恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號：12

Interim Report 08/09
中期報告

Highlights of 2008/2009 Interim Results

	Note	For the six months ended 31 December 2008 unaudited HK$ million	2007 unaudited HK$ million	Change
Property sales				
– Revenue	1	**2,578**	8,235	-69%
– Profit contribution	2	**879**	3,661	-76%
Net rental income	3	**1,462**	1,319	+11%
Profit attributable to Shareholders *(2007-restated)*				
– Underlying profit	4	**1,405**	3,759	-63%
– Reported profit		**1,171**	9,189	-87%
		HK$	HK$	
Earnings per share				
– Based on underlying profit	4	**0.65**	1.92	-66%
– Based on reported profit		**0.55**	4.69	-88%
Interim dividend per share		**0.30**	0.40	-25%
		At 31 December 2008 unaudited HK$	At 30 June 2008 audited HK$	
Net asset value per share *(30 June 2008 – restated)*	5	**56.00**	56.45	-1%
Adjusted net asset value per share *(30 June 2008 – restated)*	6	**59.57**	60.04	-1%
Net debt to shareholders' equity		**16.4%**	16.5%	-0.1 percentage point
		At 31 December 2008 Million square feet	At 30 June 2008 Million square feet	
Hong Kong				
Land bank (attributable floor area)				
– Properties held for/under development	7	**9.1**	8.4	
– Completed investment properties	8	**10.1**	10.0	
		19.2	18.4	
Agricultural land (total land area)		**32.3**	34.0	
Mainland China				
Land bank (attributable floor area)				
– Properties held for/under development		**116.9**	115.7	
– Completed investment properties		**3.1**	3.1	
		120.0	118.8	

Notes:

1 *Representing the Group's attributable share of the value of properties in Hong Kong and mainland China sold by subsidiaries, associates and jointly controlled entities ("JCEs").*

2 *Including the Group's attributable share of profit contribution from property sales in Hong Kong and mainland China by associates and JCEs.*

3 *Including the Group's attributable share of net rental income from investment properties in Hong Kong and mainland China held by associates and JCEs.*

4 *Excluding the fair value change (net of deferred tax) of the investment properties held by subsidiaries, associates and JCEs.*

5 *Representing the amount attributable to equity shareholders of the Company.*

6 *As there is no capital gains tax in Hong Kong, total deferred tax liabilities arising from the revaluation of investment properties in Hong Kong held by the Group's subsidiaries, associates and JCEs in the amount of HK$7,670 million (30 June 2008: HK$7,710 million), equivalent to HK$3.57 per share (30 June 2008: HK$3.59 per share), as provided and included in the Group's consolidated balance sheet would not be payable if such investment properties were to be sold at the revalued amounts under the current tax regime. Accordingly, such deferred tax as provided under HKAS - INT 21 has been excluded for the above calculation in order to provide a better understanding of the net asset value attributable to equity shareholders of the Company.*

7 *Including stock of unsold property units with attributable floor area of 1.9 million square feet at 31 December 2008 and 1.0 million square feet at 30 June 2008.*

8 *Including hotel properties with attributable floor area of 1.0 million square feet.*

Interim Results and Dividend

The Board of Directors announces that, for the six months ended 31 December 2008, the unaudited Group underlying profit attributable to equity shareholders (before the fair value change of investment properties) amounted to HK$1,405 million, representing a decrease of HK$2,354 million or 63% from HK$3,759 million (restated) for the same period of the last financial year. Based on the underlying profit, the earnings per share were HK$0.65 (2007: HK$1.92).

Including the fair value change (net of deferred tax and minority interests) of investment properties, the Group profit attributable to equity shareholders for the period under review was HK$1,171 million, representing a decrease of HK$8,018 million or 87% from HK$9,189 million (restated) for the same period of the last financial year. Earnings per share were HK$0.55 (2007: HK$4.69).

The Board has resolved to pay an interim dividend of HK$0.30 per share (2007: HK$0.40 per share) to Shareholders whose names appear on the Register of Members of the Company on 22 April 2009.

Closing of Register of Members

The Register of Members of the Company will be closed from Monday, 20 April 2009 to Wednesday, 22 April 2009, both days inclusive, during which period no requests for the transfer of shares will be accepted. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 17 April 2009. Warrants for the interim dividend will be sent to Shareholders on or before Friday, 24 April 2009.

Management Discussion and Analysis

Business Review

Business in Hong Kong

Property Sales

The financial tsunami stemming from sub-prime mortgage defaults in the United States started to take its toll on the global economy and Hong Kong, as a highly externally oriented economy, was not spared. In the latter half of 2008, the volume of property transactions in Hong Kong reduced substantially, with end-users and investors (including those from the mainland and overseas) becoming much more cautious amid concern for rising unemployment and a slumping economy in the territory. The credit crunch and the resultant tightened lending by banks also affected investment sentiments. For the six months ended 31 December 2008, the Group sold an attributable HK$2,391 million worth of properties in Hong Kong, mainly from The Sparkle in West Kowloon, The Beverly Hills in Tai Po and Cité 33 in Mong Kok.

The following development projects were completed during the period:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	Attributable gross floor area (sq.ft.)
1.	The Sparkle 500 Tung Chau Street Cheung Sha Wan	35,629	320,659	Commercial/ Residential	100.00	320,659
2.	The Beverly Hills – Phase 3 23 Sam Mun Tsai Road, Tai Po	982,376 (Note)	1,165,240 (Note)	Residential	90.10	397,400
3.	Cité 33 33 Lai Chi Kok Road, Mong Kok	9,600	84,090	Commercial/ Residential	100.00	84,090
4.	The Pivot 52 Hung To Road, Kwun Tong	11,375	125,114	Industrial	100.00	125,114
					Total:	**927,263**

Note: The total site area and the total gross floor area for the whole project of The Beverly Hills are 982,376 square feet and 1,165,240 square feet, respectively.

Up to 31 December 2008, 337 units or 84% of the total units at The Sparkle was sold and its outstanding building quality and efficient layout were highly applauded in a handover quality inspection conducted by a local media organization. The Beverly Hills – Phase 3, following the successful sale of the preceding phase of development, attracted intense interest and two houses had been sold while this phase was not yet formally released for sale. In late December 2008, when the local property market showed sign of reprieve following the initial correction in price and volume, Cité 33 was offered for sale with over 30% of its total 107 residential units sold within a few days after its launch as it boasted easy access to both MTR station and cross-border coach terminus, together with Manhattan-style glamorous views. The encouraging responses to these projects showed the resilience of the Group's high quality developments in a volatile market. The Pivot, a quality industrial premise in Kwun Tong, would be held for rental purpose and its completion marked the Group's continuing commitment to revitalizing Kowloon East as a vibrant locale for thriving businesses.

At the end of the period, the Group had over 1,370 residential units available for sale mainly from the following major property development projects:

(1) Major 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 period end	Gross area of remaining unsold residential units (sq.ft.)
(A)	**Completed development projects offered for sale:**						
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	47	141,520
3.	Grand Promenade 38 Tai Hong Street, Sai Wan Ho	131,321	1,410,629	Residential	69.53	67	71,634
4.	Grand Waterfront 38 San Ma Tau Street To Kwa Wan	130,523	1,109,424	Commercial/ Residential	Residential: 55.51 Commercial: 39.06	47	56,233
5.	The Beverly Hills – Phase 1 23 Sam Mun Tsai Road, Tai Po	982,376 (Note 1)	1,165,240 (Note 1)	Residential	90.10	105 (Note 2)	348,405 (Note 2)
6.	The Sparkle 500 Tung Chau Street Cheung Sha Wan	35,629	320,659	Commercial/ Residential	100.00	63	57,039
7.	Cité 33 33 Lai Chi Kok Road Mong Kok	9,600	84,090	Commercial/ Residential	100.00	73	58,786
					Sub-total:	**450**	**898,284**
					Gross area attributable to the Group:		**816,947**

(2) 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	Residential Gross area (sq.ft.)
1.	The Beverly Hills – Phase 3 23 Sam Mun Tsai Road, Tai Po	982,376 (Note 1)	1,165,240 (Note 1)	Residential	90.10	161 (Note 3)	430,408 (Note 3)
2.	Fanling Sheung Shui Town Lot 231, Sheung Shui	45,779	228,860	Residential	100.00	362	228,860
3.	Lot No. 1740 in DD 122, Tong Yan San Tsuen, Yuen Long	78,781	78,781	Residential	100.00	60	78,781
4.	Fanling Sheung Shui Town Lot 76, Fanling	42,884	34,308	Residential	100.00	51	34,308
5.	39 Conduit Road, Mid-Levels	56,748	229,255	Residential	60.00	66	229,255
6.	Shatin Town Lot 539 Shatin	95,175	358,048	Residential	100.00	157	358,048
7.	11,12,12A,12B Headland Road, Island South	43,492	32,619	Residential	44.42	4	32,619
8.	600 Canton Road, Jordan	3,642	32,772	Commercial/ Residential	100.00	62	27,311
					Sub-total:	**923**	**1,419,590**
					Gross area attributable to the Group:		**1,267,148**
					Total saleable residential units and total residential gross area from the major development projects:	**1,373**	**2,317,874**
					Total gross area attributable to the Group:		**2,084,095**

Note 1: The total site area and the total gross floor area for the whole project of The Beverly Hills are 982,376 square feet and 1,165,240 square feet, respectively.

Note 2: In addition, there are 31 houses in this phase of The Beverly Hills held for investment purpose.

Note 3: In addition, two houses were already sold through private sale.

Land Bank

At 31 December 2008, the Group had a land bank in Hong Kong with a total attributable gross floor area of approximately 19.2 million square feet, comprising 7.2 million square feet of properties held for or under development, 1.9 million square feet of stock of unsold property units, 9.1 million square feet of completed investment properties, and 1.0 million square feet of hotel properties. In addition, the Group held rentable car parking spaces with a total area of around 2.6 million square feet.

During the period, the Group (by order of the Court) completed the acquisition of the remaining 7.13% stake of two prime sites located in Wanchai with an aggregate site area of approximately 16,000 square feet. Demolition of the existing Kam Kwok Building will soon commence, whilst National Building was already torn down. They will be respectively developed into a residential-cum-commercial tower with a total gross floor area of about 114,700 square feet and a boutique hotel with a total gross floor area of about 66,000 square feet.

In order to meet the evolving market demand and ensure efficient use of land resources, the Group's development sites are regularly evaluated for conversion into other purposes. During the period, the Group pursued land-use conversion for the site at 8 Wang Kwong Road, Kowloon Bay, as well as a joint-venture site at 19-21 Wong Chuk Hang Road, Aberdeen, of which 50% is attributable to the Group. Upon finalization of the land premium with the Government, the site at 8 Wang Kwong Road will be developed into office or hotel building depending on the likely demand, whilst the site at 19-21 Wong Chuk Hang Road will be developed into an office building. They will, respectively, provide an attributable gross floor area of approximately 258,000 square feet and approximately 107,000 square feet.

The Group's agricultural land reserve, by the end of the period, amounted to approximately 32.3 million square feet, which is the largest holding among all property developers in Hong Kong.

During the period, encouraging progress was achieved in land-use conversion for the site in Wo Shang Wai, Yuen Long with the Town Planning Board having already approved its comprehensive residential development. With a total land area of about 2.3 million square feet, the site is planned to be developed into a low-density residential development with a total gross floor area of approximately 890,000 square feet. The Group has already applied to the Government for land-use conversion of this prime site at a reasonable premium. For the site in Wu Kai Sha, which is expected to provide a total developable gross floor area of approximately 3.0 million square feet upon completion, the Group in February 2009 completed the exchange of its land lots with one of the partners so as to unify and merge the subject land title for the possible surrender and re-grant. After adjustment, the Group's effective interest in this development increased from 53.75% to 56.75%, with the attributable gross floor area expanded from around 1.6 million square feet to about 1.7 million square feet accordingly. Meanwhile, the other site at Tai Tong Road, Yuen Long is expected to provide approximately 1.17 million square feet in gross floor area, of which 79.03% or approximately 0.9 million square feet is attributable to the Group. Upon finalization of the land premium with the Government, hopefully in the course of the next 12 months, the land-use conversion for these three sites will be completed which will provide development land with a total of approximately 3.5 million square feet in gross floor area. This will be a major boost to the Group's development landbank.

In each of Fanling/Kwu Tung North and Hung Shui Kiu, which were both designated by the Government as New Development Areas, the Group held approximately 2.78 million square feet and 2.62 million square feet of land lots, respectively. The Group will actively seek land-use conversion of these sites in tandem with the Government's development plans so as to broaden the source of development sites. Meanwhile, the Group will continue its efforts in land-use conversion of other agricultural land lots so as to provide a steady pipeline of development sites in future.

The Town Planning Board completed its review on the Yau Tong Bay "Comprehensive Development Area" zone and amended the Outline Zoning Plan. A master layout plan for the redevelopment of the old shipyard sites at Yau Tong Bay is now under preparation. Upon approval, the Group will proceed to apply for land exchanges and finalization of the land premium. This project is expected to provide a total developable gross floor area of approximately 5.35 million square feet, of which about 800,000 square feet is attributable to the Group.

Investment Properties

At 31 December 2008, the Group held a total attributable gross floor area of 9.1 million square feet in completed investment properties in Hong Kong, made up of 4.4 million square feet of commercial (or retail) space, 3.2 million square feet of office space, 0.9 million square feet of industrial/office space and 0.6 million square feet of residential and apartment space. This investment portfolio is geographically diverse, with 25% in Hong Kong Island, 31% in Kowloon and the remaining 44% in the New Territories.

Despite recent downtrend in certain sectors of the local leasing market, the current market rent for a number of the Group's rental properties was still higher than the existing contracted rent. The Group's attributable gross rental income in Hong Kong for the period under review, including that derived from the investment properties owned by the Group's associates and jointly controlled entities, was up by 10% to HK$1,936 million, while the total net rental income contribution also increased by 10% to HK$1,370 million. At the period end, leasing rate for the Group's core rental properties (excluding the newly-completed Kwun Tong 223) stayed high at 94%.

The International Finance Centre shopping mall, by bringing many of the world's most sought after brands to open their first flagship stores in Hong Kong, continued to be the major attraction in town and it recorded nearly full occupancy during the period. The Group's suburban retail portfolio also showed high resilience as these shopping malls in the new towns are mostly located directly above or near the MTR stations and focusing on the daily necessities shopping in the vicinity. By the period end, Metro City Phases II and III in Tseung Kwan O, Sunshine City Plaza in Ma On Shan, City Landmark II in Tsuen Wan, Trend Plaza in Tuen Mun, Citimall in Yuen Long, Flora Plaza in Fanling, Shatin Plaza and Shatin Centre each recorded leasing rate of 95% or above.

In order to provide exciting shopping experience to customers, promotion activities and tenant-mix reshuffle are regularly carried out in the Group's shopping malls, whilst facility upgrades and improvement programmes are also frequently undertaken so as to enhance the asset value. During the period, the Group completed the revamp for the retail floors of Kowloon Building at Nathan Road, as well as the facelift for the Metro City Phase II in Tseung Kwan O. In the latter half of 2009, major renovation works will commence at the South Wing of Trend Plaza in Tuen Mun, followed by facility upgrades for Golden Centre in Sheung Wan.

The Group's premium office developments, such as the International Finance Centre in Central and AIA Tower in North Point, were almost fully let with double-digit growth in rental for most of their lease renewals. Just completed in the last financial year was Kwun Tong 223, a landmark office building on the Kowloon East waterfront. With the finest architectural design and facilities, it continues to attract quality tenants at reasonable rentals despite keen competition amid increasing new supply in the neighbourhood.

Leasing performance for the Group's luxury residential properties remained satisfactory during the period. The serviced suite hotel at Four Seasons Place, which complemented International Finance Centre's position as a business hub in town, showed good performance with stable high occupancy and room rates. Eva Court in Mid-Levels, with satisfactory rental rates recorded for its lease renewals and new leases, also performed well with an occupancy rate of over 91% by the period end.

Hotel and Retailing Operations

The Four Seasons Hotel strives for excellence and high quality, which has earned it a solid position as a market leader in Hong Kong. During the period under review, The Four Seasons Hotel achieved a notable increase in average room rate against high occupancy. In addition to its exceptional accommodation, this hotel is also widely acclaimed as the gourmet's paradise: Lung King Heen, its restaurant serving contemporary Cantonese cuisine, has recently become the first and only Chinese restaurant in the world to be awarded the top three-star accolade by Michelin, a long-established and world-famous gourmet guide.

The Group also owns and manages the 362-room Newton Hotel Hong Kong, the 168-room Newton Hotel Kowloon, the 317-room Newton Inn and the 598-room Newton Place Hotel. In all of these operations, a distinctive blend of comfortable elegance, well-equipped facilities and attentive services was provided, reflecting the authentic meaning of hospitality and offering guests superb value for money. They have all achieved stable room revenue against a rise in average room rate with high occupancy during the period under review.

The Group has five department store outlets in Kowloon and the New Territories, operating under the trade name of "Citistore". Targeting young, fashion-conscious customers, "Citistore" also brought on stream two specialty shops, namely id:c and Basic House, selling trendy Korean and Japanese fashion. During the period under review, profit contribution from this retailing operation increased by 22% against an 8% growth in total revenue.

Construction and Property Management

The Group always puts customers first and the "people-oriented" green concepts have been adopted throughout the construction process. All the Group's developments boast state-of-the-art facilities as well as environmentally friendly features, enabling customers to enjoy the truly innovative and high-quality products.

The early involvement of the construction division during the planning stage of projects ensures that more professional expertises can be drawn, whilst project costs can also be better evaluated and controlled. As a result, more resources can be spared for building materials, raising the quality of the Group's developments ever higher.

In order to propel the Group's development, the construction division regularly provides training and seminars to its staff at all levels, whilst the latest technology and devices are also being constantly introduced. They gained wide recognition for their excellence in project management, quality control and site safety. Honours awarded in this period included the "Quality Building Awards" from nine building-related professional bodies, "Considerate Contractors Site Award" from the Development Bureau of the Hong Kong SAR Government and "Proactive Safety Contractor Award" from The Hong Kong Construction Association Limited.

The Group cares not only for its own products, but also the development of the whole industry. The General Manager of the Construction Department of the Company currently serves as the Permanent Supervisor of The Hong Kong Construction Association Limited and helps supervise its operation. He is also the Chairman of the Construction Industry Council Training Academy, fostering the professionalism and setting the standard for craft accreditation in the industry. In order to promote mutual understanding between Hong Kong and mainland China over the issues of building, construction training and site safety, meetings with the Ministry of Housing and Urban-Rural Development were also regularly initiated.

Through its property management arms, Hang Yick Properties Management Limited and Well Born Real Estate Management Limited, the Group fulfills its pledge of offering high quality services to customers and a total of 128 accolades were achieved during the period. These included the "Q-Mark Service Scheme certification" and "The Best Brand Enterprise Award" from the Hong Kong Productivity Council, reaffirming their unrivalled service quality and leadership in the sector. Their excellent property management services not only enhance the quality of life for occupants, but also add value to the properties they manage. Their unflagging efforts in promoting green lifestyle and sustainable living environment have paid off with many properties under their management given awards on waste recycling and energy conservation.

Sharing the Group's deep-seated corporate culture, these two property management subsidiaries have a strong sense of devotion and social responsibility and this tradition has earned them the "Outstanding Award for Employers" from the Employees Retraining Board, in addition to being each individually named as a "Caring Company" in recognition of their social commitment. Their staff also actively organized numerous charitable activities in their spare time and won the "Highest Voluntary Service Hours Award" for five consecutive years.

In order to support the Group's mainland expansion and to enhance the Group's reputation as a quality developer in mainland China, these property management companies are poised to replicate their Hong Kong successes on the mainland. During the period under review, they assigned a professional team to oversee the handover arrangement of Hengli Bayview, a residential development in Guangzhou completed in February 2008. Such initiatives won high praise from the mainland home-buyers, whilst their comments and feedbacks help the Group track the evolving demand and trends in the mainland market.

Business in Mainland China and Macau

In early 2008, stringent and proactive austerity measures implemented by the Central Government, aimed at preventing the overheated property market from becoming a speculative bubble, have taken effect and housing prices in mainland China fell from the peak in 2007 to a more reasonable level. Such cooling down effect, however, has been intensified in the second half of 2008 when the global financial turmoil began to take its toll on mainland China's economic growth and the purchasing power of the general public. These, together with the wait-and-see view taken by some home-buyers for any further change in policy initiatives, put the property market into the doldrums with a general decline in both transaction volume and transacted prices. As such, the total area sold for the commodity residential housing was down by 21% in 2008, whilst those cities with the strongest price rally in the previous year posted the biggest fall in transaction volume.

In contrast with over-investment in 2007, 2008 was a difficult year with a retreat in transaction volume. The housing demand was far short of the supply even though the development areas have been scaled down for consecutive months. Likewise for the land market, incidents of calling off were repeatedly recorded even though fewer land auctions were held by the local governments from the second half of 2008 onwards. For those land lots which were successfully sold, transactions were mostly recorded at the reserve price, whilst some buyers had to surrender the sites afterwards. In view of the worsening property sale in the third quarter of 2008, the Central Government made suitable relaxation to the macro-economic control measures in the fourth quarter of 2008 with the property-related taxes either reduced or exempted. In order to give a further boost to housing demand, the People's Bank of China has also cut the deposit and loan benchmark rates consecutively since September 2008. Following the rate and price cuts, affordability of home-buyers has improved substantially with the overall market sentiments stabilized.

To cope with the market changes, the Group has flexibly adjusted its development strategy towards the mainland property market. After mid-2007 when irrational land hoarding was seen in the property market, the Group did not participate in the fierce bidding and so there was no substantial addition to the Group's land reserve. The recent renewed negotiations for better terms amid the market downturn also slowed the Group's pace to reach the land bank target. Meanwhile, the Group's residential properties under development, which are mostly located in the city centres and their peripherals with high-end to mid-tier market positions, differentiate themselves significantly from the local government's low-rent or subsidised welfare housing through a greater emphasis on the design, layout and the provision of comprehensive facilities. Yet, in order to prudently prepare for the challenges ahead, the development progress for their first phase of development would be slightly postponed, whilst the scale of the pre-sale launch as well as design of the housing units would also be adjusted accordingly.

Notwithstanding such challenging environment, encouraging response was received for the re-launch of Hengli Bayview in Guangzhou, with its remaining 240 residential units nearly fully snapped up. As a result, the Group's attributable property sales in mainland China for the six months ended 31 December 2008 amounted to HK$187 million. The Group's 3.1 million-square-foot rental portfolio in mainland China also fared well, with the attributable gross rental income and net rental income growing by 19% to HK$150 million and 18% to HK$92 million, respectively, during the period under review. The Group's property leasing in Shanghai continued to perform well, despite growing supply in Pudong and the global financial tsunami. By the end of the review period, the shopping arcade at Skycity was 97% let, whilst the leasing rate for Grand Gateway Office Tower II, which houses many multinational corporations such as Microsoft, Adidas, and Yam! Brands Inc., was over 93% occupied with the average rental for new lease or lease renewal exceeding the threshold of RMB11 per square metre per day. The Beijing Olympic Games in August 2008 was the impetus for higher shopper traffic at the retail podium of Beijing Henderson Centre, whilst the Hengbao Plaza in Guangzhou recorded a 45% period-on-period growth for its rental income with the leasing rate close to 90% in December 2008.

In July 2008, the Group entered into a joint venture agreement with Sun Hung Kai Properties and Wharf on a 30:40:30 ownership basis to jointly develop a prime commercial site of approximately 1,860,000 square feet in Dongda Avenue in Chengdu, the capital city of Sichuan Province. Superbly located in Jinjiang District with easy accessibility from two subway lines, which are either under construction or under planning, the Dongda Avenue development will offer an office tower, a five-star hotel, a high-end shopping centre with international retailers and luxury residences. Upon completion, a total gross floor area of over 11,200,000 square feet will be provided, of which about 3,400,000 square feet is attributable to the Group.

During the period, the Group revised its strategy and reshuffled the business portfolio in Changsha so as to concentrate more of its efforts on the large-scale developments in this populous capital city of Hunan Province. The acquisition of a residential project in Kaifu District, which has a site area of about 830,000 square feet, was abandoned. Meanwhile, the Group's joint venture company acquired a parcel of land of about 620,000 square feet in the Gaoling area in the same district for a consideration of about RMB62.7 million in December 2008. This, together with the adjacent land lot with a site area of about 3,900,000 square feet acquired in October 2007 for a consideration of about RMB350 million, will be jointly developed into a large-scale residential community. Preliminary planning is now underway and a total gross floor area of about 6,700,000 square feet of high-end residences will be completed in phases, of which 55% or approximately 3,700,000 square feet is attributable to the Group. This Gaoling project will work hand-in-hand with the 7,800,000-square-foot Arch of Triumph of Xingsha Town to meet the local preference for large-scale self-contained community in Changsha.

With the addition of the above projects, the Group's land bank in mainland China increased to approximately 116.9 million square feet in developable gross floor area by the end of December 2008, of which around 77% was earmarked for residential development for sale, 11% for office space, 9% for commercial space and 3% for clubhouse and other communal use.

Property under development or held for future development

		Group's share of developable gross floor area* (million square feet)
Prime cities		
Beijing		2.1
Shanghai		2.3
Guangzhou		15.4
	Sub-Total:	**19.8**
Second-tier cities		
Changsha		10.8
Chengdu		3.3
Chongqing		6.6
Nanjing		2.4
Shenyang		21.3
Suzhou		17.0
Xian		20.7
Xuzhou		5.3
Yixing		9.7
	Sub-Total:	**97.1**
	Total:	**116.9**

* *Excluding basement areas and carparks*

Usage of development land bank

	Developable gross floor area (million square feet)	Percentage
Residential	90.5	77%
Office	12.9	11%
Commercial	10.4	9%
Others (including clubhouses, schools and community facilities)	3.1	3%
Total:	**116.9**	**100%**

As reported previously, the Group adopts a two-pronged strategy in its business development in mainland China. In the prime cities, the Group targets those prime sites with heavy pedestrian flow and easy access for development into large-scale complexes of exceptional design and quality. In the second-tier cities, which are mostly provincial capitals or municipalities with a preponderance of middle class residents, the Group focuses on developing large-scale developments so as to achieve an efficient use of land as well as long-term appreciation in property value. In each of these two areas, this strategy was taking hold during the period under review.

Progress of major development projects in prime cities

World Financial Centre in Beijing's bustling Chao Yang Central Business District was completed in January 2009, setting a new benchmark for top-quality and sustainable commercial developments in Beijing. Designed as twin "crystal jewel boxes" by the internationally-acclaimed Cesar Pelli, the architect of Hong Kong's International Finance Centre, World Financial Centre is the first international Grade-A office complex in Beijing. In addition to its cutting edge technology and distinctive facilities, this 2.13 million-square-foot office complex also incorporates a wide array of innovative energy-efficient features, which has earned it the top "Platinum HK-BEAM (Building Environmental Assessment Method) Provisional Certificate". These superior environmental credentials and building specifications have met all the demanding technical and infrastructural requirements of its prospective tenants, leading to an encouraging response for its leasing. Over 150,000 square feet of space has already been leased by multinational corporations, international organizations and famous western catering groups, whilst 440,000 square feet out of the remaining 1,980,000 square feet is now under active leasing negotiations. Meanwhile, an underground shopping mall with a gross floor area of about 42,000 square feet is also under leasing negotiations.

In Shanghai, all the Group's development properties are located in Puxi, an old-established business area with a more balanced supply of office space as compared to Pudong. The project at Lot 155 Nanjing Road East, which is located right at the start of the pedestrian walking avenue near the Bund, is being developed into a Grade A office building and shopping arcade with a 17-storey tower over five levels of podium. Façade for this 730,000-square-foot development is designed by the world-renowned Tange Associates of Japan, whilst its four-level basement, which provides an additional gross floor area of about 300,000 square feet, will house an interchange for two major subway lines, as well as some car parking spaces and commercial areas. It is due for completion in early 2010, in time to capture the opportunities offered by World Expo 2010 and pre-leasing work has already commenced. For the project at Lot 688 Nanjing Road West whose quartz-like façade is also designed by the world-renowned Tange Associates, it will provide an aggregate gross floor area of approximately 700,000 square feet comprising a 22-storey office tower plus a 2-level retail podium. The two development projects in Zhabei District also progressed well: the project at 130-2 Tianmu Road West, which will be held for rental purpose upon its completion in late 2009, boasts approximately 370,000 square feet of office space and 60,000 square feet of retail area. Its neighbouring project at 147 Tianmu Road West, which offers a total gross floor area of about 410,000 square feet, is scheduled for completion in the second quarter of 2011.

Progress of major development projects in second-tier cities

In Changsha, for the Arch of Triumph which is close to the scenic Song Ya Lake of Xingsha Town, there will be approximately 7,800,000 square feet in gross floor area of deluxe apartments, community facilities and amenities to be built in three phases, providing homes for over 4,000 families. Construction work for the first batch of residential units with a total residential gross floor area of about 1,400,000 square feet, together with commercial area and clubhouse, has already started since October 2008 with completion due in the first quarter of 2010.

In Chongqing, the Group has two spectacular projects so as to cater to different customer preferences and to benefit from scale economy. For the Nan'an District Riverside Development, a prime site on the banks of Yangtze River with a scenic park nearby will be developed into 3,000 high-end residences, supported by a shopping centre, a kindergarten and clubhouse facilities. To support government's call for improving the city skyline under the new "Two-River and Four-Shore" policy, its development plan has been revised and this project will be completed in phases providing a total gross floor area of about 3,750,000 square feet. For the first phase of about 390,000 square feet in gross floor area comprising about 340,000 square feet of residential development and 50,000 square feet of commercial facilities, the site work will commence by the fourth quarter of 2009 with scheduled completion by the fourth quarter of 2011. It will be launched for pre-sale in the first quarter of 2010. The Group has another project in Erlang Phoenix Area, which is well-connected by the Chengdu-Chongqing Expressway with many scenic attractions such as Caiyun Lake and Taohua Brook in the proximity. Comprising residential apartments, clubhouse, a kindergarten and shopping facilities, the Group's comprehensive community in this Erlang Phoenix Area will have a total gross floor area of over 2,800,000 square feet, providing homes to 2,000 families on completion. Construction for the Phase I development will kick off by the second quarter of 2009, providing a total gross floor area of about 280,000 square feet upon its completion by late 2010. Marketing of the first phase residences will start in the fourth quarter of 2009.

In Nanjing, a land lot of about 500,000 square feet in Qixia District is earmarked for a luxurious residential development with a total gross floor area of about 900,000 square feet. Located in the downtown area within walking distance from the Maigaoqiao subway station, this project will be complemented by commercial area and community conveniences such as healthcare, cultural and sports facilities of the District. Following the commissioning of its nearby road network, construction will commence in the fourth quarter of 2009 and part of its Phase I development is scheduled for completion by the second quarter of 2011. Pre-sale is expected to be launched in the second quarter of 2010. The Group's another land parcel in Xianlin New District, which is located at the north-eastern part of the Nanjing city, boasts a site area of about 1,600,000 square feet and offers a total gross floor area of about 1,700,000 square feet. This site is planned to be developed into a high-end residential project, complemented by facilities such as a nursery, amenities and a community centre. With the relocation of colleges and universities into the district and the completion of Xianlin subway station in the near future, this well-known university town's community facilities and transportation network will be further enhanced. Construction for its Phase I development is scheduled to commence in the fourth quarter of 2009 and it is planned for completion by the first quarter of 2011. Pre-sale is expected to be launched in the second quarter of 2010.

In Shenyang, two adjoining sites in the downtown area of Shenyang Finance and Trade Development Zone with an aggregate land area of over 500,000 square feet will be developed into Shenyang International Finance Centre. The whole project, located near the subway station in the proximity of the railway terminus, will comprise three mega towers for offices, serviced apartments and a hotel resting on a retail podium, providing a total gross floor area of 5,700,000 square feet upon completion in late 2014. Aedas Limited is tasked with designing the master plan, whilst Pei Partnership Architects, a firm closely associated with the world-renowned architect, I.M. Pei, has been appointed as the design architect for the 89-storey office tower, which will be the tallest building in northeast China. Meanwhile, in the scenic Shenyang Puhe New District Development with the beautiful natural environment of Yueya Lake in the proximity, a land lot of about 3,730,000 square feet on the northern banks of Pu River, together with three parcels of vacant land at the opposite side of the river with a total site area of about 4,090,000 square feet, will be jointly developed into a large-scale low rise residential community, extending to the high-rise residential clusters near to the hills on two sides. The amended master layout planning and design has reached the final stage.

In Suzhou, a 3,200,000-square-foot residential land lot in Xiangcheng District with a planned gross floor area of about 6,800,000 square feet, together with its neighbouring commercial land parcels which have an aggregate gross floor area of over 10,000,000 square feet against their total site area of about 1,600,000 square feet, will be jointly developed into a large-scale self-contained community. As the city's north-south bound thoroughfare "Ren Min Road North" has been extended to the site in late 2008 and whilst more connecting trunk roads and subway system are now either under construction or planning, this project will enjoy excellent accessibility to the city centre. The whole project calls for a contemporary water-themed planning design and the world-renowned Aedas Limited has been appointed as the design architect for its residential development. The construction for the first batch of about 500 luxury residences with a total gross floor area of about 670,000 square feet will commence by the third quarter of 2009 and it is planned for completion by the first quarter of 2011. It will be launched for pre-sale in the fourth quarter of 2009.

In Xian, La Botanica is a joint venture project owned by the Group and Temasek Holdings (Private) Limited of Singapore on a 50/50 basis. Located within the scenic Chan Ba Ecological District with easy access to the city centre via the Third Ring Road East and by subway-which are both under construction, this riverside community project will provide a total gross floor area of about 33,000,000 square feet upon completion in late 2016, of which over 80% is designated for residential use providing homes to over 25,000 families. Meanwhile, it will also boast international schools and hospital. Construction work for its Phase 1A development is in progress and upon completion in the third quarter of 2010, it will provide a total gross floor area of approximately 1,200,000 square feet for about 1,000 households. Pre-sale for this phase of residences is scheduled for the third quarter of 2009. The Group's other residential project in Xian is located at Jin Hua North Road, which is part of the main artery of Second Ring Road East. With the planned subway system in the proximity, the entire project will have a total gross floor area of 4,200,000 square feet and high rise apartment towers will be built around its spacious greenery and residents' clubhouse, offering spectacular views to about 3,000 households. Construction of the first phase of about 410,000 square feet will commence in mid-2009, which is scheduled for completion in the second quarter of 2011.

In Xuzhou, the Xuzhou Lakeview Development is situated in the scenic Dalong Lake area, which houses the new headquarters of the municipal government. The whole project, with a total residential area of about 4,500,000 square feet and 600,000 square feet of commercial space, will be developed in four phases. With the approval of the conceptual master layout plan which was prepared by Aedas Limited, construction will commence in mid-2009 and the first phase of 480,000 square feet of residences will be completed in mid-2010. Marketing for this first phase of residences is scheduled to take place in the third quarter of 2009.

In Yixing, a prime site in an island with a land area of about 400,000 square feet will commence its foundation work in April 2009. With its single-phased completion by April 2011, there will be low-density luxury residences, mid and high-rise apartments and a residents' clubhouse, all providing a total gross floor area of about 700,000 square feet. This project is planned to make its first foray into the market at the end of 2009. For the other piece of land located on the lakefront in this city's Donggui New District with a site area of about 5,600,000 square feet, it will be developed into a residential project with a total gross floor area of about 9,000,000 square feet comprising luxury residences in low and high-rise apartments. Construction of the first phase of development will commence by the fourth quarter of 2009 and will be completed in the second quarter of 2011, producing residences with a total gross floor area of about 380,000 square feet. Pre-sale is expected to be launched in the fourth quarter of 2009.

Joint-Venture Development in Macau

In April 2005, the Group entered into an agreement to jointly develop a large-scale waterfront site with a land area of approximately 1.45 million square feet in Taipa, Macau. The project is still under application for land-use conversion with the total gross floor area to be finalized.

Henderson Investment Limited ("HIL")

For the six months ended 31 December 2008, the unaudited consolidated profit of this group attributable to equity shareholders amounted to HK$61 million compared to HK$35,332 million (restated) for the same period a year ago. The decrease in profit was mainly due to the recognition of a one-off gain of HK$35,265 million from discontinued operations during the corresponding period in 2007. Thus, the profit of this group attributable to equity shareholders from continuing operations for the six months ended 31 December 2008 amounting to HK$61 million showed a decrease of HK$6 million or 9% as compared with that of HK$67 million (restated) (after excluding the one-off gain from discontinued operations) for the corresponding period in 2007, reflecting a decline in bank interest income earned by this group.

After divesting its entire interest in The Hong Kong and China Gas Company Limited to Henderson Land Development Company Limited in December 2007, this group by the end of review period owned a 60% interest in Hangzhou Qianjiang Third Bridge and a 49% interest in Maanshan City Ring Road.

Driven mainly by the increase in traffic volume of Hangzhou Qianjiang Third Bridge and the appreciation in the value of Renminbi against Hong Kong dollars during the period under review, this group posted a turnover of HK$156 million for the six months ended 31 December 2008, representing an increase of 21% compared to the same period in 2007. Hangzhou Qianjiang Third Bridge reported a strong growth of 25% in toll revenue to HK$126 million, whilst toll revenue for Maanshan City Ring Road also increased by 7% to HK$30 million during the period under review.

As announced on 12 March 2009, a 70%-owned subsidiary of HIL had entered into an agreement with the joint venture partner of Maanshan Huan Tong Highway Development Limited (the "Maanshan Highway JV", being the joint venture engaged in the operation of Maanshan City Ring Road) to sell the entire 70% equity interest in the Maanshan Highway JV held by that subsidiary to the Maanshan Highway JV partner for a consideration of RMB122 million. It is estimated that, based on the carrying value of HIL's interest in the Maanshan Highway JV at 30 June 2008, HIL would recognize a gain on disposal in the amount of approximately HK$42.1 million (which figure is subject to finalization upon completion of the transaction), based on the consideration of RMB122 million to be received and such carrying value after taking into account the distributions from profits after taxation for 2007 and 2008 of the Maanshan Highway JV.

On the other hand, as stated in the announcement dated 9 January 2009, HIL was informed that the joint venture partner of Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Third Bridge JV", being the joint venture engaged in the operation of Hangzhou Qianjiang Third Bridge) had decided to discontinue the negotiations for the acquisition of HIL's entire 60% equity interest in the Third Bridge JV.

This group considers that its investment in Hangzhou Qianjiang Third Bridge would continue to provide a satisfactory return given its prime location in Hangzhou. With a strong financial position, this group will look for appropriate and quality projects in order to expand its portfolio and maximize shareholders' value.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas") reported HK$4,302.5 million in profit after taxation attributable to shareholders for the year ended 31 December 2008, a decrease of HK$4,967.1 million compared to 2007 which comprised a total non-recurrent gain of HK$6,280.1 million arising from the acquisition of shares in Panva Gas Holdings Limited ("Panva Gas") by way of asset injection, as well as the profit from the sale of properties and a revaluation surplus from the International Finance Centre ("IFC") complex. In comparison, non-recurrent gain amounted to HK$1,299.3 million only in 2008. During the year under review, this group invested HK$2,895.0 million in gas and water pipelines and facilities in Hong Kong and mainland China.

(I) Gas business in Hong Kong

Total volume of gas sales in Hong Kong for 2008 increased by 2.0% mainly attributable to a rise in residential and restaurant consumption. As at the end of 2008, the number of customers was 1,672,084, an increase of 25,592 compared to 2007. Total appliance sales also grew by 4.6% compared to 2007 due to the introduction of more new products, expansion of sales channels and strengthening of market promotions.

As a result of the implementation of a dual naphtha and natural gas feedstock mix in October 2006, feedstock costs have decreased to the benefit of customers. Despite a recent substantial decrease in international oil prices, the price of natural gas imported by this company is still lower than the market rate. However, as the local gas market is maturing and operational costs have been rising for some time because of inflation, Hong Kong and China Gas raised the standard gas tariff, which had been frozen for ten years, by HK0.3 cents per MJ on 1 October 2008.

Construction of a 24 km transmission pipeline in the eastern New Territories was completed in 2008. Laying of a 15 km pipeline, to bring natural gas from Tai Po to Ma Tau Kok gas production plant to partially replace naphtha as feedstock for the production of town gas, is progressing well. Construction of a 9 km pipeline in the western New Territories is also in progress. In tandem with the government's South East Kowloon development plan, planning for a pipeline network for this region is in progress.

(II) Business Development in mainland China

The acquisition of Panva Gas in March 2007 injected an additional 25 piped city-gas projects into Hong Kong and China Gas. Panva Gas is now known as Towngas China Company Limited ("Towngas China", stock code: 1083) with its 45.63% interest currently held by Hong Kong and China Gas. In 2008, Towngas China booked a profit of HK$202 million, an increase of 40.0% over 2007 and its credit rating was upgraded by Standard and Poor's Rating Services ("Standard & Poor's") in August 2007 and by Moody's Investors Service ("Moody's") in April 2008. During the year, Towngas China established new piped city-gas joint ventures in Huangshan city, Anhui province and in the Jinhai Economic Zone in Shenyang, Liaoning province. It has also recently signed agreements to acquire piped city-gas projects in Chiping, Shandong province and in Xinjin and Xindu, Sichuan province.

During the year under review, Hong Kong and China Gas established a joint venture for developing piped city-gas projects in several regions of Hainan province. It also established piped city-gas projects in the Dalian Economic and Technical Development Zone and in Changxingdao, Dalian in Liaoning province. Including those of Towngas China, Hong Kong and China Gas currently has 71 piped city-gas projects in mainland cities spread across 15 provinces/municipalities.

Hong Kong and China Gas's midstream natural gas projects include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province, as well as a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province. Hong Kong and China Gas also operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Jiangsu province.

To sum up, Hong Kong and China Gas currently has 86 projects spread across 18 provinces/municipalities/autonomous regions, encompassing upstream, midstream and downstream natural gas sectors (including piped city-gas projects of Towngas China), the water supply and wastewater treatment sector, natural gas filling stations and emerging environmentally-friendly energy projects.

(III) Environmental Investment Business of ECO

Through the wholly-owned subsidiary ECO Environmental Investments Limited and its subsidiaries (together known as "ECO"), Hong Kong and China Gas also develops clean and emerging environmentally-friendly energy projects. Profit from ECO's dedicated liquefied petroleum gas filling stations increased significantly in 2008 compared to 2007. Its North East New Territories landfill gas treatment facility is also operating well and treated landfill gas is transported to Tai Po gas production plant via a dedicated pipeline to partially replace naphtha as a fuel for town gas production.

ECO has signed a 40-year franchise agreement with the Airport Authority Hong Kong to design, construct and commission a permanent aviation fuel facility for the supply of aviation fuel to Hong Kong International Airport. The facility will consist of a large-scale tank farm for storage of aviation fuel served by tanker jetties. Construction is on schedule and the project is expected to be commissioned by late 2009. ECO has also concluded an agreement with the Airport Authority Hong Kong to develop a second-phase facility comprising another bunded area for additional tank storage capacity; commissioning is expected by the end of 2010.

Its first coalbed methane liquefaction facility on the mainland is located at Shanxi province. Phase one was commissioned during the fourth quarter of 2008. ECO is also making plans to run a coal-based chemical project in Erdos, Inner Mongolia. ECO has signed agreements to invest in coal mining and coking plant projects in Fengcheng, Jiangxi province. In Shaanxi province, ECO commissioned a compressed natural gas filling station, the largest of its kind on the mainland, during the third quarter of 2008.

(IV) Property developments

For each of the Grand Promenade and Grand Waterfront property development projects, over 95% of their total residential floor areas had been sold by the end of December 2008. For property leasing, the Group has an approximately 15.8% interest in the IFC complex in its rental portfolio, in addition to the commercial area of the Grand Waterfront.

Inaugural offering of US$1 billion guaranteed notes

HKCG (Finance) Limited, a wholly-owned subsidiary of Hong Kong and China Gas, issued and sold US$1 billion (equivalent to approximately HK$7.8 billion) Reg S/Rule 144A Guaranteed Notes (the "Notes") in August 2008. Listed on The Stock Exchange of Hong Kong Limited on 8 August 2008 (stock code: 4303), the Notes are guaranteed by Hong Kong and China Gas and were issued at a fixed coupon rate of 6.25% per annum at an issue price of 99.319% with a maturity of 10 years. The transaction was the largest investment grade corporate debt issue from Asia in 2008. A credit rating of A1 (stable) was assigned to the Notes by international rating agency Moody's and A+ (stable) by Standard and Poor's. The net proceeds will be applied towards refinancing part of the existing indebtedness of Hong Kong and China Gas, funding its capital expenditure, or for general corporate purposes.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry") reported a loss attributable to shareholders of HK$526 million for the year ended 31 December 2008, compared with the consolidated profit after taxation in 2007 of HK$385 million. This was mainly attributed to the decrease in the sales of the residential units in Metro Harbour View and MetroRegalia, whereas its investments in equity-linked notes also recorded a marked-to-market loss of HK$610 million as at 31 December 2008. When compared with the relevant book costs, the equity-linked notes showed a deficit of HK$444 million as at the year end.

During the year, this group recorded a total gross profit of approximately HK$43 million from the sale of all the remaining 18 residential units at Metro Harbour View and MetroRegalia. On the property investment front, rental income from the commercial arcade of Metro Harbour View amounted to approximately HK$34 million for the year, with an occupancy rate of approximately 88% at the end of the year. Rental income derived from the shops of MetroRegalia, which were fully let during the year, amounted to approximately HK$1.3 million.

Since the issue of the occupation permit of "Shining Heights" was delayed, the sale of its first batch of residential units was deferred until the end of February 2009 and 80 residential units have been sold, amounting to approximately HK$370 million. The project is a 60-storey building, 700 feet high, with a gross floor area of approximately 336,000 square feet. It is the highest building in the district, whilst its spacious clubhouse of approximately 30,000 square feet also has comprehensive facilities, including Star Theatre with the latest Stewart 138" perforated curve screen. For the project of 6 Cho Yuen Street, Yau Tong, the superstructure has been completed. The total gross floor area is approximately 165,000 square feet, comprising 140,000 square feet for residential use and 25,000 square feet for non-residential use. The occupation permit has just been issued and the project was currently undergoing interior decoration. The revenue from sale of flats of "Shining Heights" and Cho Yuen Street in Yau Tong will be the major source of income for its current financial year.

Turnover for harbour cruise operations, vehicular ferry operations and shipyard operations increased by 13%, 11% and 34% respectively. As a result, the Ferry, Shipyard and Related Operations recorded a profit of approximately HK$3.4 million. The Hotel Operation recorded a deficit of HK$2.3 million due to renovation of the old wing of Silvermine Beach Hotel. The Travel Operation also recorded a loss of HK$3.8 million.

For Central Pier Litigation, the case was heard in the Court of Appeal in March 2008 and judgment was handed down soon thereafter. Prior to the conclusion of the second trial, which was scheduled to take place in November 2008, the parties signed a consent summons on 20 November 2008 for the complete settlement of the Action (including the counterclaim) with this group agreeing to pay the Government a sum of HK$125 million (inclusive of interest and legal costs). It is within the amount of HK$160 million provided in the accounts for this group's potential liability in respect of the Government's claims and a sum of surplus provision HK$23 million had been written back as a profit item of this group in the financial year ended 31 December 2008.

Miramar Hotel and Investment Company, Limited ("Miramar") recorded HK$122 million in unaudited profit attributable to shareholders for the six months ended 30 September 2008. Excluding the drop in fair value of its investment properties and impairment loss in available-for-sale investments of approximately HK$38 million and HK$8 million, respectively, the unaudited profit before taxation amounted to HK$188 million, representing a decrease of 4%.

In April 2008, the first batch of 120 guest rooms in its flagship Tsim Sha Tsui hotel in Nathan Road were closed down for remodelling, following on from the earlier transformation of public spaces such as the hotel lobby and the Grand Ballroom. With these 120 rooms reopened in August 2008, all the remaining guest rooms were closed down for the second phase of room remodelling, which is still ongoing. The hotel makeover during the period under review resulted in a temporary drop in capacity at the hotel.

With the opening of the first batch of new rooms in August 2008, this group relaunched the entire venue with a totally new image and "Hotel Miramar" was renamed "The Mira, Hong Kong". Higher room rates and better returns on events held in the Grand Ballroom are beginning to have a positive effect on revenues. Its new restaurant named Yamm which is adjacent to the Hotel lobby also becomes a city favourite.

One of the main features yet to be completed is a unique designer garden in the inner courtyard of the building, as well as the exclusive suites surrounding the garden. The façade of the hotel will also be modernized. The recent fall in material prices and construction costs is opportune and would benefit the renovation project in its later stage.

This group's property business performed well during the period under review and many of its retail and office leases were renewed when Hong Kong's property market was still strong. For its food and beverages operations, this group remains fully committed to emphasizing the uniqueness of its food and beverages operations and the exceptional standards of food quality and service so as to maintain its niche in a competitive marketplace. At the same time, it also focuses on boosting efficiency and controlling costs wherever possible.

This group's travel business continues to offer important synergies with the rest of its hospitality, tourism and leisure activities. Its development over the past few years has not only given customers a much wider range of travel options, but also led to increasing margins on package tours and a significant boost in turnover.

Prospects

The financial tsunami which erupted last September has brought in its wake instability of the global financial system, a severe and ongoing credit crunch and a sharp contraction in the global economy. Financial institutions in the mainland, however, are less directly affected and the Central Government, on the back of its huge monetary reserve, has promptly implemented a series of stimulus measures to revive its major industries, improve the livelihood of farmers, promote infrastructure development and preserve employment, which are all essential to increase domestic consumption. Its efforts to boost bank lending so as to support economic growth are beginning to bear fruit. With mainland China as its hinterland and a pledge from the Central Government to support its economic development, Hong Kong is in a better position to face the financial tsunami, especially given its relatively sound financial system.

The current low interest rate environment in Hong Kong, as well as intensifying competition among leading banks for mortgage business, will be conducive to the sale of the Group's luxurious developments (such as The Beverly Hills Phase 3, 11, 12, 12A, 12B Headland Road, No. 39 Conduit Road and Shatin Town Lot 539) and other residential projects (such as projects in Tong Yan San Tsuen and Fanling Sheung Shui Town Lot 231).

In mainland China, the Group's properties under development are mostly targeted at end-users, whose affordability for home purchase is expected to grow in line with the continued increase in household income and the successive rise in savings rate in the mainland. With the relaxation of credit for home purchase in late 2008, the lowering or exemption of taxes related to property transactions, and the consecutive interest rate cuts by the People's Bank of China, the property market has become stabilized with a recent increase in transaction volume, despite a wait-and-see attitude adopted by home-buyers waiting for a better bargain.

Looking ahead, oversupply would continue to plague the mainland property market in 2009 and, for some cities, this problem would be more acute. However, with the timely adjustment by the Central Government to its policy towards the real estate sector, namely, from curbing overheating in the first half of 2008 to ensuring a steady growth in the latter part of the year, this pillar industry is expected to make a major contribution to the country's economic growth going forward. Despite an imbalance of supply over demand in most cities, for property projects that are reasonably priced, the response from price-conscious buyers is still encouraging. It is expected that the introduction by the Central Government of new series of favourable policies, coupled with further adjustments in both selling price and interest rate, would help to improve the affordability and rebuild the confidence of home-buyers. This would lead to an increase in transaction volume, providing an impetus for a recovery of the property market.

In 2009, the Group plans to launch the sale or pre-sale of a number of projects, including the Arch of Triumph in Changsha, La Botanica in Xian, as well as those projects in an island and Donggui New District of Yixing, Erlang Phoenix Area of Chongqing, Xiangcheng District of Suzhou and the Lakeview Development of Xuzhou, with an aggregate developable gross floor area of about 5,200,000 square feet for their first phases of developments. Given the strong potential demand for housing, the Group remains highly confident of the long-term development of the property market in mainland China. With timely and effective policies introduced by the Central Government and pragmatic lending by banks, which are all conducive to the healthy development of the property market, the Group will continue to look for land sites in downtown locations which show excellent value-accretive potential.

On the property investment front, both rental income and occupancy rate are expected to be under greater pressure in the first half of 2009 given the current gloomy market outlook in Hong Kong. However, the Group's shopping malls are mostly located at the populous new towns, where the purchasing power particularly for daily necessities is less severely impacted. Meanwhile, all the Group's newly-built rental properties, namely, The Pivot, Kwun Tong 223 and 78 Hung To Road would benefit from the prevailing gradual shift of office demand to Kowloon East. As such, the Group remains cautiously optimistic for the total rental income in Hong Kong for the twelve months ending 30 June 2009. In mainland China, World Financial Centre in Beijing was completed in January 2009, expanding the Group's mainland rental portfolio to 5.2 million square feet of gross floor area. With the addition of this 2.1 million square feet (in gross floor area terms) international Grade-A office complex, rental income in mainland China is set to increase further.

Excluding the contribution from the Group's three listed associates (namely, Hong Kong and China Gas, Hong Kong Ferry and Miramar), net rental income for the six months ended 31 December 2008 totalled HK$1,301 million, representing an increase of 10% over the corresponding period of the previous year. In respect of these three listed associates, excluding the Group's attributable share of change in fair value of investment properties (net of deferred taxation) held by these companies and non-recurrent items of gain or loss which are not related to their core business operations, the Group's share of their underlying post-tax profits in relation to core business operations amounted to HK$630 million for the period under review.

Over the past three decades, the Group has built up a sizeable portfolio of rental properties, as well as substantial investment in listed associates, both of which provide steady income streams to the Group. In the several down cycles in the past, including the Asian Financial Crisis in 1997 and the outbreak of SARS in 2003, the Group has been able to overcome one crisis after another, each time emerging stronger than ever. This was on account of the Group's firm foundation built on prudent financial disciplines and sound strategies, coupled with the tenacity and wisdom of the management team. With sizable and stable recurrent cash flows, abundant stand-by facilities and a strong balance sheet with a low gearing, the Group is well placed not only to face the challenges ahead but to seize emerging opportunities to expand its land bank and other investments, laying the foundation for further growth.

Condensed Interim Financial Statements

Consolidated Profit and Loss Account – unaudited

	Note	For the six months ended 31 December 2008 HK$ million	2007 (restated) HK$ million
Turnover	3	**4,819**	8,409
Direct costs		**(2,339)**	(4,517)
		2,480	3,892
Other revenue	4	**161**	153
Other net (loss)/income	4	**(23)**	119
Other operating (expenses)/income, net	5	**(215)**	93
Selling and marketing expenses		**(304)**	(587)
Administrative expenses		**(612)**	(616)
Profit from operations before changes in fair value of investment properties		**1,487**	3,054
(Decrease)/increase in fair value of investment properties	11(b)	**(2,646)**	4,153
(Loss)/profit from operations after changes in fair value of investment properties		**(1,159)**	7,207
Finance costs	6(a)	**(440)**	(269)
		(1,599)	6,938
Share of profits less losses of associates		**534**	1,934
Share of profits less losses of jointly controlled entities		**2,122**	2,198
Profit before taxation	6	**1,057**	11,070
Income tax	7	**159**	(1,181)
Profit for the period		**1,216**	9,889
Attributable to:			
– Equity shareholders of the Company		**1,171**	9,189
– Minority interests		**45**	700
Profit for the period		**1,216**	9,889
Interim dividend declared after the interim period end	8(a)	**644**	859
Earnings per share – basic and diluted	10(a)	**HK$0.55**	HK$4.69
Adjusted earnings per share	*10(b)*	***HK$0.65***	*HK$1.92*

The notes on pages 26 to 45 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Balance Sheet

	Note	At 31 December 2008 (unaudited) HK$ million	At 30 June 2008 (restated) HK$ million
Non-current assets			
Fixed assets	11	**57,200**	59,313
Intangible operating rights	11	**728**	749
Interests in leasehold land held for own use under operating leases		**996**	1,006
Interest in associates		**33,758**	33,993
Interest in jointly controlled entities		**15,898**	13,891
Derivative financial instruments	12	**527**	268
Other financial assets	13	**1,679**	2,164
Deferred tax assets		**152**	129
		110,938	111,513
Current assets			
Deposits for acquisition of properties		**3,506**	4,840
Inventories		**39,212**	37,624
Trade and other receivables	14	**5,261**	5,072
Cash held by stakeholders		**44**	154
Cash and cash equivalents	15	**20,108**	15,675
		68,131	63,365
Current liabilities			
Trade and other payables	16	**3,979**	4,589
Bank loans and overdrafts	17	**8,509**	3,307
Current taxation		**592**	879
		13,080	8,775
Net current assets		**55,051**	54,590
Total assets less current liabilities		**165,989**	166,103

Condensed Interim Financial Statements

Consolidated Balance Sheet (cont'd)

	Note	At 31 December 2008 (unaudited) HK$ million	At 30 June 2008 (restated) HK$ million
Non-current liabilities			
Bank loans	17	**28,193**	29,007
Guaranteed notes		**3,079**	3,312
Amount due to a fellow subsidiary		**3,433**	1,872
Derivative financial instruments	12	**1,072**	309
Deferred tax liabilities		**7,066**	7,441
		42,843	41,941
NET ASSETS		**123,146**	124,162
CAPITAL AND RESERVES			
Share capital		**4,294**	4,294
Reserves		**115,931**	116,902
Total equity attributable to equity shareholders of the Company		**120,225**	121,196
Minority interests		**2,921**	2,966
TOTAL EQUITY		**123,146**	124,162

The notes on pages 26 to 45 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

	Note	For the six months ended 31 December **2008** HK$ million	2007 (restated) HK$ million
Total equity at 1 July			
– as previously reported		**124,198**	100,744
– effect of adoption of HK(IFRIC) – Int 12	2	**(36)**	(38)
– as restated		**124,162**	100,706
Net (loss)/income for the period recognised directly in equity:			
Exchange difference on translation of accounts of foreign entities		**(99)**	723
Cash flow hedges: effective portion of changes in fair value, net of deferred tax		**(420)**	–
Revaluation surpluses, net of deferred tax		**–**	16
Changes in fair value of available-for-sale equity securities		**(394)**	335
		(913)	1,074
Transfer from equity:			
Cash flow hedges: transfer from equity to profit or loss, net of deferred tax		**204**	–
Transfer to profit or loss on impairment of available-for-sale equity securities		**73**	–
Realisation of exchange reserve on disposal of subsidiaries		**–**	(14)
		277	(14)
Net profit for the period			
– as previously reported			9,888
– effect of adoption of HK(IFRIC) – Int 12			1
– net profit for the period (2007- as restated)		**1,216**	9,889
Total recognised income and expenses for the period		**580**	10,949

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited (cont'd)

	Note	For the six months ended 31 December 2008 HK$ million	2007 (restated) HK$ million
Attributable to:			
– Equity shareholders of the Company		**532**	10,233
– Minority interests		**48**	716
		580	10,949
Dividends paid	8(b)	**(1,503)**	(1,360)
Dividends paid to minority shareholders		**(42)**	(164)
Distribution to minority shareholders	9	**–**	(14,930)
Increase in shareholdings in subsidiaries		**–**	10,142
Repayment to minority shareholders, net		**(51)**	(183)
Disposal of subsidiaries		**–**	(108)
Movements in equity arising from capital transactions:			
– Issue of shares		**–**	408
– Net share premium received		**–**	13,373
		–	13,781
Total equity at 31 December		**123,146**	118,833

The notes on pages 26 to 45 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement – unaudited

	Note	For the six months ended 31 December 2008 HK$ million	2007 HK$ million
Net cash used in operating activities		**(164)**	(2,227)
Net cash generated from/(used in) investing activities		**901**	(2,986)
Net cash generated from financing activities		**3,812**	7,571
Net increase in cash and cash equivalents		**4,549**	2,358
Cash and cash equivalents at 1 July		**15,583**	9,427
Effect of foreign exchange rate changes		**(80)**	152
Cash and cash equivalents at 31 December	15	**20,052**	11,937

The notes on pages 26 to 45 form part of these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements (unaudited)

1 Basis of preparation

These condensed interim financial statements have been prepared in accordance with (a) the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and (b) the same accounting policies as those adopted in the 2008 annual accounts (except for the adoption of HK(IFRIC) – Int 12 "Service concession arrangements" as set out in note 2), and comply with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They were authorised for issuance on 19 March 2009.

The preparation of the condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis.

These condensed interim financial statements contain condensed consolidated accounts and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual accounts.

These condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. KPMG's review report to the Board of Directors is included on page 64.

The financial information relating to the financial year ended 30 June 2008 that is included in the condensed interim financial statements as being previously reported information does not constitute the Company's statutory consolidated accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 30 June 2008 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those accounts in their report dated 18 September 2008.

2 Significant accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively included individual HKFRSs, HKASs and Interpretations, that are first effective or available for early adoption for the current accounting period of the Group. The Group has determined the accounting policies expected to be adopted in the preparation of the Group's accounts for the period ending 31 December 2009 on the basis of HKFRSs currently in issue. There have been no significant changes to the accounting policies applied in these condensed interim financial statements for the periods presented as a result of these developments, except for the adoption of HK(IFRIC) – Int 12 "Service concession arrangements" which affects the classification of the Group's toll bridge and retained profits in these condensed interim financial statements as listed below:

In prior years, the Group accounted for its toll bridge under public-to-private service concession arrangement as fixed assets. Following the adoption of HK(IFRIC) – Int 12, the Group's toll bridge has been reclassified from "Fixed assets" to "Intangible operating rights" and is accounted for as an intangible operating right to the extent that the Group receives a right (a license) to charge users of the public services. Amortisation is provided to write off the cost of the intangible operating right, using the straight-line method, over the operating period of the Group's toll bridge of 29 years. This change in accounting policy has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

Notes to the Condensed Interim Financial Statements (unaudited)

2 Significant accounting policies (cont'd)

The adoption of HK(IFRIC) – Int 12 results in the following financial impact:

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
Balance sheet		
Increase in intangible operating rights	**548**	563
Decrease in fixed assets	**(583)**	(599)
Decrease in retained profits	**(23)**	(24)
Decrease in minority interests	**(12)**	(12)

	For the six months ended 31 December 2008 HK$ million	2007 HK$ million
Profit and loss account		
Increase in amortisation charge for the period	**21**	17
Decrease in depreciation charge for the period	**(22)**	(18)

The Group is in the process of making an assessment of what the impact of other amendments, new standards and new interpretations, which are not yet effective for the forthcoming accounting period and which have not been adopted in these condensed interim financial statements, is expected to be in the period of initial application. So far it has concluded that the adoption of HKFRS 8 "Operating segments" and revised HKAS 1 "Presentation of financial statements", which are effective for accounting periods beginning on or after 1 January 2009, may result in new or amended disclosures in the accounts. In respect of other amendments, new standards and new interpretations, the Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

Notes to the Condensed Interim Financial Statements (unaudited)

3 Segmental information

An analysis of the Group's revenue and results by business segment during the period is as follows:

Business segments

The Group comprises the following main business segments:

Property development	:	development and sale of properties
Property leasing	:	leasing of properties
Construction	:	construction of building works
Infrastructure	:	investment in infrastructure projects
Hotel operation	:	hotel operation and management
Department store operation	:	department store operation and management
Others	:	provision of finance, investment holding, project management, property management, agency services, provision of cleaning and security guard services

Notes to the Condensed Interim Financial Statements (unaudited)

3 Segmental information (cont'd)

Business segments (cont'd)

For the six months ended 31 December 2008

	Property development (note (i)) HK$ million	Property leasing HK$ million	Construction HK$ million	Infrastructure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Turnover	2,644	1,364	104	156	104	140	307	–	4,819
Other revenue (excluding bank interest income)	1	3	1	–	6	1	32	–	44
External revenue	2,645	1,367	105	156	110	141	339	–	4,863
Inter-segment revenue	–	83	987	–	1	–	32	(1,103)	–
Total revenue	2,645	1,450	1,092	156	111	141	371	(1,103)	4,863
Segment results	855	916	48	114	36	5	86		2,060
Inter-segment transactions	(6)	(20)	(62)	–	(1)	17	(28)		(100)
Contribution from operations	849	896	(14)	114	35	22	58		1,960
Bank interest income									117
Provision on inventories	(23)	–	–	–	–	–	–		(23)
Impairment loss on available-for-sale equity securities (included under "other financial assets")	–	–	–	–	–	–	(73)		(73)
Unallocated operating expenses net of income									(494)
Profit from operations									1,487
Decrease in fair value of investment properties									(2,646)
Finance costs									(440)
									(1,599)
Share of profits less losses of associates (note (ii))									534
Share of profits less losses of jointly controlled entities (note (iii))									2,122
Profit before taxation									1,057
Income tax									159
Profit for the period									1,216

Notes to the Condensed Interim Financial Statements (unaudited)

3 Segmental information (cont'd)

Business segments (cont'd)

For the six months ended 31 December 2007 (restated)

	Property development (note (i)) HK$ million	Property leasing HK$ million	Construction HK$ million	Infrastructure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Turnover	6,253	1,291	114	129	104	130	388	–	8,409
Other revenue (excluding bank interest income)	–	3	1	–	–	2	19	–	25
External revenue	6,253	1,294	115	129	104	132	407	–	8,434
Inter-segment revenue	–	90	1,276	–	–	–	29	(1,395)	–
Total revenue	6,253	1,384	1,391	129	104	132	436	(1,395)	8,434
Segment results	1,997	875	61	89	35	–	194		3,251
Inter-segment transactions	24	(21)	(67)	–	–	18	(25)		(71)
Contribution from operations	2,021	854	(6)	89	35	18	169		3,180
Bank interest income									128
Provision on inventories	(18)	–	–	–	–	–	–		(18)
Unallocated operating expenses net of income									(236)
Profit from operations									3,054
Increase in fair value of investment properties									4,153
Finance costs									(269)
									6,938
Share of profits less losses of associates (note (ii))									1,934
Share of profits less losses of jointly controlled entities (note (iii))									2,198
Profit before taxation									11,070
Income tax									(1,181)
Profit for the period									9,889

Notes to the Condensed Interim Financial Statements (unaudited)

3 Segmental information (cont'd)

Geographical segments

	Hong Kong HK$ million	Mainland China HK$ million	Consolidated HK$ million
For the six months ended 31 December 2008			
Turnover	**4,235**	**584**	**4,819**
Other revenue (excluding bank interest income)	**39**	**5**	**44**
External revenue	**4,274**	**589**	**4,863**
For the six months ended 31 December 2007			
Turnover	8,010	399	8,409
Other revenue (excluding bank interest income)	17	8	25
External revenue	8,027	407	8,434

Notes:

(i) Included in the turnover of property development segment is an amount of HK$7 million (2007: HK$927 million) relating to the Group's share of sale proceeds from its interest in a property project jointly developed by the Group and an associate.

(ii) Included in the Group's share of profits less losses of associates during the period is a loss of HK$7 million (2007: profit of HK$1,001 million) contributed from the property development segment, and a profit of HK$337 million (2007: HK$593 million) contributed from the property leasing segment (taking into account the changes in fair value of investment properties (net of deferred taxation) during the period of HK$195 million (2007: HK$474 million)).

(iii) Included in the Group's share of profits less losses of jointly controlled entities during the period is a profit of HK$33 million (2007: HK$381 million) contributed from the property development segment, and a profit of HK$2,012 million (2007: HK$1,738 million) contributed from the property leasing segment (taking into account the changes in fair value of investment properties (net of deferred taxation) during the period of HK$1,775 million (2007: HK$1,617 million)).

Notes to the Condensed Interim Financial Statements (unaudited)

4 Other revenue and other net (loss)/income

	For the six months ended 31 December	
	2008	2007
	HK$ million	HK$ million
Other revenue		
Bank interest income	**117**	128
Other interest income	**6**	6
Others	**38**	19
	161	153
Other net (loss)/income		
Net profit on disposal of fixed assets (note)	**2**	79
Net foreign exchange (loss)/gain	**(22)**	42
(Loss)/gain on sale of listed investments	**(2)**	1
Net fair value loss on derivative financial instruments	**–**	(3)
Others	**(1)**	–
	(23)	119

Note:

During the six months ended 31 December 2007, the Group entered into sale and purchase agreements with certain parties for the sale of its property interests with the aggregate consideration of approximately HK$1,261 million, which resulted in an aggregate net profit on disposal of approximately HK$78 million.

Notes to the Condensed Interim Financial Statements (unaudited)

5 Other operating (expenses)/income, net

	For the six months ended 31 December	
	2008	2007
	HK$ million	HK$ million
Net gain on disposal of subsidiaries (note)	**–**	144
Provision on inventories	**(23)**	(18)
(Impairment loss)/reversal of impairment loss for trade and other receivables	**(43)**	15
Impairment loss on available-for-sale equity securities (see note 13)	**(73)**	–
Others	**(76)**	(48)
	(215)	93

Note:

During the six months ended 31 December 2007, the Group sold two subsidiaries which were engaged in property leasing for an aggregate consideration of HK$362 million. This resulted in a net gain on disposal of HK$123 million.

Notes to the Condensed Interim Financial Statements (unaudited)

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		For the six months ended 31 December	
		2008	2007
		HK$ million	HK$ million
(a)	**Finance costs:**		
	Bank interest	**598**	431
	Interest on loans repayable within five years	**28**	46
	Interest on loans repayable after five years	**92**	75
	Other borrowing costs	**22**	22
		740	574
	Less: Amount capitalised *	**(300)**	(305)
		440	269
(b)	**Staff costs:**		
	Salaries, wages and other benefits	**669**	644
	Contributions to defined contribution retirement plans	**26**	22
		695	666

* The borrowing costs have been capitalised at rates ranging from 3.20% to 6.44% (2007: 4.73% to 5.67%) per annum.

Notes to the Condensed Interim Financial Statements (unaudited)

6 Profit before taxation (cont'd)

Profit before taxation is arrived at after charging/(crediting): (cont'd)

	For the six months ended 31 December	
	2008	2007
		(restated)
	HK$ million	HK$ million
(c) Other items:		
Depreciation	**56**	45
Less: Amount capitalised	**(1)**	(1)
	55	44
Amortisation of land lease premium	**10**	10
Amortisation of intangible operating rights	**26**	22
Cost of sales		
– completed properties for sale (note)	**1,447**	3,699
– trading stocks	**135**	100
Dividend income from investments		
– listed	**(4)**	(12)
– unlisted	**(12)**	(7)

Note:

Included in the cost of sales in respect of completed properties for sale is an amount of HK$3 million (2007: HK$326 million) relating to the Group's share of cost of properties sold in connection with the property project jointly developed by the Group and the associate as disclosed in note 3.

Notes to the Condensed Interim Financial Statements (unaudited)

7 Income tax

Income tax in the consolidated profit and loss account represents:

	For the six months ended 31 December	
	2008	2007
	HK$ million	HK$ million
Current tax		
Provision for Hong Kong Profits Tax	**128**	350
Provision for taxation outside Hong Kong	**39**	88
Provision for Land Appreciation Tax	**34**	–
Deferred taxation		
Origination and reversal of temporary differences	**(360)**	743
	(159)	1,181

Provision for Hong Kong Profits Tax has been made at 16.5% (2007: 17.5%) on the estimated assessable profits for the period.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the period on the estimated assessable profits arising in the relevant tax jurisdictions during the period.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on proceeds of sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

Deferred tax (credited)/charged to the consolidated profit and loss account mainly arises from the (reversal of taxable temporary differences)/taxable temporary differences relating to the (decrease)/increase in fair value of the Group's investment properties during the period.

Notes to the Condensed Interim Financial Statements (unaudited)

8 Dividends

(a) Dividend attributable to the interim period:

	For the six months ended 31 December	
	2008	2007
	HK$ million	HK$ million
Interim dividend declared after the interim period end of HK$0.3 (2007: HK$0.4) per share	**644**	859

(b) Dividend attributable to the previous financial year, approved and paid during the interim period:

	For the six months ended 31 December	
	2008	2007
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.7 (2007: HK$0.7) per share	**1,503**	1,360

9 Distribution to minority shareholders

During the six months ended 31 December 2007, Henderson Investment Limited ("HIL"), a subsidiary of the Company, made a distribution to its shareholders in the aggregate amount of HK$46,575 million. Such distribution was made by HIL out of the proceeds received by HIL from the Company pursuant to the Company's acquisition of HIL's entire interest in The Hong Kong and China Gas Company Limited (details of which have been set out in the Group's 2008 annual accounts). In this regard, the distribution to minority shareholders of HIL amounted to HK$14,930 million.

Notes to the Condensed Interim Financial Statements (unaudited)

10 Earnings per share

(a) The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company of HK$1,171 million (2007 (restated): HK$9,189 million) and on the weighted average number of 2,147 million ordinary shares (2007: 1,959 million ordinary shares) in issue during the period.

There were no dilutive potential shares in existence during the six months ended 31 December 2007 and 2008, therefore diluted earnings per share are the same as basic earnings per share for both the current and prior periods.

(b) The calculation of adjusted earnings per share is based on the profit attributable to equity shareholders of the Company and adjusted as follows:

	For the six months ended 31 December	
	2008	2007 (restated)
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**1,171**	9,189
Effect of changes in fair value of investment properties	**2,646**	(4,153)
Effect of deferred taxation on changes in fair value of investment properties	**(409)**	666
Effect of share of changes in fair value of investment properties (net of deferred taxation) of:		
– associates	**(195)**	(474)
– jointly controlled entities	**(1,775)**	(1,617)
Effect of share of minority interests	**(33)**	148
Adjusted earnings for calculation of earnings per share	**1,405**	3,759
Adjusted earnings per share	**HK$0.65**	HK$1.92

Notes to the Condensed Interim Financial Statements (unaudited)

11 Fixed assets and intangible operating rights

(a) Reclassification

Following the adoption of HK(IFRIC) – Int 12 "Service concession arrangements", the Group's toll bridge has been reclassified from "Fixed assets" to "Intangible operating rights", details of which are set out in note 2.

(b) Valuation

The investment properties were revalued at 31 December 2008 by DTZ, an independent firm of professional surveyors who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential.

(c) Assets pledged for security

At 30 June 2008 and 31 December 2008, the toll highway operating rights were pledged to secure the Group's certain bank loans.

12 Derivative financial instruments

	At 31 December 2008		At 30 June 2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ million	**HK$ million**	HK$ million	HK$ million
Cash flow hedges:				
– cross currency interest rate swap contracts	**527**	**1,072**	268	309

The aggregate notional principal amounts of the outstanding swap contracts at 31 December 2008 were US$524 million (30 June 2008: US$325 million) and £50 million (30 June 2008: £50 million). These swap contracts comprise cross currency interest rate swap contracts, which were entered into to hedge against interest rate risk and foreign currency risk in relation to the guaranteed notes and certain bank borrowings. These swap contracts will mature between 8 September 2010 and 25 July 2022.

Notes to the Condensed Interim Financial Statements (unaudited)

13 Other financial assets

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
Available-for-sale equity securities	**680**	1,062
Instalments receivable	**911**	1,003
Long term receivable	**88**	99
	1,679	2,164

At 31 December 2008, certain of the Group's available-for-sale equity securities were determined to be impaired on the basis of significant or prolonged decline in their fair values below costs. Accordingly, impairment loss of HK$73 million (2007: HK$Nil) has been made and recognised in the consolidated profit and loss account during the six months ended 31 December 2008 (see note 5).

Instalments receivable represents the proceeds receivable from the sale of properties due after twelve months from the balance sheet date. Instalments receivable due within twelve months from the balance sheet date is included in "Trade and other receivables" under current assets (see note 14).

14 Trade and other receivables

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
Instalments receivable	**2,290**	2,078
Debtors, prepayments and deposits	**2,585**	2,540
Gross amount due from customers for contract work	**58**	48
Amounts due from associates	**327**	393
Amounts due from jointly controlled entities	**1**	13
	5,261	5,072

Notes to the Condensed Interim Financial Statements (unaudited)

14 Trade and other receivables (cont'd)

(i) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
Current or under 1 month overdue	**1,744**	1,594
More than 1 month overdue and up to 3 months overdue	**215**	792
More than 3 months overdue and up to 6 months overdue	**128**	147
More than 6 months overdue	**1,078**	492
	3,165	3,025

(ii) Included in trade debtors at 31 December 2008 was an amount of RMB426 million (equivalent to HK$484 million) (30 June 2008: RMB474 million (equivalent to HK$539 million)) which relates to toll income receivable from Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Third Bridge JV"), a 60% owned subsidiary of HIL, which is engaged in the operation of a toll bridge in Hangzhou, mainland China. The toll income has been collected on behalf of the Group since January 2004 by 杭州市 "四自" 工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office), a relevant government body in Hangzhou (the "Hangzhou Government Body") in accordance with the terms of the agreement entered into between the Third Bridge JV and the Hangzhou Government Body. During the six months ended 31 December 2008, an amount of RMB164 million (equivalent to HK$186 million) was received by the Third Bridge JV from the Hangzhou Government Body.

Subsequent to the period under review, on 16 February 2009, a further amount of RMB250 million (equivalent to HK$284 million) was received by the Third Bridge JV from the Hangzhou Government Body.

(iii) Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties, which enables management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

Notes to the Condensed Interim Financial Statements (unaudited)

15 Cash and cash equivalents

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
Deposits with banks and other financial institutions	**8,995**	8,114
Cash at bank and in hand	**11,113**	7,561
Cash and cash equivalents in the consolidated balance sheet	**20,108**	15,675
Bank overdrafts	**(56)**	(92)
Cash and cash equivalents in the condensed consolidated cash flow statement	**20,052**	15,583

16 Trade and other payables

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
Creditors and accrued expenses	**3,228**	2,912
Rental and other deposits	**586**	556
Forward sales deposits received	**–**	821
Amounts due to associates	**38**	177
Amounts due to jointly controlled entities	**127**	123
	3,979	4,589

Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
Due within 1 month and on demand	**736**	683
Due after 1 month but within 3 months	**253**	290
Due after 3 months but within 6 months	**150**	183
Due after 6 months	**1,114**	877
	2,253	2,033

Notes to the Condensed Interim Financial Statements (unaudited)

17 Bank loans and overdrafts

During the six months ended 31 December 2008, the Group obtained new bank loans amounting to HK$9,940 million and repaid bank loans amounting to HK$5,468 million. The new bank loans bear interest rates ranging from 1.10% to 6.85% per annum.

At 31 December 2008, bank loans and overdrafts were unsecured except for an amount of HK$41 million (30 June 2008: HK$40 million) which was secured by the Group's toll highway operating rights (see note 11(c)).

18 Commitments

At 31 December 2008, the Group had capital commitments not provided for in these condensed interim financial statements as follows:

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**2,744**	3,343
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**12,697**	13,360
	15,441	16,703

19 Contingent liabilities

At 31 December 2008, contingent liabilities of the Group were as follows:

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
(a) Guarantees given by the Group to financial institutions on behalf of purchasers of flats	**1**	2

Notes to the Condensed Interim Financial Statements (unaudited)

19 Contingent liabilities (cont'd)

(b) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and reclassification of the properties before the Completion. At 31 December 2008, the Group had contingent liabilities in this connection of HK$30 million (30 June 2008: HK$30 million).

(c) At 31 December 2008, the Group had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the subsidiaries' obligations amounting to HK$93 million (30 June 2008: HK$92 million).

20 Material related party transactions

In addition to the transactions disclosed elsewhere in these condensed interim financial statements, the Group entered into the following material related party transactions during the period:

(a) Transaction with a fellow subsidiary

Details of material related party transaction between the Group and a fellow subsidiary are as follows:

	For the six months ended 31 December	
	2008	2007
	HK$ million	HK$ million
Other interest expense (note (i))	**10**	19

(b) Transactions with associates and jointly controlled entities

Details of material related party transactions between the Group and its associates and jointly controlled entities are as follows:

	For the six months ended 31 December	
	2008	2007
	HK$ million	HK$ million
Other interest income (note (i))	**6**	7
Construction income (note (ii))	**104**	5
Management fee income (note (iii))	**4**	19
Professional fee income (note (iii))	**1**	2
Sales commission income (note (iii))	**10**	29
Rental expenses (note (iii))	**31**	33

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate or prime rate.

(ii) These transactions represent cost reimbursements plus certain percentage thereon as service fees.

(iii) These transactions were carried out on normal commercial terms and in the ordinary course of business.

Notes to the Condensed Interim Financial Statements (unaudited)

20 Material related party transactions (cont'd)

(c) Transactions with a company owned by a director of the Company

Mr. Lee Ka Kit, a director of the Company, through a company owned by him (the "entity") had separate interests in a subsidiary and an associate of the Group and through which the Group held its interests in certain development projects in mainland China. The entity agreed to provide and had provided finance in the form of non–interest bearing advances to such subsidiary and associate in accordance with the percentage of its equity interests in these companies.

At 31 December 2008, there was no outstanding balance between the entity and the abovementioned subsidiary (30 June 2008: HK$Nil) and the advance by the entity to the abovementioned associate amounted to HK$81 million (30 June 2008: HK$81 million). Such amount was unsecured and has no fixed terms of repayment.

21 Non-adjusting post balance sheet event

After the balance sheet date, the directors proposed an interim dividend. Further details are disclosed in note 8(a).

22 Comparative figures

As a result of adopting HK(IFRIC) – Int 12 "Service concession arrangements", certain comparative figures have been restated. Details of the adoption of this new accounting policy are set out in note 2.

Financial Review

Review of results

The following discussions should be read in conjunction with the Company's unaudited condensed interim financial statements for the six months ended 31 December 2008.

Turnover and profit

	Turnover		Contribution from operations	
	Six months ended 31 December		Six months ended 31 December	
	2008	2007	**2008**	2007 (restated)
	HK$ million	HK$ million	**HK$ million**	HK$ million
Business segments				
– Property development	**2,644**	6,253	**849**	2,021
– Property leasing	**1,364**	1,291	**896**	854
– Construction	**104**	114	**(14)**	(6)
– Infrastructure	**156**	129	**114**	89
– Hotel operation	**104**	104	**35**	35
– Department store operation	**140**	130	**22**	18
– Other businesses	**307**	388	**58**	169
	4,819	8,409	**1,960**	3,180

	Six months ended 31 December	
	2008	2007 (restated)
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company		
– including the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the Group, its associates and jointly controlled entities	**1,171**	9,189
– excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the Group, its associates and jointly controlled entities	**1,405**	3,759

The Group recorded a decrease in turnover for the six months ended 31 December 2008 of HK$3,590 million, or 43%, to HK$4,819 million (2007: HK$8,409 million). The decrease was mainly attributable to the decrease in turnover in the Group's property development business segment, as a result of the decrease in property sales during the period which was adversely affected by the unfavourable market conditions after the outbreak of the global financial crisis in September 2008.

Profit attributable to equity shareholders of the Company for the six months ended 31 December 2008, excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the Group, its associates and jointly controlled entities, amounted to HK$1,405 million (2007 (restated): HK$3,759 million), representing a decrease of HK$2,354 million, or 63%, from that for the same period in the previous financial year. Such decrease was mainly attributable to the decreased profit contribution from the Group's property development business for the reason as mentioned above, as well as the decrease in the Group's share of post-tax profits less losses from associates and jointly controlled entities as described below.

Discussions on the major business segments are set out below.

Property development

Revenue from property development for the six months ended 31 December 2008 amounted to HK$2,644 million (2007: HK$6,253 million), representing a decrease of HK$3,609 million, or 58%, from that for the same period in the previous financial year. During the period, the Group's sales of the major property development projects include The Sparkle, The Beverly Hills, Cité 33 and Hengli Bayview in Guangzhou, mainland China. Together with the sales of other completed properties, total profit contribution amounted to HK$849 million during the period (2007: HK$2,021 million), representing a decrease of HK$1,172 million, or 58%, from that for the same period in the previous financial year.

During the six months ended 31 December 2008, the Group's share of pre-tax profit contributions from subsidiaries, associates and jointly controlled entities in relation to the property development business segment in total amounted to HK$879 million (2007: HK$3,661 million), comprising contribution from subsidiaries of HK$849 million (2007: HK$2,021 million), loss from associates of HK$7 million (2007: contribution from associates of HK$1,210 million) and contribution from jointly controlled entities of HK$37 million (2007: HK$430 million).

Property leasing

Revenue from property leasing for the six months ended 31 December 2008 amounted to HK$1,364 million (2007: HK$1,291 million), representing an increase of HK$73 million, or 6%, over that for the same period in the previous financial year. At 31 December 2008, the Group's major investment properties in Hong Kong recorded an average occupancy rate of 94% (30 June 2008: 95%) and in general there were increases in the new rents upon lease renewals and new lettings during the period when compared with the corresponding passing rents. Profit contribution from property leasing for the period amounted to HK$896 million (2007: HK$854 million), representing an increase of HK$42 million, or 5%, over that for the same period in the previous financial year.

Taking into account the Group's share of leasing revenue from properties owned by subsidiaries, associates and jointly controlled entities, gross revenue from property leasing attributable to the Group amounted to HK$2,086 million (2007: HK$1,886 million), representing an increase of HK$200 million, or 11%, over that for the same period in the previous financial year.

During the six months ended 31 December 2008, the Group's share of pre-tax net rental income from properties owned by the subsidiaries, associates and jointly controlled entities (before any changes in fair value of investment properties and related deferred taxation) in total amounted to HK$1,462 million which represents an increase of HK$143 million, or 11%, from HK$1,319 million during the same period in the previous financial year. The Group's share of pre-tax net rental income comprises contribution from subsidiaries of HK$896 million (2007: HK$854 million), contribution from associates of HK$181 million (2007: HK$162 million) and contribution from jointly controlled entities of HK$385 million (2007: HK$303 million).

Construction

The Group principally engages in construction contracts for property development projects in which the Group participates, including property development projects undertaken by the Group's associates and jointly controlled entities. During the six months ended 31 December 2008, turnover from construction activities decreased slightly by 9% to HK$104 million (2007: HK$114 million), following the completion of one major construction project before 1 July 2008 and the commencement of two other new construction projects during the period. The construction segment reported an operating loss of HK$14 million during the period (2007: HK$6 million), which is mainly attributable to finalisation of costs with contractors in this period for projects developed in prior years.

Infrastructure

Infrastructure projects in mainland China reported a turnover of HK$156 million for the six months ended 31 December 2008 (2007: HK$129 million), representing an increase of HK$27 million, or 21%, over that for the same period in the previous financial year. This was mainly attributable to (i) the increase in traffic volume of the toll bridge in Hangzhou during the period when compared with the same period in the previous financial year; and (ii) the appreciation in the value of Renminbi against Hong Kong dollars during the period when compared with the same period in the previous financial year. Profit contribution from this business segment for the period increased by HK$25 million, or 28%, to HK$114 million (2007 (restated): HK$89 million).

Hotel operation

Revenue and profit contribution from hotel operation for the six months ended 31 December 2008 amounted to HK$104 million and HK$35 million, respectively (2007: HK$104 million and HK$35 million, respectively).

Department store operation

The Group operates five department stores under the name of "Citistore" and four boutique stores in Hong Kong. Revenue and profit contribution from department store operation for the six months ended 31 December 2008 amounted to HK$140 million and HK$22 million, respectively (2007: HK$130 million and HK$18 million, respectively).

Other businesses

Other businesses comprise mainly provision of finance, investment holding, project management, property management, agency services and provision of cleaning and security guard services, which altogether reported a turnover of HK$307 million for the six months ended 31 December 2008 (2007 (restated): HK$388 million), representing a decrease of HK$81 million, or 21%, from that for the same period in the previous financial year. Such decrease is mainly attributable to (i) the decrease in commission income earned by the Group in relation to property sales of its associates and jointly controlled entities; and (ii) the decrease in revenue from sale of other properties, both during the period when compared with the same period in the previous financial year. Accordingly, profit contribution from other businesses for the period decreased by HK$111 million, or 66%, to HK$58 million (2007 (restated): HK$169 million).

Associates

The Group's share of post-tax profits less losses of associates during the period amounted to HK$534 million (2007: HK$1,934 million), representing a decrease of HK$1,400 million, or 72%, from that for the same period in the previous financial year. Excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the associates during the period, the Group's share of the underlying post-tax profits less losses of associates for the period amounted to HK$339 million (2007: HK$1,460 million), representing a decrease of HK$1,121 million, or 77%, from that for the same period in the previous financial year.

In respect of the Group's three listed associates (namely, The Hong Kong and China Gas Company Limited ("HKCG"), Miramar Hotel and Investment Company, Limited ("Miramar") and Hong Kong Ferry (Holdings) Company Limited ("HK Ferry")), the Group's aggregate share of their post-tax profits for the period amounted to HK$602 million (2007: HK$1,638 million), representing a decrease of HK$1,036 million, or 63%, from that for the same period in the previous financial year. Excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by these three listed associates during the period, the Group's share of the underlying post-tax profits of these three listed associates amounted to HK$319 million (2007: HK$1,257 million), representing a decrease of HK$938 million, or 75%, from that for the same period in the previous financial year. During the six months ended 31 December 2008, the Group recorded a decrease in the share of profit from (i) HKCG of HK$751 million, mainly for the reasons of the decrease in the Group's share of profit contribution from property sales of HK$807 million and an increase in the Group's share of net investment loss of HK$189 million due to the adverse financial market conditions following the outbreak of the global financial crisis during the period; (ii) Miramar of HK$4 million mainly for the reason of the decrease in profit contribution from hotel operations due to phased closure of guestrooms for remodelling and refitting as part of the major rebranding programme of The Mira, Hong Kong during the six months ended 30 September 2008; and (iii) HK Ferry of HK$183 million, for the reason of the increase in the Group's share of HK Ferry's net realised and unrealised losses on derivative financial instruments of HK$184 million due to the adverse financial market conditions following the outbreak of the global financial crisis during the period.

Jointly controlled entities

The Group's share of post-tax profits less losses of jointly controlled entities which are mainly engaged in property development and property investment activities amounted to HK$2,122 million (2007: HK$2,198 million), representing a decrease of HK$76 million, or 3%, from that for the same period in the previous financial year. Excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the jointly controlled entities during the period, the Group's share of the underlying post-tax profits less losses of jointly controlled entities amounted to HK$347 million (2007: HK$581 million), representing a decrease of HK$234 million, or 40%, from that for the same period in the previous financial year. Such decrease is mainly attributable to the fact that the Group derived its share of profit arising from the sale of Grand Promenade for the corresponding period of six months ended 31 December 2007, which amount nevertheless did not recur during the period.

Finance costs

Finance costs recognised as expenses for the six months ended 31 December 2008 were HK$440 million (2007: HK$269 million). Finance costs before interest capitalisation for the period were HK$740 million (2007: HK$574 million). During the period, the Group's effective borrowing rate ranged between 3.20% to 6.44% per annum (2007: 4.73% to 5.67% per annum).

Revaluation of investment properties

The Group recognised a decrease in fair value on its investment properties (before deferred taxation and minority interests) of HK$2,646 million (2007: increase in fair value of HK$4,153 million) in the consolidated profit and loss account for the six months ended 31 December 2008.

Financial resources and liquidity

Maturity profile and interest cover

At 31 December 2008, the aggregate amount of the Group's bank and other borrowings amounted to approximately HK$39,781 million (30 June 2008: HK$35,626 million), of which 99.9% (30 June 2008: 99.9%) in value was unsecured. Taking into account the Group's cash and bank balances at 31 December 2008 of HK$20,108 million (30 June 2008: HK$15,675 million), the Group's net bank and other borrowings at 31 December 2008 amounted to HK$19,673 million (30 June 2008: HK$19,951 million). The maturity profile of the bank and other borrowings, the cash and bank balances and the gearing ratio of the Group were as follows:

	At 31 December 2008 HK$ million	At 30 June 2008 HK$ million
Bank and other borrowings repayable:		
– Within 1 year	**8,509**	3,307
– After 1 year but within 2 years	**2,206**	9,093
– After 2 years but within 5 years	**25,987**	19,914
– After 5 years	**3,079**	3,312
Total bank and other borrowings	**39,781**	35,626
Less: Cash and bank balances	**(20,108)**	(15,675)
Net bank and other borrowings	**19,673**	19,951
Shareholders' funds *(30 June 2008 – restated)*	**120,225**	121,196
Gearing ratio (%)	**16.4%**	16.5%

The gearing ratio is calculated based on the net bank and other borrowings and shareholders' funds of the Group at the balance sheet date. The Group's gearing ratio improved slightly from 16.5% at 30 June 2008 to 16.4% at 31 December 2008, which is attributable mainly to the combined effect of the decreases, at the end of the period, in the Group's net bank and other borrowings and shareholders' funds.

The interest cover of the Group is calculated as follows:

	Six months ended 31 December	
	2008	2007
		(restated)
	HK$ million	HK$ million
Profit from operations (before changes in fair value of investment properties) plus the Group's share of the underlying profits less losses of associates and jointly controlled entities (before taxation)	**2,327**	5,424
Interest expense (before interest capitalisation)	**718**	552
Interest cover (times)	**3**	10

With abundant banking facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities were centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken for risk management purposes only and no derivative financial instruments are held by the Group for speculative purposes.

The Group conducts its businesses primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in Renminbi ("RMB"), the guaranteed notes ("Notes") which are denominated in United States dollars and Sterling and certain bank borrowings denominated in United States dollars ("USD borrowings").

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes and the USD borrowings, at 31 December 2008, there were interest rate swap contracts and cross currency swap contracts which were entered into between the Group and certain counterparty banks in the aggregate notional principal amounts of US$524,000,000 (30 June 2008: US$325,000,000) and £50,000,000 (30 June 2008: £50,000,000). The purpose of the swap contracts is to enable the Group to hedge against the interest rate risk and foreign exchange risk which may arise during the financial years between the issuance date and the maturity date in respect of the entire amount of each tranche of the Notes, and between the drawdown dates and the repayment dates in respect of the entire amounts of the USD borrowings. As a result, the Group does not expect any significant interest rate risk and foreign exchange risk exposures in relation to the Notes and the USD borrowings.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries outside its core businesses during the period.

Charge on assets

Assets of the Group were not charged to any third parties at 30 June 2008 and 31 December 2008, except that certain project financing facilities which were extended by banks to a subsidiary of the Company engaged in infrastructure projects in mainland China were secured by the Group's toll highway operating rights. At 31 December 2008, the outstanding balance of the Group's secured bank loans was HK$41 million (30 June 2008: HK$40 million).

Capital commitments

At 31 December 2008, capital commitments of the Group amounted to HK$15,441 million (30 June 2008: HK$16,703 million).

Contingent liabilities

At 31 December 2008, the Group's contingent liabilities amounted to HK$124 million (30 June 2008: HK$124 million).

Employees and remuneration policy

At 31 December 2008, the Group had approximately 7,600 (30 June 2008: 7,300) full-time employees. The remuneration of the employees is in line with the market and commensurable with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the six months ended 31 December 2008 amounted to HK$695 million (2007: HK$666 million).

Other Information

Revolving Credit Agreement with Covenants of the Controlling Shareholders

A wholly-owned subsidiary of the Company has continuously acted as borrower for a HK$10,000,000,000 revolving credit facility obtained in 2004 as per the Company's announcement dated 17 September 2004 that consists of a 5-year and a 7-year tranche in equal amounts (the "First Facility") from a syndicate of banks under the guarantee given by the Company.

As also disclosed in the Company's announcement dated 26 July 2006, a wholly-owned subsidiary of the Company, as borrower, has obtained a HK$13,350,000,000 5-year revolving credit facility (the "Second Facility") from a syndicate of banks under the guarantee given by the Company.

In connection with the respective First Facility and Second Facility, it will be an event of default if the Company ceases to be ultimately controlled by Dr. Lee Shau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr. Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the respective First Facility and Second Facility may become due and payable on demand.

Review of Interim Results

The unaudited interim results for the six months ended 31 December 2008 have been reviewed by the auditors of the Company, KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on page 64.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee met in March 2009 and reviewed the systems of internal control and compliance and the interim report for the six months ended 31 December 2008.

Code on Corporate Governance Practices

During the six months ended 31 December 2008, the Company has complied with the Code on Corporate Governance Practices (the "CGP Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CGP Code. The Company is of the view that it is in the best interest of the Company that Dr. Lee Shau Kee, with his profound expertise in the property business, shall continue in his dual capacity as the Chairman and Managing Director.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code.

Change of Financial Year End Date

The Company has resolved to change its financial year end date from 30 June to 31 December to the effect that the Company's current financial period will cover a period of eighteen months from 1 July 2008 to 31 December 2009. In that case, subject to the grant of a direction from the Registrar of Companies, no audited financial statements of the Company for a shorter period will be prepared in the calendar year 2009, to satisfy the requirements of the relevant sections of the Companies Ordinance of Hong Kong. As a result of the change in financial year end date, the Company will:

– announce and publish its second unaudited interim results for the twelve months ending 30 June 2009 and distribute the relevant second interim report on or before 30 September 2009;

– announce and publish its audited final results for the eighteen months ending 31 December 2009 and distribute the relevant annual report on or before 30 April 2010; and

– hold its annual general meeting for 2010 not later than 30 June 2010 to approve its audited financial statements for the period from 1 July 2008 to 31 December 2009.

The reasons for the change of financial year end date are as stated below.

The Company, through its subsidiaries, currently holds 39.06% equity interest in a significant associated company, The Hong Kong and China Gas Company Limited ("HKCG") which has substantial interests in a number of piped city-gas projects in various provinces and municipalities in mainland China. The Company equity accounts for the financial results of HKCG in its consolidated accounts contained in its interim report and annual report to shareholders. The financial year end date of HKCG is 31 December.

The Company also invests in property portfolios and infrastructure projects in mainland China through project companies set up in mainland China, the financial results of which are consolidated in the Company's consolidated accounts each year. These project companies are statutorily required to close their accounts with the financial year end date of 31 December in mainland China.

The change of financial year end date will enable the Company to have a coterminous financial year end date with HKCG and the project companies, thereby facilitating the preparation of the Company's consolidated accounts in the future to meet the reporting deadlines as shortened for the release of half-year results announcement from three months to two months and the release of annual results announcement from four months to three months under the Listing Rules, as amended in September 2008 and such new reporting deadlines will apply to the Company shortly.

The Company does not foresee any material adverse impact on the Company or its subsidiaries as a result of the change of financial year end date nor is there any other matter of significance that needs to be brought to the attention of shareholders in that regard.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 19 March 2009

As at the date of this report, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Colin Lam Ko Yin, Lee Ka Shing, John Yip Ying Chee, Alexander Au Siu Kee, Suen Kwok Lam, Lee King Yue, Fung Lee Woon King, Eddie Lau Yum Chuen, Li Ning and Patrick Kwok Ping Ho; (2) non-executive directors: Woo Po Shing, Leung Hay Man, Angelina Lee Pui Ling, Lee Tat Man and Jackson Woo Ka Biu (as alternate to Woo Po Shing); and (3) independent non-executive directors: Gordon Kwong Che Keung, Ko Ping Keung and Wu King Cheong.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2008, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(A) Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	7,269,006		1,139,381,866		1,146,650,872	53.41
	Lee Ka Kit	1				1,139,381,866	1,139,381,866	53.07
	Lee Ka Shing	1				1,139,381,866	1,139,381,866	53.07
	Li Ning	1		1,139,381,866			1,139,381,866	53.07
	Lee Tat Man	2	111,393				111,393	0.01
	Lee Pui Ling, Angelina	3	30,000				30,000	0.00
	Lee King Yue	4	252,263		19,800		272,063	0.01
	Fung Lee Woon King	5	1,000,000				1,000,000	0.05
	Woo Ka Biu, Jackson	6		2,000			2,000	0.00
Henderson Investment Limited	Lee Shau Kee	7	34,779,936		2,076,089,007		2,110,868,943	69.27
	Lee Ka Kit	7				2,076,089,007	2,076,089,007	68.13
	Lee Ka Shing	7				2,076,089,007	2,076,089,007	68.13
	Li Ning	7		2,076,089,007			2,076,089,007	68.13
	Lee Tat Man	8	6,666				6,666	0.00
	Lee King Yue	9	1,001,739				1,001,739	0.03
The Hong Kong and China Gas Company Limited	Lee Shau Kee	10	3,903,670		2,705,807,442		2,709,711,112	40.65
	Lee Ka Kit	10				2,705,807,442	2,705,807,442	40.59
	Lee Ka Shing	10				2,705,807,442	2,705,807,442	40.59
	Li Ning	10		2,705,807,442			2,705,807,442	40.59
	Au Siu Kee, Alexander	11		60,500			60,500	0.00

(A) Ordinary Shares (unless otherwise specified) (Cont'd)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	12	7,799,220		111,732,090		119,531,310	33.55
	Lee Ka Kit	12				111,732,090	111,732,090	31.36
	Lee Ka Shing	12				111,732,090	111,732,090	31.36
	Li Ning	12		111,732,090			111,732,090	31.36
	Lam Ko Yin, Colin	13	150,000				150,000	0.04
	Fung Lee Woon King	14	465,100				465,100	0.13
	Leung Hay Man	15	2,250				2,250	0.00
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	16			255,188,250		255,188,250	44.21
	Lee Ka Kit	16				255,188,250	255,188,250	44.21
	Lee Ka Shing	16				255,188,250	255,188,250	44.21
	Li Ning	16		255,188,250			255,188,250	44.21
	Woo Po Shing	17	2,705,000		2,455,000		5,160,000	0.89
Towngas China Company Limited	Lee Shau Kee	18			893,172,901		893,172,901	45.63
	Lee Ka Kit	18				893,172,901	893,172,901	45.63
	Lee Ka Shing	18				893,172,901	893,172,901	45.63
	Li Ning	18		893,172,901			893,172,901	45.63

(A) Ordinary Shares (unless otherwise specified) (Cont'd)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	19			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	20			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	21	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	19				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	20				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	21				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	19				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	20				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	21				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	19		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	20		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	21		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00

(A) **Ordinary Shares** (unless otherwise specified) (Cont'd)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Best Homes Limited	Lee Shau Kee	22			26,000		26,000	100.00
	Lee Ka Kit	22				26,000	26,000	100.00
	Lee Ka Shing	22				26,000	26,000	100.00
	Li Ning	22		26,000			26,000	100.00
Drinkwater Investment Limited	Leung Hay Man	23			5,000		5,000	4.49
	Woo Po Shing	24			3,250		3,250	2.92
Feswin Investment Limited	Lee Ka Kit	25			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	26	2,000				2,000	20.00
Furnline Limited	Lee Shau Kee	27			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	28			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	28				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	28				1 (B Share)	1 (B Share)	100.00
	Li Ning	27		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	28		1 (B Share)			1 (B Share)	100.00
Gain Base Development Limited	Fung Lee Woon King	29	50				50	5.00

(A) Ordinary Shares (unless otherwise specified) (Cont'd)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henfield Properties Limited	Lee Ka Kit	30			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Shau Kee	31			100		100	100.00
	Lee Ka Kit	31				100	100	100.00
	Lee Ka Shing	31				100	100	100.00
	Li Ning	31		100			100	100.00
Perfect Bright Properties Inc.	Lee Shau Kee	32			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	33			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	32				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	33				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	32				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	33				1 (B Share)	1 (B Share)	100.00
	Li Ning	32		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	33		1 (B Share)			1 (B Share)	100.00
Pettystar Investment Limited	Lee Shau Kee	34			3,240		3,240	80.00
	Lee Ka Kit	34				3,240	3,240	80.00
	Lee Ka Shing	34				3,240	3,240	80.00
	Li Ning	34		3,240			3,240	80.00

(B) Debentures

Issuer and type of debentures	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
HKCG (Finance) Limited – 6.25% Guaranteed Notes due 2018	Au Siu Kee, Alexander	35				US$500,000	US$500,000

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Arrangements to Purchase Shares or Debentures

At no time during the six months ended 31 December 2008 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Others' Interests

As at 31 December 2008, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	1,139,381,866	53.07
Riddick (Cayman) Limited (Note 1)	1,139,381,866	53.07
Hopkins (Cayman) Limited (Note 1)	1,139,381,866	53.07
Henderson Development Limited (Note 1)	1,138,015,800	53.01
Yamina Investment Limited (Note 1)	553,707,300	25.79
Believegood Limited (Note 1)	237,315,300	11.05
South Base Limited (Note 1)	237,315,300	11.05
Persons other than Substantial Shareholders:		
Cameron Enterprise Inc. (Note 1)	145,090,000	6.76
Third Avenue Management LLC on behalf of numerous portfolios	150,527,988	7.01
Third Avenue Management LLC on behalf of the Third Avenue Value Fund (Note 36)	103,328,000	5.32

Notes:

1. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 7,269,006 shares and for the remaining 1,139,381,866 shares, (i) 570,743,800 shares were owned by Henderson Development Limited ("HD"); (ii) 7,962,100 shares were owned by Sandra Investment Limited which was a wholly-owned subsidiary of HD; (iii) 145,090,000 shares were owned by Cameron Enterprise Inc.; 237,315,300 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 61,302,000 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 55,000,000 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 55,000,000 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iv) 5,602,600 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 39.06% held by Henderson Land Development Company Limited ("HL") which in turn was 53.01% held by HD; and (v) 1,366,066 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau Kee. Dr. Lee Shau Kee was taken to be interested in these shares by virtue of SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.

2. Mr. Lee Tat Man was the beneficial owner of these shares.

3. Mrs. Lee Pui Ling, Angelina was the beneficial owner of these shares.

4. Mr. Lee King Yue was the beneficial owner of 252,263 shares, and the remaining 19,800 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr. Lee King Yue and his wife.

5. Madam Fung Lee Woon King was the beneficial owner of these shares.

6. These shares were owned by the wife of Mr. Woo Ka Biu, Jackson.

7. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 34,779,936 shares, and for the remaining 2,076,089,007 shares, (i) 802,854,200 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (ii) 5,615,148 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in HL and Fu Sang as set out in Note 1 and HI by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.

8. Mr. Lee Tat Man was the beneficial owner of these shares.

9. Mr. Lee King Yue was the beneficial owner of these shares.

10. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 3,903,670 shares, and for the remaining 2,705,807,442 shares, (i) 1,402,419,759 shares and 585,912,251 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 615,295,494 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by HL; (ii) 4,799,430 shares were owned by Boldwin Enterprises Limited, a wholly-owned subsidiary of Yamina Investment Limited which was 100% held by HD; and (iii) 97,380,508 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in HL, HD and Fu Sang as set out in Note 1 and China Gas by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.

11. These shares were owned by the wife of Mr. Au Siu Kee, Alexander.

12. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 7,799,220 shares, and for the remaining 111,732,090 shares, (i) 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by HL; and (ii) 41,532,090 shares were held by Wiselin Investment Limited, a wholly-owned subsidiary of Max-mercan Investment Limited; Max-mercan Investment Limited was wholly-owned by Camay Investment Limited which in turn was 100% held by HL. Dr. Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Hong Kong Ferry (Holdings) Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.

13. Mr. Lam Ko Yin, Colin was the beneficial owner of these shares.

14. Madam Fung Lee Woon King was the beneficial owner of these shares.

15. Mr. Leung Hay Man was the beneficial owner of these shares.

16. Of these shares, 100,612,750 shares, 79,121,500 shares and 75,454,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HL. Dr. Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.

17. Of these shares, Sir Po-shing Woo was the beneficial owner of 2,705,000 shares, and the remaining 2,455,000 shares were held by Fong Fun Company Limited which was 50% owned by Sir Po-shing Woo.

18. These shares were owned by Hong Kong & China Gas (China) Limited, Planwise Properties Limited and Superfun Enterprises Limited, wholly-owned subsidiaries of China Gas. Dr. Lee Shau Kee was taken to be interested in China Gas as set out in Note 10 and Towngas China Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.

19. These shares were held by Hopkins as trustee of the Unit Trust.

20. These shares were held by Hopkins as trustee of the Unit Trust.

21. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.

22. Of these shares, (i) 10,400 shares were owned by HL; (ii) 2,600 shares were owned by HD; and (iii) 13,000 shares were owned by Manifest Investments Limited which was 50% held by Wealth Sand Limited which in turn was 70% held by Firban Limited. Firban Limited was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Firban Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr. Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in such shares by virtue of the SFO. As the spouse of a discretionary beneficiary of the discretionary trusts holding units in such unit trust, Mr. Li Ning was taken to be interested in such shares by virtue of the SFO.

23. These shares were held by Gilbert Investment Inc. which was wholly-owned by Mr. Leung Hay Man.

24. These shares were held by Coningham Investment Inc. which was wholly-owned by Fong Fun Investment Inc. of which 50% was owned by Sir Po-shing Woo and 50% by his wife.

25. Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited ("HC"), an indirect wholly-owned subsidiary of HL.

26. Madam Fung Lee Woon King was the beneficial owner of these shares.

27. These shares were owned by Jetwin International Limited.

28. This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.

29. Madam Fung Lee Woon King was the beneficial owner of these shares.

30. Of these shares, (i) 4,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 6,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by HC.

31. Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Heyield Estate Limited.

32. These shares were owned by Jetwin International Limited.

33. This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.

34. Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Allied Best Investment Limited.

35. HKCG (Finance) Limited was a wholly-owned subsidiary of China Gas. These debentures were owned by Mr. Au Siu Kee, Alexander and his wife jointly.

36. These shares formed part of the 150,527,988 shares held by Third Avenue Management LLC on behalf of numerous portfolios and the percentage of such 103,328,000 shares was based on the then issued 1,942,580,000 shares of the Company as at the reporting date under SFO.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF HENDERSON LAND DEVELOPMENT COMPANY LIMITED

Introduction

We have reviewed the condensed interim financial statements set out on pages 20 to 45 which comprises the consolidated balance sheet of Henderson Land Development Company Limited as of 31 December 2008 and the related consolidated profit and loss account, and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the condensed interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 31 December 2008 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 March 2009

This Interim Report is printed on environmentally friendly paper
本中期報告以環保紙張印刷

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED