings Limited in August 2005, the Company has injected substantial resources in expanding its property development business in the Mainland. Apart from actively pursuing the development of its existing projects in Beijing, Shanghai and Guangzhou, good progress has been made by the Group in its negotiations for acquisition of land sites in over thirty secondary cities which are mainly the provincial capitals. These negotiations mainly cover land lots situated in higher-end residential districts with well equipped commercial facilities. In formulating the Group's strategy for its property business in the Mainland, the economic development potential of various cities as well as the actual market demand for properties in such cities are prime consideration.

Master Layout Plan of Changsha Project



The Group's plans for 65 million square feet of residential space in secondary cities in China, include a major project in Changsha which will comprise over 10 million square feet of residential space, together with commercial, retail and educational facilities.

Land Bank

In line with this strategy, the Group has invested in new projects with a view to increasing its land bank. During the year, preliminary works commenced in a project in Xingsha Town, Changsha and a project in Xuzhou New Town. Acquired at a total land cost of about RMB1,000 million, these projects will provide a total residential floor area of about 16 million square feet in addition to commercial facilities. Negotiations are at their final stage for a number of sizeable land lots in some other cities which will involve a total land cost of about RMB5,500 million. Upon completion of development, these projects will provide a total residential floor area of over 65 million square feet. Details of the two new projects in Changsha and Xuzhou are as follows:

Project in Xingsha Town, Changsha (80% owned)

This project, which is located in Xingsha Town of Changsha, will comprise a total residential floor area of over 10 million square feet together with the provision of commercial facilities. Developed in phases, the Project's first phase will provide a total residential floor area of approximately 1.3 million square feet and will include a shopping arcade and a kindergarten. With completion of site investigation work, preliminary planning and design has commenced.

Project in Xuzhou New Town (100% owned)

Located in Xuzhou New Town, where there are comprehensive transportation network, zoning and community facilities, this project will comprise a total residential floor area of over 5.3 million square feet together with the provision of commercial facilities. The project will be developed in phases, and its first phase will consist of residential towers with relative high density. As over 50 government bodies will be relocating to this new town

next year, demand for residential and commercial properties in this district is expected to increase as a result. Commanding a panoramic view of its natural environment, the land lot located close to Dalong Lake will be developed into a low-density residential community.

At the year end, the Group had approximately 14.5 million square feet of attributable land area in the Mainland, in addition to another 2.64 million square feet in attributable gross floor area of completed investment properties. At the year end, the Group's total investments in China amounted to some HK\$13,900 million, representing 11.1% of its total assets. Apart from the existing projects, with the gradual handover of sizeable land lots which the Group has reached agreement to acquire, the Group's landbank in the Mainland will be substantially increased. The total developable gross floor area is expected to grow to 90 million square feet.

Properties under development or held for future development

| | Total land area (square feet) | Group's share of land area (square feet) |
|-------------------|----------------------------------|---|
| Beijing | 231,248 | 231,248 |
| Shanghai | 410,238 | 324,522 |
| Guangzhou | 3,582,260 | 3,476,382 |
| Pearl River Delta | 94,228 | 65,960 |
| Changsha | 5,579,589 | 4,463,671 |
| Xuzhou | 5,890,115 | 5,890,115 |
| Total : | 15,787,678 | 14,451,898 |

Progress of Major Development Projects

No. 2 Guan Dong Dian, Chao Yang Road, Chao Yang District, Beijing (100% owned)

Located within the Third Ring Road East, the site comprises an area of approximately 231,248 square feet. It will be developed into two 24-storey office towers with a total gross floor area of approximately 2.7 million square feet. The world-renowned

Cesar Pelli of Pelli Clarke Pelli Architects, Inc. of United States has been appointed as the design architect for this prestigious development and substructure work has already commenced. On completion of the construction in 2008, ahead of the opening of the 2008 Beijing Olympics, its twin Grade-A office towers will become the Group's flagship investment property in the bustling Chao Yang commercial area of Beijing.

Lot 688, North of Nanjing Road West, Jingan District, Shanghai (85% owned)

During the year, the Group offered to acquire the remaining 15% interest in this project. On completion of the transaction, the Group will have full control of the development. With a site area of some 110,000 square feet in the Jingan District, this site will be developed into a 24-storey office building over a 2-level commercial podium, providing a total gross floor area of approximately 920,000 square feet. With the world-renowned Tange Associates of Japan retained as the design architect, this development will make an impressive addition to Shanghai's skyline. Planning and design for this project have been substantially completed. Construction work will start shortly after the plans are approved by the relevant government authorities.

Lot 130-2, Heng Feng Road, Zhabei District, Shanghai (100% owned)

This site comprises an area of approximately 62,141 square feet and will be developed into an office building with a total gross floor area of about 510,000 square feet. Substructure work is now in progress and construction is expected to be completed in late 2007.

210 Fangcun Avenue, Li Wan District, Guangzhou (80% owned)

This site comprises an area of approximately 516,941 square feet and will be developed into nine 33-storey residential towers, a two-level commercial podium, two level basement carparks and a kindergarten. Together they will provide a total gross floor area of some 2.5 million square feet. Good progress has been made in the superstructure work and the development is planned for sales launch in October 2006.

River Pearl Plaza (Blocks A, B and C), Yanjiang Road West, Yuexiu District, Guangzhou (100% owned)

The River Pearl Plaza (Blocks A, B and C) comprises three sites with an aggregate site area of approximately 285,505 square feet. The project is planned to be a mixed development scheme. Demolition and site clearance work are still in progress in accordance with the schedule for the finalization of new development plans as well as the local municipal authorities' approval. After entering into an agreement with a joint venture party in January 2006, the Group is now entitled to the entire potential development profits from this site.

Major Completed Investment Properties

| Project | Location | Group's interest (%) | Attributable gross floor area (square feet) | | | Total |
|--------------------------------|-----------|----------------------|---|----------------|----------------|------------------|
| | | | Commercial | Office | Parking lot | |
| Henderson Centre | Beijing | 75 | 666,494 | – | 183,429 | 849,923 |
| Shanghai Skycity | Shanghai | 37.5 | 110,043 | – | 35,168 | 145,211 |
| Office Tower II, Grand Gateway | Shanghai | 100 | – | 687,982 | – | 687,982 |
| Heng Bao Plaza | Guangzhou | 100 | 699,875 | – | 255,344 | 955,219 |
| | | Total: | 1,476,412 | 687,982 | 473,941 | 2,638,335 |

Status of Major Completed Investment Properties

Office Tower II, The Grand Gateway, Shanghai (100% owned)

Office Tower II of The Grand Gateway, located right above the Metro Line Station at the centre of the busy Xuhui District, Shanghai, was completed in the fourth quarter of 2005. Both the occupancy and the rental rates for this property have performed satisfactorily with tenants including many multinational companies. The occupancy rate is expected to reach 90% by the fourth quarter of 2006 and its annual rental revenue will reach HK\$150 million.

Shanghai Skycity (37.5% owned)

Commanding a prime location in Zhabei District in close proximity to the main Shanghai railway station and two metro stations, Skycity has become a popular location for mainland enterprises and retailers. The commercial podium was fully leased while the office tower recorded an average occupancy rate of 75%.

Joint-Venture Development in Macau

As reported last year, the Group entered into an agreement to jointly develop a waterfront site of approximately 1.45 million square feet of land area in Macau. Application for land-use conversion is underway and the total gross floor area has yet to be finalized.



The occupancy and the rental rates of Office Tower II of The Grand Gateway at the centre of the busy Xuhui District, Shanghai have performed satisfactorily with tenants including many multinational companies.

Corporate Social Responsibility



(Top) Celebrations and speeches at the Gala Dinner of the Henderson Land-sponsored 30th International Film Festival

(Left) Henderson Land's staff and friends proudly support Green Power and its school environmental educational initiative.

Corporate Social Responsibility (“CSR”) is very important to Henderson Land. It reflects the way the Group conducts its business and underpins its core business values. As a responsible organization, the Group is committed to considering and acting on the social, economic and environmental impacts of its activities wherever it operates. For many years, the Group, together with its subsidiaries and associates, has invested in society by contributing funds, services and the time and expertise of its employees. The Group also supports its employees and the activities they participate in to help the local community.

Over the years, the Group has made significant contributions to charitable and community causes in education, arts and culture, sports and environmental education in Hong Kong and mainland China.

In this fiscal year, the Group again contributed to some important causes.

As part of the commitment of HK\$100 million by the Group and its related companies to support the construction of a new National Swimming Center in Beijing for the 2008 Olympic Games, the Group made an initial payment of about HK\$31 million during the year.

For the first time the Group became the title sponsor of the Green Power Hike in Hong Kong. This annual fund raising event supports



The CSR initiatives of Henderson Land and some of its subsidiaries and associates are recognised with a “Caring Company” award from The Hong Kong Council of Social Service.

the volunteer environmental organization, Green Power, in its efforts to promote environmental education through local schools. In addition to funding the Hike, the Group also mobilized nearly one hundred participants, drawn from the staff and their family members from the Group’s headquarters together with those of subsidiary and associate companies. Following an overwhelming response from both its staff and the community, the Group has committed itself as title sponsor of the event for the next three years.

During the year the Group continued its support of the local arts and cultural scene through various sponsorships. The Group was Official



The Honourable Henry Tang and members of the Commission on Poverty congratulate Wellborn and Hang Yick staff on their community initiatives.

Sponsor of the 30th International Film Festival, Silver Sponsor of the Vienna Philharmonic Concert tour of Hong Kong and a Club Maestro member of the Hong Kong Philharmonic Orchestra. These commitments are intended to help enable the local community to gain greater exposure to world-class arts and cultural activities.

The Group used its extensive portfolio of shopping malls throughout Hong Kong to provide venues for arts and cultural activities during the year. Spaces within these properties were also provided to non-profit organizations for fund-raising purposes.

In the field of education, the Group has committed to supporting Summerbridge Hong Kong with its programme expansion over the next few years. Summerbridge is a non-profit tuition-free, summer and after-school enrichment programme that helps young students strengthen their English and leadership skills, build their self-confidence, and view learning as a life long process.

The Group has been a long-term partner of the Operation Smile China Medical Mission, which repairs childhood facial deformities

while building public and private partnerships to sustain healthcare systems for children and families. The Group has provided free office space for the organization since 1995. From 2005 onwards, the Group changed the nature of its support and now provides the Mission with direct funding to enable it to have more flexibility in how it uses its resources.

The Group encourages its staff to support the community and many of its senior executives contribute their personal time in roles and positions with charitable organizations and public bodies. Group staff at all levels also actively participate in voluntary work. In recognition of the Group's on-going efforts to give back to society and encourage volunteerism among its staff, the Group's subsidiaries and associates, Hong Kong and China Gas, Well Born and Hang Yick were again recognized this year by the Social Welfare Department for their achievements, earning the Highest Service Hours Award for the third consecutive year.

The CSR initiatives of the Group's two property management subsidiaries, Well Born and Hang Yick, include offering employment placements for disadvantaged individuals in the one-stop household and clubhouse restaurant services they operate at properties under their management. In November 2005, The Honourable Henry Tang Ying-yen, Financial Secretary, and delegates of the Commission On Poverty visited one of these clubhouse restaurants at the Group's Metro City property to congratulate staff on the effectiveness of this model of community-minded enterprise.

During the past 12 months, the Group's CSR activities were formally acknowledged by The Hong Kong Council of Social Service, which named the Group a "Caring Company" in recognition of its good corporate citizenship and as a caring employer. The Group's associates and subsidiaries, Hong Kong and China Gas, Hong Kong Ferry, Well Born and Hang Yick also received this honour.



Wellborn and Hang Yick earned the Department of Social Welfare's highest honour for community service for the third consecutive year.