

# Property Investment

## Eva Court

Commanding a panoramic view of the Victoria Harbour, Eva Court is a prestigious residential development in the Mid-Levels. Its distinguished exterior and spacious interior layout, complemented with professional security and building management services, make it an ideal choice for the privileged few.

## Hollywood Plaza

Located in Mong Kok, a traditional commercial and trading centre in Kowloon, with comprehensive facilities (e.g., banks, government offices and various shops) nearby, this plaza is the preferred choice for companies in different business sectors and tourists.

## Kowloon Building

Located in Yau Ma Tei, the core business district of Kowloon, this 23-storey commercial building offers exceptional transport convenience. Banks, restaurants, carparks, public institutions and other commercial facilities are all nearby.

## Well Tech Centre (1/F to 15/F & 20/F to 29/F)

Being a modern industrial/office complex, Well Tech Centre has an elegant exterior design which significantly enhances the professional image for its tenants, while its flexible interior layout also makes it an ideal business venue for all trades.

## Fanling Centre

Linked with Fanling railway station, bus and mini bus terminals, Fanling Centre emerges as the focal point in that district, drawing huge pedestrian traffic from the neighbouring large-scale housing estates.

## Block C, Hang Wai Industrial Centre

This 17-storey industrial building is in close proximity to Tuen Mun Road, Castle Peak Road and Route 3, with exceptionally convenient connections to the airport and container terminal. With the impending commissioning of Hong Kong-Shenzhen Western Corridor, which links up the northwestern part of New Territories with Shekou of Shenzhen, cross-border transport will become more efficient.

## Shatin Centre

This shopping arcade situates amid numerous densely populated housing estates in Shatin, thereby ensuring huge patronage for it.

## City Landmark II

Located in the town centre, City Landmark II is one of the popular shopping and entertainment destinations in Tsuen Wan. In addition to the pedestrian links to some large-scale housing estates, this shopping arcade also offers exceptional transport convenience with close proximity to MTR, mini bus and bus terminals. Surrounded by town hall, library, government offices and numerous public facilities, pedestrian traffic for this shopping arcade is very high.

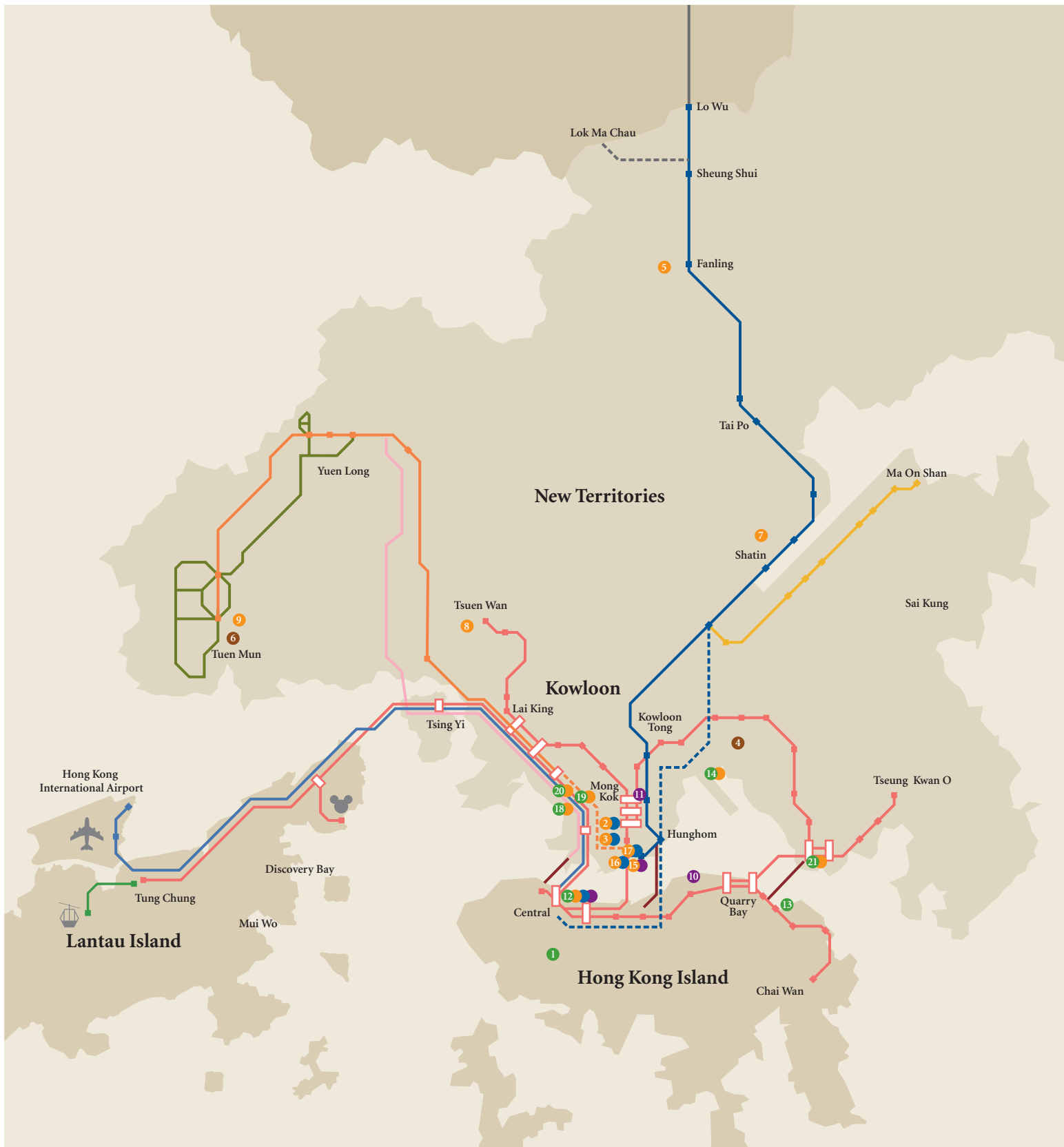
## The Trend Plaza

Following the completion of renovation works in its North Wing early this year, tenants at the Trend Plaza in Tuen Mun reported remarkable business growth, whilst rental income increased by 30% over the same period last year.

## Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (square feet)				Attributable no. of carpark		
				Residential	Commercial	Office	Industrial/Office			
Hong Kong Island										
Eva Court	36 MacDonnell Road, Mid-Levels	2895	100.00	108,214	-	-	-	108,214	49	
Kowloon										
Hollywood Plaza	610 Nathan Road, Mong Kok	2047	33.33	-	33,511	64,422	-	97,933	-	
Kowloon Building	555 Nathan Road, Mong Kok	2060	100.00	-	28,656	84,626	-	113,282	-	
Well Tech Centre (1/F to 15/F & 20/F to 29/F)	9 Pat Tat Street, San Po Kong	2047	100.00	-	-	-	136,376	136,376	49	
New Territories										
Fanling Centre	33 San Wan Road, Fanling	2047	23.04	-	34,909	-	-	34,909	69	
Block C, Hang Wai Industrial Centre	Pui To Road / Kin On Street / Kin Wing Street/ Kin Tai Street, Tuen Mun	2047	100.00	-	-	-	292,264	292,264	182	
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	-	100,029	-	-	100,029	545	
City Landmark II (formerly known as Town Square)	145-165 Castle Peak Road, Tsuen Wan	2047	26.00	-	40,306	-	-	40,306	33	
The Trend Plaza	Tuen Mun Heung Sze Wui Road, Tuen Mun	2047	100.00	-	195,280	-	-	195,280	78	
Total:				108,214	432,691	149,048	428,640	1,118,593	1,005	

# Group's Investment Properties Distribution Map



Major Investment Properties					
Location	Residential	Commercial	Industrial		
			Office	Office	Hotel
1 Eva Court					
2 Hollywood Plaza					
3 Kowloon Building					
4 Well Tech Centre					
5 Fanling Centre					
6 Block C, Hang Wai Industrial Centre					
7 Shatin Centre					
8 City Landmark II					
9 The Trend Plaza					

Hotel Investment and Operation					
10 Newton Hotel Hong Kong					
11 Newton Hotel Kowloon					

The Hong Kong and China Gas Company Limited*					
12 International Finance Centre					
13 Grand Promenade					
14 Grand Waterfront					

Hong Kong Ferry (Holdings) Company Limited*					
15 Metro Harbour Plaza					
16 MetroRegalia					
17 222 Tai Kok Tsui Road					
18 No.6 Cho Yuen Street					

Miramar Hotel and Investment Company, Limited*					
19 Miramar Hotel					
20 Miramar Tower & Shopping Centre					
21 6 Knutsford Terrace					

\* Listed Associated Companies

#### 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



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*

Associated Companies

# The Hong Kong and China Gas Company Limited

## 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

<b>Guangdong Province</b>	19 Huzhou
1 Panyu	20 Yuhang
2 Zhongshan	<b>Anhui Province</b>
3 Dongyong	21 Maanshan
4 Jianke	22 Anqing
5 Shenzhen	23 Tongling
6 Shunde	<b>Shandong Province</b>
<b>Hubei Province</b>	24 Jimo
7 Wuhan	25 Laoshan
<b>Jiangsu Province</b>	26 Zibo
8 Suzhou Industrial Park	27 Longkou
9 Yixing	28 Weifang
10 Taizhou	29 Jinan
11 Changzhou	30 Weihai
12 Nanjing	31 Taian
13 Zhangjiagang	<b>Jilin Province</b>
14 Wujiang	32 Jilin
15 Xuzhou	<b>Beijing</b>
16 Danyang	33 Economic-Technological Development Area
17 Jintan	<b>Shaanxi Province</b>
<b>Zhejiang Province</b>	34 Xian
18 Tongxiang	

### Water projects

8 Suzhou Industrial Park
14 Wujiang
35 Wuhu





“Towngas Cooking Centre continues to enjoy enormous popularity and has proved highly successful. More than 100 cooking classes take place on average every month encompassing a broad variety of cuisines. After its total refurbishment last year, the Centre now provides a friendly environment where our members can use the latest equipment to experience the enjoyment of gourmet cooking.”

*Pauline Wong (right)*

*Cooking Instructor  
Towngas Cooking Centre*

*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





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.

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, 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, 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 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**

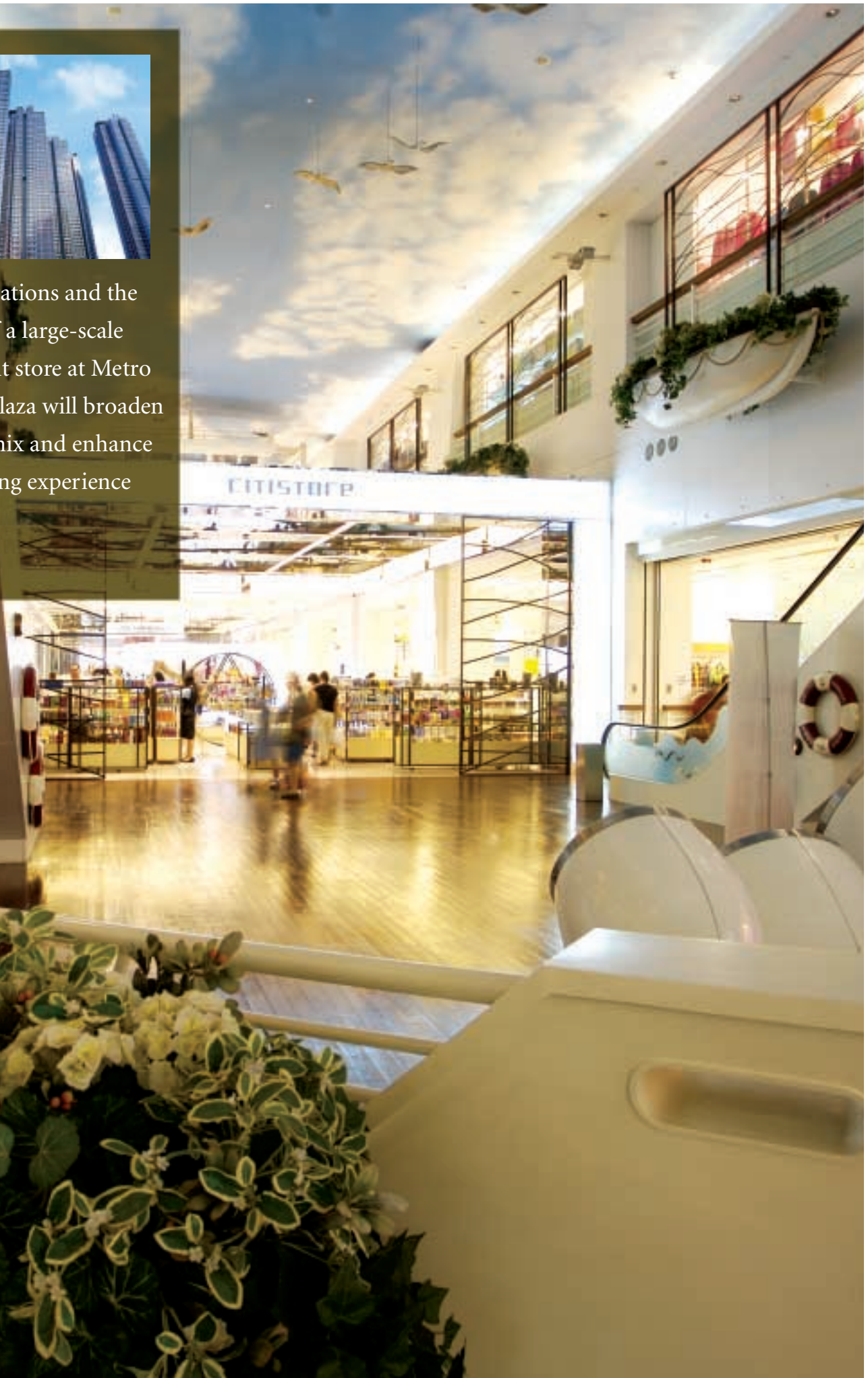
Hong Kong and China Gas has not increased its basic gas tariff for the past eight years. Nevertheless it has made every effort to enhance its operational effectiveness, thus maintaining steady business performance. Full implementation of the production of town gas using a dual naphtha and natural gas 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.

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





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.



Associated Companies

# Hong Kong Ferry (Holdings) Company Limited

## 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)

### *Project under development*

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

### *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 benefitted from its location close to the newly-opened Asia World Expo.*

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.



*Cosmopolitan and convenient living - MetroRegalia, a home-automated residential-cum-commercial building at 43-51A Tong Mi Road.*



*Harbour Cruise - Bauhinia provides passengers with a memorable dining and entertainment cruise experience.*

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 Shopping Centre are tourist landmarks in Kowloon's busiest retail and dining precinct.





## Associated Companies

# Miramar Hotel and Investment Company, Limited

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### **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 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.



“I have been travelling to Hong Kong for 15 years and each time I have stayed at the Miramar because of its great location and superb facilities. It really has become a ‘home away from home’, and the staff have become a part of the family!”

*Mr Edward Grant*

*Miramar Hotel guest  
Ohio, USA*