08/09
SECOND INTERIM REPORT
第二份中期報告

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

Stock Code 股份代號：12

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Highlights of 2008/2009 Second Interim Results

	Note	For the twelve months ended 30 June **2009** **unaudited** **HK$ million**	 2008 audited HK$ million	Change
Property sales				
– Revenue	1	**4,907**	11,163	-56%
– Profit contribution	2	**1,436**	4,385	-67%
Net rental income	3	**2,941**	2,728	+8%
Profit attributable to Shareholders *(2008-restated)*				
– Underlying profit	4	**3,511**	5,708	-38%
– Reported profit		**5,541**	15,473	-64%
		HK$	HK$	
Earnings per share				
– Based on underlying profit	4	**1.64**	2.78	-41%
– Based on reported profit		**2.58**	7.54	-66%
Dividends per share		**0.60**	1.10	-45%
		At 30 June **2009** **unaudited** **HK$**	At 30 June 2008 audited HK$	
Net asset value per share *(2008 – restated)*	5	**57.94**	56.45	+3%
Adjusted net asset value per share *(2008 – restated)*	6	**61.50**	60.04	+2%
Net debt to shareholders' equity		**17.2%**	16.5%	+0.7 percentage point
		At 30 June **2009** **Million** **square feet**	At 30 June 2008 Million square feet	
Hong Kong				
Land bank (attributable floor area)				
– Properties held for/under development	7	**8.6**	8.4	
– Completed investment properties	8	**10.4**	10.0	
		19.0	18.4	
Agricultural land (total land area)		**32.4**	34.0	
Mainland China				
Land bank (attributable floor area)				
– Properties held for/under development		**130.4**	115.7	
– Completed investment properties		**5.2**	3.1	
		135.6	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$7,645 million (2008: HK$7,710 million), equivalent to HK$3.56 per share (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 from 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 2.1 million square feet at 30 June 2009 and 1.0 million square feet at 30 June 2008.*
8 *Including hotel properties with attributable floor area of 1.0 million square feet.*

The second unaudited interim results for the twelve months ended 30 June 2009 are prepared due to the change of the financial year end date from 30 June to 31 December, as set out in the Company's joint announcement dated 19 March 2009. In accordance with the direction granted by the Registrar of Companies under S.127(2) of the Companies Ordinance (Chapter 32, the Laws of Hong Kong), no audited accounts will be submitted to the annual general meeting to be held in the calendar year of 2009.

Second Interim Results and Dividend

The Board of Directors announces that, for the twelve months ended 30 June 2009, the unaudited Group underlying profit attributable to equity shareholders (before the fair value change of investment properties) amounted to HK$3,511 million, representing a decrease of HK$2,197 million or 38% from HK$5,708 million (restated) for the financial year ended 30 June 2008. Based on the underlying profit, the earnings per share were HK$1.64 (Financial year 2008: HK$2.78).

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$5,541 million, representing a decrease of HK$9,932 million or 64% from HK$15,473 million (restated) for the financial year ended 30 June 2008. Earnings per share were HK$2.58 (Financial year 2008: HK$7.54).

The Board has resolved to pay a second interim dividend of HK$0.30 per share to Shareholders whose names appear on the Register of Members of the Company on 3 December 2009. Including the first interim dividend of HK$0.30 per share already paid, the total distribution for the twelve months ended 30 June 2009 will amount to HK$0.60 per share (Financial year 2008: HK$1.10 per share).

Closing of Register of Members

The Register of Members of the Company will be closed from Friday, 27 November 2009 to Thursday, 3 December 2009, both days inclusive, during which period no requests for the transfer of shares will be accepted. In order to qualify for the second 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 Thursday, 26 November 2009. Warrants for the second interim dividend will be sent to Shareholders on Friday, 4 December 2009.

Management Discussion and Analysis

Business Review

Business in Hong Kong

Property Sales

In contrast to the fourth quarter of 2008 when bearish sentiment and credit tightening amid the financial tsunami dampened asset prices and transaction volume, the global economy since the turn of this year has shown signs of stabilization, helped by quantitative easing policies adopted by most central banks in the world. With influx of liquidity to Hong Kong, the cost of funds has stayed low whilst banks have refocused on mortgage lending, offering a variety of incentives to homebuyers. Meanwhile, with major stock markets rebounding, investors have also become more optimistic about the general economic outlook. Driven by pent-up demand from both end-users and investors, coupled with a predominant preference for real estate as an investment to preserve wealth, the Hong Kong residential market experienced a distinct growth in sales volume and price in recent months.

Capitalising on the recovering demand for residential properties, Cité 33 in Mong Kok and 8 Royal Green in Sheung Shui were launched for sale in late December 2008 and mid-May 2009 respectively. Encouraging response was drawn and up to the period end of 30 June 2009, 55% and 48% of their residential units were sold respectively. In parallel with this sales momentum, the Group has continued to offer some other popular projects for sale. Projects re-launched included Grand Promenade, Grand Waterfront, The Sparkle and The Beverly Hills. An attributable HK$4,664 million worth of properties in Hong Kong were thus sold for the twelve months ended 30 June 2009.

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.	8 Royal Green 8 Ching Hiu Road, Sheung Shui	45,779	228,860	Residential	100.00	228,860
5.	Hill Paramount 18 Hin Tai Street, Shatin	95,175	358,048	Residential	100.00	358,048
6.	The Pivot 52 Hung To Road, Kwun Tong	11,375	125,114	Industrial	100.00	125,114
7.	International Trade Centre 712 Prince Edward Road East San Po Kong	18,051	216,593	Office	100.00	216,593
					Total:	**1,730,764**

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.

Lauded by the local media for its building quality and interior layout, The Sparkle was warmly received by homebuyers with 349 units or 87% of its total units sold by the end of June 2009. Cité 33 and 8 Royal Green, both of which are boutique luxury residences, satisfied different customers' needs. Cité 33 was highly sought after by those buyers who valued glamorous living and dazzling lifestyle, whilst 8 Royal Green offered a serene yet stylish living ambience that many city dwellers are looking for. Comprising two blocks of 31-storey apartment buildings and four luxury houses, Hill Paramount in Shatin will soon be put on sale, offering varieties of sumptuous residential units set amidst modern, meticulously landscaped greenery.

Following the successful completion of Newton Place Hotel, Kwun Tong 223 and 78 Hung To Road in the previous years, the Group continued to expand its presence in Kowloon East by completing two other rental properties, namely, The Pivot and International Trade Centre during the period. The completion of these quality industrial and office premises is integral to the Group's strategic plan for Kowloon East and is a clear reaffirmation of its long-term strategy to revitalize the area as a distinctive business hub.

At 30 June 2009, the Group had over 1,000 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.)
1.	Casa Marina I 28 Lo Fai Road, Tai Po	283,200	226,561	Residential	100.00	47	160,969
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	69.84	23	23,125
4.	Grand Waterfront 38 San Ma Tau Street To Kwa Wan	130,523	1,109,424	Commercial/ Residential	Residential: 55.97 Commercial: 39.68	24	29,260
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	103 (Note 2)	339,723 (Note 2)
6.	The Sparkle 500 Tung Chau Street Cheung Sha Wan	35,629	320,659	Commercial/ Residential	100.00	51	48,541
7.	Cité 33, 33 Lai Chi Kok Road Mong Kok	9,600	84,090	Commercial/ Residential	100.00	48	40,397
8.	8 Royal Green 8 Ching Hiu Road, Sheung Shui	45,779	228,860	Residential	100.00	185	153,585
					Sub-total:	**528**	**937,120**
					Gross area attributable to the Group:		**883,630**

(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)	439,744 (Note 3)
2.	Green Lodge Tong Yan San Tsuen, Yuen Long	78,781	78,781	Residential	100.00	60	78,781
3.	Fanling Sheung Shui Town Lot 76, Fanling	42,884	34,308	Residential	100.00	16	34,308
4.	39 Conduit Road Mid-Levels	56,748	229,255	Residential	60.00	26 (Note 4)	91,560 (Note 4)
5.	Hill Paramount 18 Hin Tai Street, Shatin	95,175	358,048	Residential	100.00	157	358,048
6.	11,12,12A,12B Headland Road Island South	43,492	32,619	Residential	44.42	4	32,619
7.	600 Canton Road, Jordan	3,642	32,772	Commercial/ Residential	100.00	62	27,311
					Sub-total:	**486**	**1,062,371**
					Gross area attributable to the Group:		**964,083**
					Total saleable residential units and total residential gross area from the major development projects:	**1,014**	**1,999,491**
					Total gross area attributable to the Group:		**1,847,713**

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 34 houses in this phase of The Beverly Hills held for investment purpose.

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

Note 4: In addition, there are 40 residential units held for investment purpose.

Land Bank

At 30 June 2009, the Group had a land bank in Hong Kong with a total attributable gross floor area of approximately 19.0 million square feet, comprising 6.5 million square feet of properties held for or under development, 2.1 million square feet of stock of unsold property units, 9.4 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 2.7 million square feet.

In August 2008, 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 is now underway, whilst National Building was already torn down. They will be respectively developed into a residential 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 keep pace with the evolution of society and ensure efficient use of land resources, the Group's development sites are regularly evaluated for conversion into more appropriate purposes. During the period under review, 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 an office or hotel building depending on market demand, whilst the site at 19-21 Wong Chuk Hang Road will be developed into an office building. They will, respectively, provide attributable gross floor areas of approximately 258,000 square feet and approximately 107,000 square feet.

At 30 June 2009, the Group's agricultural land reserve amounted to approximately 32.4 million square feet in land area, which was the largest holding among all property developers in Hong Kong.

For the prime site in Wo Shang Wai, Yuen Long, the Group has already applied to the Government for the finalization of its land-use conversion premium. 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. Meanwhile, in order to unify and merge the land ownership for the subsequent surrender and re-grant, the Group, in February and July 2009 respectively, completed the exchange of its land lots with its partners for the sites in Wu Kai Sha, Shatin and at Tai Tong Road, Yuen Long. The site in Wu Kai Sha is expected to provide a total developable gross floor area of approximately 3.0 million square feet, of which 56.75% or about 1.7 million square feet is attributable to the Group. The other site at Tai Tong Road 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. Both of them are also in the process of finalization of land premium with the Government. Hopefully in the course of next 12 months, land-use conversion for these three sites will be completed with the settlement of land premium, which will provide development land with a total of approximately 3.5 million square feet in attributable gross floor area. This will be a major boost to the Group's development landbank.

Fanling/Kwu Tung North and Hung Shui Kiu were both designated by the Government as New Development Areas and in each of these two areas, the Group held land lots of approximately 2.79 million square feet and 2.75 million square feet respectively. The Group will pursue land-use conversion of these sites in tandem with the Government's development plans so as to broaden the source of development sites. The Group will also continue its efforts in land-use conversion of other agricultural land lots so as to provide a steady pipeline of development sites in future years.

The Town Planning Board completed its review on the Yau Tong Bay "Comprehensive Development Area" zone and approved the amended 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 land premium. It is expected that the project will provide a total developable gross floor area of approximately 4.4 million square feet, of which about 800,000 square feet is attributable to the Group.

Investment Properties

At 30 June 2009, the Group held a total attributable gross floor area of approximately 9.4 million square feet in completed investment properties in Hong Kong (which increased by 0.4 million square feet as compared with 30 June 2008), comprising 4.5 million square feet of commercial (or retail) space, 3.4 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 24% in Hong Kong Island, 33% in Kowloon and the remaining 43% in the New Territories.

The global economic downturn and the threat of the pandemic H1N1 influenza posed challenges to the local leasing market, with rentals edging down across the board during the period under review. However, the current market rent for a number of the Group's rental properties was still higher than the existing contracted rent. Thus, 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 9.1% to HK$3,929 million, while net rental income contribution also increased by 9.3% to HK$2,787 million. At 30 June 2009, leasing rate for the Group's core rental properties (excluding the recently completed properties such as Kwun Tong 223) remained high at 95%.

With the presence of flagship stores of many of the world's most respected brands, International Finance Centre shopping mall continued to be the major attraction in town and it was almost fully let during the period. Leasing performance for the Group's suburban retail portfolio also remained stable as these large-scale 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. At 30 June 2009, Metro City Phases II and III in Tseung Kwan O, Sunshine City Plaza in Ma On Shan, City Landmark II in Tsuen Wan, Citimall in Yuen Long, Flora Plaza in Fanling, Shatin Plaza and Shatin Centre each recorded high leasing rate of 95% or above.

On an ongoing basis, the Group enhances its shopping malls' attractiveness and asset value through promotions, tenant-mix reshuffles, facility upgrades and improvement programmes. During the period, major renovation works at the South Wing of Trend Plaza in Tuen Mun kicked off, whereas facility upgrades for Golden Centre in Sheung Wan, as well as the facelift for Kowloon Building at Nathan Road, will also commence shortly. The planning of renovation works for Citimall in Yuen Long and Sunshine City Plaza in Ma On Shan is now in the pipeline.

The Group's premium office developments, such as the International Finance Centre in Central and AIA Tower in North Point, fared well during the period with double-digit rise in rental for most of their lease renewals. With the addition of the newly-completed The Pivot and International Trade Centre, the Group's office and industrial portfolio in Kowloon East has been boosted to about 2.0 million square feet. Leasing for these new rental properties in this up-and-coming business hub progressed well and Manulife (International) Limited, a leading financial-services organization, has committed to be an anchor tenant of Kwun Tong 223, taking up about 250,000 square feet of the space. Kwun Tong 223, as a result, was nearly 50% let with many leading multinational corporations and professional firms moving in.

Leasing demand for the luxury residences on Hong Kong Island, which were highly sought after by expatriate executives of multinational corporations and practitioners in the legal, banking and finance sectors, remained intact. The serviced suite hotel at Four Seasons Place, offering exceptional experience and personalized services to discerning guests in the financial heart of the town, continued to record high occupancy and room rates. Eva Court in Mid-Levels was also fully let with satisfactory rise in rentals for renewals and new lettings.

Hotel and Retailing Operations

The global financial crisis, the start of cross-strait direct links and the outbreak of pandemic flu have all led to a fall in visitor arrivals. Hotels in Hong Kong, hence, faced a difficult operating environment during the period.

Being the market leader in town, The Four Seasons Hotel maintained its usual average room rate against a lower occupancy. Despite adversities posed by the declining business travels, The Four Seasons Hotel continued to strive for excellence and its unflagging efforts have paid off with two of its top restaurants, namely, Lung King Heen and Caprice receiving three-star and two-star ratings respectively from Michelin, a long-established and world famous gourmet guide.

Hotels in decentralized locations were also under keen pressure. The Group's four Newton hotels, on the whole, reported a lower occupancy against a flat average room rate during the period under review.

Established in 1989, Citistore currently operates five department store outlets spanning Kowloon and New Territories. Targeting young and fashion-conscious customers, Citistore also has three "id:c" specialty shops introducing a collection of trendy brands from Japan and Korea.

Construction and Property Management

The Group aims to build the finest properties, offering unparalleled design and comfort to its customers. As part of this quality pledge, inter-departmental communication and information sharing, even at the initial planning stage of the projects, are encouraged so as to ensure a quality conscious approach to the design and construction process. All the Group's developments completed in recent years are well known for their distinctive facilities and green features, with numerous honours received in this period (including the "Quality Building Award 2008" from nine building-related professional bodies, "Considerate Contractors Site Award" from the Development Bureau of the Hong Kong Special Administrative Region Government and "Proactive Safety Contractor Award" from The Hong Kong Construction Association Limited) serving as testimony to the Group's commitment to excellence, an essential differentiating factor in the competitive marketplace.

With the cost surveillance system recently renewed by the Construction Department, project costs can be better evaluated and controlled. Resources can also be allocated more efficiently and effectively, raising the quality of the Group's developments ever further.

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 Chairman of the Committee on Manpower Training and Development in the Construction Industry Council. Under his seasoned leadership and insightful manpower planning, the committee has designed and launched a series of technical and professional training programmes.

The Group's member property management companies, Hang Yick Properties Management Limited and Well Born Real Estate Management Limited, followed the same customer-focused approach to service and earned a total of 229 performance-related accolades during the period, including the "Q-Mark Service Scheme Certification", "Hong Kong Awards for Industries", "Asia Pacific Business Excellence Standard Award" and "Customer Relationship Excellence Award". In recognition of their devotion to social responsibility, both of them have been named as "Caring Company" by the Hong Kong Council of Social Services for consecutive years, whereas the "Certificate of Merit in Hong Kong Awards for Environmental Excellence" and "National Enterprise Environmental Achievement Award" from the Hong Kong Environmental Protection Association are testimony to their proactive efforts in raising environmental awareness in both Hong Kong and mainland China.

As many projects in mainland China are due for completion in the years ahead, these companies are poised to support the Group's mainland expansion with their property management expertise. During the period under review, they assigned a professional team to oversee the handover arrangement of Hengli Bayview, a mass residential development in Guangzhou, and such initiatives beyond their normal duties won high praise from the mainland home-buyers.

Business in Mainland China

The real estate market in mainland China experienced a dramatic change in the first half of this year. Affected by the global financial turmoil, the property market was filled with pessimistic sentiment and the transaction volume dropped due to the wait-and-see attitude adopted by home-buyers at the outset. With the launch of a series of home-ownership incentives by the Central Government, coupled with the concerted efforts made by the local governments through the introduction of various subsidized home ownership schemes, end-users with real housing demand began to resume their buying interest. Fuelled by price cuts by some developers, a considerable amount of housing stocks have been snapped up by the huge pent-up demand. With a consensus reached amongst all the major powers on measures to stabilize the global economy, market condition has improved substantially. Since the property sector is a pillar industry providing impetus to both of its upstream and downstream industries, the mainland government has adopted more effective preferential measures to reinforce market confidence. In order to maintain economic growth, the Central Government has also committed to a moderately loose monetary policy, easy bank credit as well as the revitalization of the pillar industries. In tandem, all provinces and municipalities have also speeded up their infrastructure developments of railway, highway, subway and port facilities. These are all conducive to the long-term value accretion of property development on the mainland.

For the residential property development in the mainland, the Group mainly focuses on the municipalities, provincial capitals, as well as the prosperous cities in Jiangsu Province, whose economic growth is more advanced with tremendous potential for further development. The Group has recently added its impetus in these second-tier cities amid the recovering property market, with land sites providing a total of approximately 50 million square feet of development floor area under negotiation for the details.

In late June of this year, the Group successfully won the bids for two prime sites in Anshan, Liaoning Province. In the city centre, an old stadium site of approximately 621,000 square feet was acquired for RMB461 million, which will be developed into a high-end residential community with a total gross floor area of about 3,726,000 square feet. Adjacent to the scenic Yufoshan municipal park with lake and river in the vicinity, this will be a rare luxury residential development in the downtown area amidst gorgeous lush green surroundings. In another upscale residential district, a land lot of approximately 5,486,000 square feet was also bought at about RMB765 million. The site, which stands majestically high in that area offering breathtaking panoramic views and easy transportation links to the residents, will be developed into a low-density residential neighbourhood with medium to high-rise luxury apartment blocks built on the terrain. A total developable gross floor area of 14,260,000 square feet will thus be offered.

As the geographical spread of the Group's projects in mainland China has extended substantially, the Group has recently called for standardization in both product design and specifications. At the same time, the Group is pushing ahead with the policy of localization on the mainland with the recruitment of more homegrown talents; it is also strengthening controls over product quality and operations. Through a competitive edge on product design, landscaping and ancillary facilities, the Group intends to build a brand on the mainland.

On a comparative basis, commercial property developments in the mainland are facing a more difficult operating environment. The promotion of domestic demand and expansion of infrastructure investment have little bearing on the demand for high-end shopping malls and offices. As such, there is an upward trend in their vacancy rates with rents edging down from the peak. The Group has a number of commercial projects in Shanghai. Although the office leasing market there was affected by the global financial crisis and an imbalance of supply over demand in the first half of this year, its prospect remains promising given the Central Government's commitment to establish Shanghai as an international financial centre.

By the end of June 2009, the Group's land bank in mainland China was over 130 million square feet in attributable developable gross floor area, of which around 81.4% was earmarked for residential development for sale, 8.4% for office space, 7.9% for commercial (or retail) space and 2.3% 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	
Shanghai	2.3
Guangzhou	15.4
Sub-Total:	**17.7**
Second-tier cities	
Anshan	18.0
Changsha	12.5
Chengdu	3.3
Chongqing	6.6
Nanjing	2.4
Shenyang	17.2
Suzhou	17.0
Xian	20.7
Xuzhou	5.3
Yixing	9.7
Sub-Total:	**112.7**
Total:	**130.4**

* *Excluding basement areas and carparks*

Usage of development land bank

	Developable gross floor area (million square feet)	Percentage
Residential	106.2	81.4%
Office	10.9	8.4%
Commercial	10.2	7.9%
Others (including clubhouses, schools and community facilities)	3.1	2.3%
Total:	**130.4**	**100.0%**

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 which will be retained as investment properties for rental purposes. 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 projects, most of which will be residential properties for sale. This would ensure an efficient use of land as well as long-term appreciation in property value of those developments. In each of these two areas, this strategy was taking hold during the period under review.

Progress of major development projects

In Shanghai, all the Group's investment properties under development are located in Puxi, an old-established business area with a more balanced supply of office space as compared to Pudong. Among such properties is Centro, which boasts approximately 370,000 square feet of office space and 60,000 square feet of retail area at 130-2 Tianmu Road West at which will set a new benchmark for green commercial buildings in Zhabei District upon its completion in late 2009 as many energy-efficiency features have been incorporated. Several financial institutions and multinational corporations have shown keen interest in this project, leading to an encouraging pre-lease response. The construction of a neighbouring project at 147 Tianmu Road West, which offers a total gross floor area of about 410,000 square feet, also progresses smoothly and is due for completion in the third quarter of 2011. Henderson Metropolitan at Lot 155 Nanjing Road East, which is located right at the start of the Nanjing Road East 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 internationally-acclaimed 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 planned for completion in the first half of 2010, in time to capture the opportunities offered by World Expo 2010; leasing negotiations with many multinational corporations and world-renowned luxury brands are now underway. For the project at Lot 688 Nanjing Road West whose quartz-like façade is also designed by 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 upon completion in late 2011.

In Changsha, Arch of Triumph is a comprehensive community development in the prime location of the Xingsha Town. Just off the city's main traffic artery of Kai Yuan Road, the project calls for a planning design focusing on "humanity, natural beauty and lifestyle". As such, a central garden of 700,000 square feet with a building clearance of over 100 metres will be built, allowing unhindered views and better air circulation to its owners. The whole project will be built in four phases, providing an aggregate gross floor area of approximately 7,800,000 square feet. The first phase of apartments with a total residential gross floor area of about 1,300,000 square feet, together with commercial area and a clubhouse, is set to complete in late 2009. As the market response was very positive during the 2009 summer pre-launch promotion event, the project will make its first foray into the market in September 2009. Meanwhile, the Group's joint venture company acquired a parcel of land of about 620,000 square feet in the Gaoling area in the Kaifu 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 81% or approximately 5,430,000 square feet is attributable to the Group.

In Chengdu, the Group entered into a joint venture in July 2008 with Sun Hung Kai Properties and Wharf on a 30:40:30 ownership basis to jointly develop a prime site of approximately 1,860,000 square feet on Dongda Avenue in this capital city of Sichuan Province. Located in Jinjiang District with transport connections with the city's number 2 and number 9 subway lines, which are either under construction or under planning, the Dongda Avenue project is planned to comprise 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 3,360,000 square feet is attributable to the Group.

In Chongqing, the project which is situated at the Nan'an District occupies a prime waterfront location overseeing the magnificent view of Yangtze River. Adjacent to the municipal parkland, this project is earmarked for a luxury riverside residential development, which is complemented by commercial area, a kindergarten and clubhouse facilities. The whole project, with a total gross floor area of approximately 3,750,000 square feet, will be completed in phases and a uniquely-designed, rhythmic grouping of 17 to 33 storey apartment towers will be built so that most of its 3,000 families can enjoy full southern view of the Yangtze River in front. The first phase of its development with a total gross floor area of about 340,000 square feet will be launched for pre-sale in the fourth quarter of 2010 with the scheduled completion by the fourth quarter of 2011. The Group has another integrated community project in Erlang Phoenix Area, a site next to the Chengdu-Chongqing Expressway with many scenic attractions such as Caiyun Lake and Taohua Brook in the proximity. Located at No. 1 Chuang Xin Road, this 2,800,000-square-foot development is planned to comprise residential apartments, clubhouse, kindergarten and shopping facilities, providing 2,000 families with a residence of quality living. The first phase of its development, which will provide a total gross floor area of about 280,000 square feet, is due for completion in late 2010 and their marketing will start in the second quarter of 2010.

In Nanjing, a prime site of about 500,000 square feet in the downtown Qixia District is earmarked for a residential development with a total gross floor area of about 900,000 square feet. With Maigaoqiao subway station just around the block, this project also enjoys plenty of lifestyle and daily amenities such as healthcare, cultural and sports facilities in its surrounding vicinity. Following the commissioning of its nearby road network, construction will begin in the second quarter of 2010 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 fourth quarter of 2010. The Group has another residential project in Xianlin New District, which is located at the north-eastern part of this city. With a site area of about 1,600,000 square feet, it is planned to be developed into a residential community, complemented by facilities such as a nursery, amenities and a community centre, providing an aggregate gross floor area of about 1,700,000 square feet. In order to cope with the soaring traffic demand after the relocation of colleges and universities into this district, the east extension of Nanjing Subway Line 2 is now under construction, whilst the extension and expansion of the six-lane Roadway 312 is also under planning. Convenient transportation and sound supporting facilities have made this famous university town a key choice for home buyers. Construction for its Phase I development is scheduled to begin in the second quarter of 2010 with the planned completion by the second quarter of 2011. Pre-sale is expected to be launched in the fourth quarter of 2010.

In Shenyang, the project of Shenyang International Financial Centre is located at the Youhao Main Street/Huigong Street, and is part of the Shenyang Finance & Trade Development Zone. To its north is the Shenyang North Railway Station, whilst the subway line 2, which is to be operated by Hong Kong's MTR Corporation with the service commencing in 2012, will connect different parts of this city with an underground station in the vicinity, bringing added convenience to this project. Its mixed development will comprise two 51-storey serviced apartment buildings, a suite hotel and a landmark office tower above a 3-level retail podium, providing a total gross floor area of 5,700,000 square feet. Aedas Limited is tasked with designing the master plan, whilst the 89-storey office tower, which is designed by Pei Partnership Architects, rising above 420 metres will become the tallest building in northeast China. Meanwhile, the Group's another project is just 25-minute drive from the city centre. Located in the scenic Shenyang Puhe New District Development with many natural beauties such as Yueya Lake, Pu River, parks and hills within the vicinity, this site of around 7,000,000 square feet has a neighbourhood similar to Tuscany, a region in Italy famous for its landscape and artistic legacy. As such, low-rise and low-density residential properties with mood-inspiring Tuscan architectural design will be built, offering a total gross floor area of approximately 11,520,000 square feet. The master layout plan has been approved and the construction for its first phase of development, with a total gross floor area of about 300,000 square feet, will begin in the second quarter of 2010. Pre-sale will be launched in mid-2010 with scheduled completion in late 2010.

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 mega community project. As the city's north-south bound thoroughfare "Renmin Road North" has been extended to the site in late 2008, whilst connecting trunk roads and subway system are now either under construction or planning, this project will enjoy easy access to the city centre. The whole project calls for a contemporary water-themed planning design with the world-renowned Aedas Limited appointed as the design architect for its residential development. With the approval of the master layout plan, the construction for the first batch of about 500 luxury residences with a total gross floor area of about 670,000 square feet will kick off by the fourth quarter of 2009. Pre-sale is planned to be launched in the first quarter of 2010 with the scheduled completion in the second quarter of 2011.

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 the support of the Third Ring Road East and Chan Ba subway station – which are either completed or under construction, this water-themed community project will provide a total gross floor area of about 33,000,000 square feet upon completion, of which over 85% is designated for residential use providing homes to about 30,000 households. It will also boast international schools, a hospital, a commercial complex and clubhouse facilities. Its construction is progressing well and the phase 1A development will consist of mid and high-rise apartment blocks with a total gross floor area of approximately 1,200,000 square feet for about 1,000 families, whilst the resort-style residential properties will be built in its subsequent phase of development, surrounded by exotic landscape work by Belt Collins, the world-renowned designer. Pre-sale of phase 1A of the development is planned to be launched in September 2009 with the scheduled completion in July 2010. At Jin Hua North Road, which is part of the city's main traffic artery of Second Ring Road East with close proximity to the planned subway system, the Group has another residential project with a planned gross floor area of about 4,200,000 square feet. Under the approved master layout plan, high rise apartment towers will be built around its spacious greenery and resident clubhouse, offering open views to about 3,000 households. With the foundation stone laying ceremony held in March 2009, construction of its first phase of about 430,000 square feet will begin in the third quarter of 2009. Pre-sale is to be launched in mid-2010 with the scheduled completion in the second quarter of 2011.

In Xuzhou, the Group's project is strategically situated in the scenic Dalong Lake area, a new district developed by the municipal government with its headquarters relocated there. The entire development, with a total residential area of about 4,500,000 square feet and 600,000 square feet of commercial space, will be completed in four phases. With the approval of the conceptual master layout plan which was prepared by Aedas Limited, construction has already commenced and the first phase of 600,000 square feet of residences will be put up for sale in the fourth quarter of 2009 with the scheduled completion in mid-2010.

In Yixing, an island of about 400,000 square feet in the city centre is being built into a luxury and high-end project. It comprises luxury villas, mid and high-rise apartments and a residents' clubhouse, providing a total gross floor area of about 700,000 square feet upon its single-phased completion by early 2011. Foundation work already started in July 2009 and it will be put up for sale in mid-2010. In the lakefront area of the Donggui District, the Group has another scenic site of about 5,600,000 square feet and this project will be developed into luxury residences with low-density and high rise apartments, providing a total gross floor area of about 9,000,000 square feet. Construction is about to begin in the fourth quarter of 2009 and the first phase of about 380,000 square feet of residences will be launched for sale in the second quarter of 2010 with the scheduled completion in the second quarter of 2011.

Major completed investment properties

World Financial Centre, the first international Grade-A office complex in Beijing's Chao Yang business district, was completed in January 2009, expanding the Group's completed investment property portfolio in mainland China to 5.2 million square feet. Designed as twin "crystal jewel boxes" by the world-renowned Cesar Pelli, the architect of Hong Kong's International Finance Centre, World Financial Centre incorporates an array of eco-friendly features, complying with the standards and requirements laid down for assessment by two independent methods, namely, the Leadership in Energy and Environmental Design (LEED) and Building Environmental Assessment Method (BEAM). These superior environmental credentials and building specifications have met the demanding technical and infrastructural requirements of prospective tenants, leading to an encouraging response for its leasing. By the end of the period, space that had been leased or was under active negotiation made up approximately 40% of this 2.1 million-square-foot office complex. Meanwhile, the prime location of Beijing Henderson Centre has also attracted many leading retail brands and leasing negotiation is now underway for its shopping mall. The Group's property leasing in other mainland cities has performed equally well. In Shanghai, Grand Gateway Office Tower II was almost 90% let with many multinational corporations such as Microsoft, Adidas, and Yum! Brands Inc. as its anchor tenants by the end of the review period, whilst the Hengbao Plaza in Guangzhou also achieved almost 90% leasing rate.

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 twelve months ended 30 June 2009, the unaudited consolidated profit of this group attributable to equity shareholders amounted to HK$102 million compared to HK$35,392 million (restated) for the same period a year ago. The decrease in profit was mainly attributable to a one-off gain of HK$35,265 million from the discontinued operations during the financial year ended 30 June 2008. Thus, the profit of this group attributable to equity shareholders from continuing operations for the twelve months ended 30 June 2009 amounting to HK$102 million represented a decrease of HK$25 million or 20% as compared with that of HK$127 million (restated and after excluding the one-off gain from discontinued operations) for the financial year ended 30 June 2008, reflecting a decline in bank interest income earned by this group.

During the period under review, this group decided to sell its entire interest in Maanshan City Ring Road. As announced on 12 March 2009, a 70%-owned subsidiary of HIL entered into an agreement with the joint venture partner of Maanshan Huan Tong Highway Development Limited ("Maanshan Highway JV", being the joint venture engaged in the operation of Maanshan City Ring Road) in relation to the sale of its entire 70% equity interest in Maanshan Highway JV to the joint venture partner of Maanshan Highway JV for a consideration of RMB122 million. At the date of this interim report, the transaction had yet to be completed.

After disposal of the Maanshan City Ring Road, the core asset in this group's portfolio is its 60% interest in Hangzhou Qianjiang Third Bridge. Driven by the increase in traffic volume of Hangzhou Qianjiang Third Bridge and in exchange gain upon conversion of Renminbi to Hong Kong dollars during the period under review when compared with the financial year ended 30 June 2008, this group posted a turnover of HK$299 million for the twelve months ended 30 June 2009, representing an increase of 10% compared to the same period in 2008. Hangzhou Qianjiang Third Bridge reported a strong growth in toll revenue by 19% to HK$256 million, whilst toll revenue for Maanshan City Ring Road fell by 23% to HK$43 million due to its agreed disposal in March 2009.

This group believes that its investment in Hangzhou Qianjiang Third Bridge would continue to provide a satisfactory return given its prime location in Hangzhou and the Central Government's measures to promote sound and fast economic growth on the mainland. Leveraging on its strong financial position, this group is well-placed to capitalize on sound investment opportunities which may emerge in the marketplace.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas") reported that the unaudited profit after taxation attributable to shareholders for the six months ended 30 June 2009 amounted to HK$3,001.3 million, an increase of HK$477.0 million compared with the same period last year. Earnings per share relating to this group's profit after taxation for principal businesses, which was HK$2,543.9 million for the period under review, amounted to HK$0.384, an increase of HK$0.08 compared with the same period last year.

(I) Gas business in Hong Kong

During the first half of 2009, the total volume of gas sales in Hong Kong decreased by 2.4% compared to the same period in 2008, whilst the total appliance sales also decreased by 1.6% due to the economic downturn. As at 30 June 2009, the number of customers was 1,687,615, an increase of 15,531 since the end of December 2008.

(II) Business developments in mainland China

This group currently has a 45.63% interest in Towngas China Company Limited ("Towngas China"). During the first half of 2009, Towngas China booked a profit of HK$128 million, an increase of 27% over the same period last year. During the first half of 2009, Towngas China set up new city-gas joint ventures in Chiping, Shandong province and in Xinjin county and the Xindu district of Chengdu, Sichuan province. In early June 2009, Towngas China also completed the disposal of its liquefied petroleum gas ("LPG") business held by a subsidiary company for a total consideration of HK$419 million due to its relatively low gross profit margins.

Including those of Towngas China, this group currently has 74 city-gas projects in mainland cities spread across 15 provinces/municipalities. Meanwhile, this group's midstream natural gas projects include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province, and a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province. These midstream investments help develop and strengthen this group's downstream piped city-gas market interests.

This group 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. In overall total, this group currently has 92 projects spread across 18 provinces/municipalities/autonomous regions, encompassing upstream, midstream and downstream natural gas sectors (including Towngas China's city-gas projects), the water supply and wastewater treatment sector, natural gas filling stations and emerging environmentally-friendly energy projects.

(III) Environmental Investment Businesses of ECO

This group's development of emerging environmentally-friendly energy projects is mainly carried out through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO").

In Hong Kong, ECO's dedicated LPG filling stations and North East New Territories landfill gas treatment facility continue to operate well. By making use of landfill gas which would otherwise be flared off, such projects also help improve air quality in Hong Kong.

Construction of ECO's phase-one permanent aviation fuel facility, comprising a tank farm for storage of aviation fuel served by tanker jetties in Area 38, Tuen Mun, for Hong Kong International Airport, is on schedule, and the project is expected to be commissioned by early 2010. Construction of a second tank farm is also progressing well; commissioning is expected by the end of 2010. By then this project will be the world's largest airport-based aviation fuel storage and logistic facility.

On the mainland, phase one of this group's coalbed methane liquefaction facility located in Jincheng, Shanxi province was commissioned during the fourth quarter of 2008. This was the first large-scale coalbed methane liquefaction and utilization project on the mainland. Construction of phase two of the facility, to increase production capacity, is in progress; commissioning is expected in 2010. ECO has also acquired a methanol production and coal mining project in Junger, Erdos, Inner Mongolia, which is expected to be commissioned in 2010. The production capacity of this project will be 200,000 tonnes of methanol per annum. ECO's coal mining and coking plant project in Fengcheng, Jiangxi province is also progressing well. ECO is proactively developing vehicular clean fuel filling station businesses in Shandong, Shanxi, Shaanxi and Henan provinces following the successful commissioning of a compressed natural gas filling station in Shaanxi province in 2008, the largest of its kind on the mainland.

(IV) Property developments

For the property development projects of Grand Promenade and Grand Waterfront, over 98% and 97% of their total residential floor areas had been sold respectively by the end of June 2009. For property leasing, this group has approximately 15.8% interest in the International Finance Centre ("IFC") complex in its rental portfolio, in addition to the commercial area of Grand Waterfront. Both of them reported good leasing progress.

Note Programmes

In August 2008, HKCG (Finance) Limited, a wholly-owned subsidiary of this group, issued and sold US$1 billion notes guaranteed by Hong Kong and China Gas. A credit rating of A1 (stable) was assigned to the Notes by international rating agency Moody's Investors Service and A+ (stable) by Standard and Poor's Rating Services.

In May 2009, this group further established a US$1 billion medium term note programme (the "Programme") through HKCG (Finance) Limited to facilitate issuing notes from time to time with a maximum aggregate nominal amount not exceeding US$1 billion, or its equivalent in other currencies, during a 12-month period. The Programme may be updated annually. In August 2009, this group issued HK$550 million 30-year notes which were the first ever 30-year medium term note and the longest term corporate paper issued in the Hong Kong dollar bond market. This group has so far issued medium term notes with an aggregate amount of HK$2.01 billion at nominal interest rates ranging from 3.90% to 4.85% per annum with a maturity of 10 to 30 years.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry") reported an unaudited consolidated profit attributable to shareholders of HK$595.4 million for the six months ended 30 June 2009, compared with a loss of HK$62.2 million for the corresponding period in 2008. The sale of the residential units and listed securities recorded profits of approximately HK$390 million and HK$34.4 million respectively, while the equity-linked note investments recorded a realized gain of HK$50 million and an unrealized gain of HK$133 million.

As at 30 June 2009, 196 residential units of "Shining Heights" had been sold with a profit of approximately HK$390 million. The remaining 152 residential units are now being sold in batches. For "The Spectacle", 43 flats out of a total of 185 residential units were sold under the first phase of sale last weekend. On the property investment front, rental and related income from the mall of Metro Harbour Plaza amounted to HK$15.6 million, with an occupancy rate of 92% at the end of June 2009. Rental and related income derived from the fully let commercial arcade of MetroRegalia amounted to about HK$0.8 million, whilst about 53% of the space in the commercial arcade of "Shining Heights" has been leased.

The turnover of shipyard operation increased by 33%, which offset a decrease of 13% in turnover for the harbour cruise operations, leading to a turnaround for the Ferry, Shipyard and Related Operations with a profit of HK$1.5 million, compared with a loss of HK$1.6 million in the same period last year. Loss for the Travel and Hotel Operations was also reduced from HK$2.2 million to HK$1.9 million, despite a decrease in turnover by 10%.

Miramar Hotel and Investment Company, Limited ("Miramar") recorded approximately HK$164 million in profit attributable to shareholders for the year ended 31 March 2009. Profit before tax from its core businesses, after adjusting for the net decrease in the fair value of its investment properties and contributions from its US land sales project, was approximately HK$328 million, representing a decrease of 22%.

This group owns and/or provides management services for eight hotels and serviced apartment complexes. The global financial crisis and more recently the H1N1 influenza have impacted negatively on the hotel sector as a whole. As a result, this group's flagship hotel, The Mira Hong Kong, experienced lower occupancy rates and a fall in profitability. Yet, its extensive renovations over an 18-month period made good progress during its financial year. The newly renovated rooms have been released progressively and by the end of August 2009, there will be a total of approximately 500 guestrooms in service, whereas a brand new website for The Mira Hong Kong, designed to improve the percentage of its business gained from direct online booking, will also be launched. The Grand Opening ceremony for the completion of all guest room renovations is set for September 2009. This will be followed by some further improvements, such as the addition of a branch of Cuisine Cuisine, a European-style restaurant and a new high-class spa at The Mira Hong Kong.

This group's property revenues arise mainly from two sources: rental income from businesses leasing offices in its Miramar Tower and from retail businesses leasing shop space in the Miramar Shopping Centre. In the year under review, it achieved a double-digit increment in terms of operating profit from these sources as many leases were negotiated before the economic downturn. Leases will continue to come up for renewal in the coming year, but most of the office and retail tenancies are staggered, meaning that any necessary rent adjustments will be gradual and incremental. The planned renovation of the Miramar Tower is expected to begin within the coming year, whilst the renovation work for its Miramar Shopping Centre is planned to commence in 2011 and to be carried out over a 12 to 24 month period. It also plans to restyle and upgrade the shopping centre within The Mira Hong Kong, creating new double-storey shop frontages on Nathan Road. Such renovations are planned for the next one to two years. Property sales in US, nevertheless, remain inactive and this group will retain its land bank in California until the US property market stabilizes.

The financial turmoil has also affected this group's high-end food and beverage sector, leading to a fall in operating profit by comparison with the last financial year. One of its existing IFC restaurants, Lumiere, will be closed to make way for a French restaurant, which should be ready for opening in September 2009. This group will also upgrade and renovate the Tsui Hang Village restaurants, building on its current popularity to add banqueting facilities which will have great potential to expand their competitiveness.

This group's travel business achieved an increase in turnover of approximately 14% as a result of a significant increase in its tour business aimed at the long-haul market, whilst its travel arm also became the first and only accredited agent of Richard Branson's Virgin Galactic enterprise in Hong Kong, offering the chance of space travel.

Corporate Finance

The Group has always adhered to prudent financial management principles, as evidenced by its gearing ratio which stood at 17.2% at 30 June 2009 (compared to 16.5% at 30 June 2008). In July 2009, the Group capitalized on the improved local loan market by entering into a HK$8,000 million 3-year syndicated term loan facility with a consortium of 34 leading international banks and local financial institutions. The facility was used to replace the syndicated credit facility which was due to expire in September 2009 and to cater for the general corporate funding requirements of the Group. The response to the syndicated loan facility was overwhelming, both in terms of commitments by banks (which well exceeded two times the initial facility size) and of the number of participating banks (which was by far the largest bank syndicate for the Group's loan facilities). Its successful conclusion in the current market environment is a concrete vote of confidence in the Group and a reflection of its sound financial position and superior credit quality.

Further, in light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past several months, the Group has concluded Hong Kong dollar interest rate swap contracts for terms of ten years and fifteen years. Such contracts were entered into for the purpose of converting part of the Group's Hong Kong dollar borrowings from floating interest rates into fixed interest rates at levels which are well below the average for the past few years. It is considered that such treasury management strategy will be of benefit to the Group in the long run.

Prospects

Helped by substantial fiscal and monetary stimuli, the economic downturn as posed by the financial tsunami has eased in many countries, whilst mainland China has even regained the growth momentum with GDP rebounded by 7.9% in the second quarter of 2009. Meanwhile, in order to promote the RMB as an international currency, mainland China has kick-started an RMB trade settlement pilot programme in Hong Kong. Such programme provides a strong impetus to Hong Kong to become a regional RMB clearing centre, strengthening its role as an international financial centre. Attracted by the positive outlook for the mainland as well as Hong Kong economies, there has been persistent inflow of liquidity in this region, pushing interest rate to low levels.

The resultant low mortgage rate, better affordability from improving economic fundamentals, rising inflation expectations, as well as tight primary housing supply in the pipeline should all lend support to the local residential property market. Renowned new luxury developments, in particular, are expected to enjoy continued strong demand from affluent mainland and overseas Chinese interested in acquiring a right of abode in Hong Kong through investing in local properties. In response, the Group in the second half of 2009 will embark on sales launches for a number of luxurious developments, including 39 Conduit Road at Mid-levels, Hill Paramount in Shatin, 11, 12, 12A, 12B Headland Road in Island South and The Beverly Hills Phase 3 in Tai Po. Green Lodge in Tong Yan San Tsuen, Yuen Long, as well as some other popular mass residential projects, will also be put up for sale so as to cater to the public demand for home ownership. They are expected to generate significant revenue for the Group.

In mainland China, the policy initiatives of the Central Government will continue to play a pivotal role in driving the mainland property market. Currently, sustainability of stable economic growth is at a critical stage. The Central Government is keen to maintain its stimulus measures so as to foster economic growth, whilst the loose monetary policy would likely be kept so as to support the healthy development of the property industry. Local governments, however, are expected to take some appropriate measures in some individual cases to prevent the property market from becoming overheated. More land supply is also expected to be available in the pipeline so as to maintain the stable operation of the land market and to avoid housing price volatility.

The general economic outlook in mainland China remains optimistic, whilst rising inflation expectations, easy credit, as well as robust housing demand will also lead to a persistent growth in property price in the second half of this year. As quality properties are highly sought after by homebuyers who are concerned with wealth preservation, the Group will speed up the construction and marketing of high-end and mid-tier residences. The Group believes that there is room in some second-tier cities for new developments in light of their resilient economic growth. With strong financing capacity, a wealth of experience in property development and flexible marketing strategy, the Group is responsive to such market developments. Emphasis would be placed on design and planning, ancillary facilities, building quality, neighbourhood improvement and after-sale services, making our products unique and attractive.

Among the Group's residential projects in mainland China, eight residential projects have their master layout plans approved and they are set to expedite their development progress. Meanwhile, in order to better prepare for the forthcoming marketing campaign, sales centres and show flats, which are both instrumental in business promotion, are also under accelerated construction. Concurrently, the mainland sales teams are under rigorous training. With the topping-out of the properties, as well as the completion of clubhouses, sales centres, show flats and landscaping works, the developments will be ready for pre-sale amid a picturesque environment. In the next ten months, a number of mainland residential developments including "Arch of Triumph" in Changsha, the Lakeview Development in Xuzhou, as well as those projects in an island of Yixing, Jin Hua North Road of Xian, Xiangcheng District of Suzhou, Erlang Phoenix Area of Chongqing, Puhe New District of Shenyang, Qixia District of Nanjing and the joint venture project in Xian, namely, "La Botanica" will be launched for pre-sale, offering an aggregate saleable gross floor area of over 8 million square feet.

On the property investment front, both rental income and occupancy rate, particularly for the office sector, are expected to be under continued pressure in the second half of 2009 as the Hong Kong economy has yet to fully recover. However, the Group's investment property portfolio is well diversified with most of the shopping malls strategically located at the populous new towns, where the purchasing power for daily necessities is less severely impacted by the financial tsunami. Meanwhile, all the Group's recently-built rental properties, namely, Kwun Tong 223, 78 Hung To Road, The Pivot and International Trade Centre would benefit from the growing shift of office demand to Kowloon East, whilst rental income from the luxury residences in Hong Kong Island would also remain satisfactory given their strong leasing demand. As such, the Group remains cautiously optimistic about the total rental income in Hong Kong for this financial year. 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.

Against the backdrop of the prevailing tight supply of land in Hong Kong, our huge agricultural land reserve continues to serve as the Group's competitive advantage. The Group is confident that some of the agricultural land lots will soon be successfully converted into development sites on reasonable terms, providing a total attributable gross floor area of 3.5 million square feet. These agricultural land lots, together with other properties held for/under development, will provide the Group with sufficient development land sites for the coming years. Meanwhile, the Group will continue to actively negotiate with the Government for land-use conversion of other agricultural land lots so as to broaden the source of development sites. In mainland China, the Group has also made good progress on land acquisition, with its landbank expanded to over 130 million square feet in attributable developable gross floor area. These extensive land resources are expected to provide handsome return to the Group.

In addition to the rising recurrent income from the expanding rental portfolio in both Hong Kong and mainland China, the three listed associates (namely, Hong Kong and China Gas, Hong Kong Ferry and Miramar) provide another steady income stream to the Group. Such diversified businesses with a long-established presence in both Hong Kong and mainland China stand the Group in good stead in the current economic environment, whilst its strong financial position and abundant stand-by facilities will also allow the Group to capitalize on sound investment opportunities that may emerge in the marketplace.

Condensed Interim Financial Statements

Consolidated Profit and Loss Account

	Note	For the twelve months ended 30 June 2009 (unaudited) HK$ million	2008 (audited and restated) HK$ million
Turnover	3	**8,460**	13,492
Direct costs		**(4,370)**	(7,343)
		4,090	6,149
Other revenue	4	**273**	326
Other net income	4	**13**	297
Other operating income/(expenses), net	5	**(231)**	(197)
Selling and marketing expenses		**(520)**	(886)
Administrative expenses		**(1,224)**	(1,249)
Profit from operations before changes in fair value of investment properties		**2,401**	4,440
(Decrease)/increase in fair value of investment properties	12(c)	**(190)**	6,706
Profit from operations after changes in fair value of investment properties		**2,211**	11,146
Finance costs	6(a)	**(896)**	(576)
		1,315	10,570
Share of profits less losses of associates		**1,899**	3,224
Share of profits less losses of jointly controlled entities		**3,091**	3,938
Profit before taxation	6	**6,305**	17,732
Income tax	7	**(673)**	(1,410)
Profit for the period/year		**5,632**	16,322
Attributable to:			
– Equity shareholders of the Company		**5,541**	15,473
– Minority interests		**91**	849
Profit for the period/year		**5,632**	16,322
Dividends payable to equity shareholders of the Company attributable to the period/year:	9		
Interim dividend declared during the period/year		**644**	859
Interim dividend declared after the balance sheet date		**644**	–
Final dividend proposed after the balance sheet date		**–**	1,503
		1,288	2,362
Earnings per share – basic and diluted	11(a)	**HK$ 2.58**	HK$ 7.54
Adjusted earnings per share	*11(b)*	***HK$ 1.64***	*HK$ 2.78*

The notes on pages 27 to 49 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Balance Sheet

	Note	At 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited and restated) HK$ million
Non-current assets			
Fixed assets	12	**63,378**	59,313
Intangible operating rights	12	**529**	749
Interests in leasehold land held for own use under operating leases		**986**	1,006
Interest in associates		**34,625**	33,993
Interest in jointly controlled entities		**16,095**	13,891
Derivative financial instruments	13	**456**	268
Other financial assets	14	**1,927**	2,164
Deferred tax assets		**136**	129
		118,132	111,513
Current assets			
Deposits for acquisition of properties		**4,921**	4,840
Inventories		**36,555**	37,624
Trade and other receivables	15	**5,192**	5,072
Cash held by stakeholders		**38**	154
Cash and cash equivalents	16	**17,610**	15,675
		64,316	63,365
Assets classified as held for sale	17	**198**	–
		64,514	63,365
Current liabilities			
Trade and other payables	18	**4,949**	4,589
Bank loans and overdrafts	19	**3,865**	3,307
Current taxation		**681**	879
		9,495	8,775
Liabilities associated with assets classified as held for sale	17	**41**	–
		9,536	8,775
Net current assets		**54,978**	54,590
Total assets less current liabilities		**173,110**	166,103

Condensed Interim Financial Statements

Consolidated Balance Sheet (continued)

	Note	At 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited and restated) HK$ million
Non-current liabilities			
Bank loans	19	**31,961**	29,007
Guaranteed notes		**3,165**	3,312
Amount due to a fellow subsidiary		**2,444**	1,872
Derivative financial instruments	13	**618**	309
Deferred tax liabilities		**7,650**	7,441
		45,838	41,941
NET ASSETS		**127,272**	124,162
CAPITAL AND RESERVES			
Share capital		**4,294**	4,294
Reserves		**120,102**	116,902
Total equity attributable to equity shareholders of the Company		**124,396**	121,196
Minority interests		**2,876**	2,966
TOTAL EQUITY		**127,272**	124,162

The notes on pages 27 to 49 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity

	Note	For the twelve months ended 30 June **2009** **(unaudited)** **HK$ million**	 2008 (audited and 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/year recognised directly in equity:			
Exchange difference on translation of accounts of foreign entities		**(118)**	2,096
Cash flow hedges: effective portion of changes in fair value, net of deferred tax		**(57)**	(32)
Revaluation surpluses, net of deferred tax		**–**	64
Changes in fair value of available-for-sale equity securities		**(179)**	(80)
Share of capital reserve of associates		**9**	–
		(345)	2,048
Transfer from equity:			
Cash flow hedges: transfer from equity to profit or loss, net of deferred tax		**133**	1
Transfer to profit or loss on impairment of available-for-sale equity securities		**73**	–
Transfer to profit or loss on disposal of available-for-sale equity securities		**7**	–
Realisation of exchange reserve on disposal of subsidiaries		**–**	(14)
Realisation of property revaluation reserve on disposal of a subsidiary		**(39)**	–
Realisation of property revaluation reserve on disposal of fixed assets		**(19)**	–
		155	(13)
Net profit for the period/year			
– as previously reported			16,320
– effect of adoption of HK(IFRIC)-Int 12			2
– net profit for the period/year (2008-as restated)		**5,632**	16,322

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity (continued)

	Note	For the twelve months ended 30 June 2009 (unaudited) HK$ million	 2008 (audited and restated) HK$ million
Total recognised income and expenses for the period/year		**5,442**	18,357
Attributable to:			
– Equity shareholders of the Company		**5,347**	17,440
– Minority interests		**95**	917
		5,442	18,357
Dividends paid:			
– Interim dividend for 2007/08	9(a)	–	(859)
– First interim dividend for 2008/09	9(a)	**(644)**	–
– Final dividend in respect of the previous financial year, approved and paid during the period/year	9(b)	**(1,503)**	(1,360)
		(2,147)	(2,219)
Dividends paid to minority shareholders		**(140)**	(275)
Distribution to minority shareholders	10	–	(16,112)
Increase in shareholdings in subsidiaries		–	10,125
Repayment to minority shareholders, net		**(45)**	(304)
Acquisition of subsidiaries		–	470
Disposal of subsidiaries		–	(367)
Movements in equity arising from capital transactions:			
– Issue of shares		–	408
– Net share premium received		–	13,373
		–	13,781
Total equity at 30 June		**127,272**	124,162

The notes on pages 27 to 49 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement

	Note	For the twelve months ended 30 June 2009 (unaudited) HK$ million	2008 (audited) HK$ million
Net cash used in operating activities		**(587)**	(442)
Net cash generated from/(used in) investing activities		**2,122**	(1,323)
Net cash generated from financing activities		**547**	7,200
Net increase in cash and cash equivalents		**2,082**	5,435
Cash and cash equivalents at 1 July		**15,583**	9,427
Effect of foreign exchange rate changes		**(94)**	721
Cash and cash equivalents at 30 June	16	**17,571**	15,583

The notes on pages 27 to 49 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 Company's consolidated accounts for the year ended 30 June 2008 ("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 28 August 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 68.

Pursuant to a resolution of the Board of Directors dated 19 March 2009, the Company's financial year end date has been changed from 30 June to 31 December. Accordingly, the current financial period will cover a period of eighteen months from 1 July 2008 to 31 December 2009. These condensed interim financial statements now presented cover a period of twelve months from 1 July 2008 to 30 June 2009. The comparative figures presented for the consolidated profit and loss account, consolidated statement of changes in equity and condensed consolidated cash flow statement and related notes cover the financial year from 1 July 2007 to 30 June 2008.

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.

Notes to the Condensed Interim Financial Statements (unaudited)

2 Significant accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes 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.

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

	At 30 June 2009 HK$ million	At 30 June 2008 HK$ million
Balance sheet		
Increase in intangible operating rights	**529**	563
Decrease in fixed assets	**(563)**	(599)
Decrease in retained profits	**(23)**	(24)
Decrease in minority interests	**(11)**	(12)

	For the twelve months ended 30 June	
	2009 HK$ million	2008 HK$ million
Profit and loss account		
Increase in amortisation charge for the period/year	**41**	38
Decrease in depreciation charge for the period/year	**(43)**	(40)

Notes to the Condensed Interim Financial Statements (unaudited)

2 Significant accounting policies (continued)

The Group is in the process of making an assessment of what the impact of amendments, new standards and new interpretations, which are not yet effective for the accounting period ending 31 December 2009 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 addition, the "Improvements to HKFRSs (2008)" would result in the change in the Group's accounting policy for investment property as listed below.

The "Improvements to HKFRSs (2008)" comprises a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, as a result of the amendments to HKAS 40 "Investment property", investment property which is under construction will be carried at fair value at the earlier of when the fair value becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. The amendments to HKAS 40 is effective for accounting periods beginning on or after 1 January 2009 and the adoption of HKAS 40 will result in a prospective change in the Group's accounting policy for investment property which is under construction.

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.

3 Segmental information

An analysis of the Group's revenue and results by business segment during the period/year 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 (continued)

Business segments (continued)

For the twelve months ended 30 June 2009 (unaudited)

	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	4,084	2,746	335	299	171	268	557	–	8,460
Other revenue (excluding bank interest income)	2	9	2	–	10	3	51	–	77
External revenue	4,086	2,755	337	299	181	271	608	–	8,537
Inter-segment revenue	–	196	1,934	–	1	–	58	(2,189)	–
Total revenue	4,086	2,951	2,271	299	182	271	666	(2,189)	8,537
Segment results	1,028	1,780	91	223	32	(2)	187		3,339
Inter-segment transactions	10	(48)	(102)	–	(1)	40	(50)		(151)
Contribution from operations	1,038	1,732	(11)	223	31	38	137		3,188
Bank interest income									196
Provision on inventories	(37)	–	–	–	–	–	–		(37)
Impairment loss on available-for-sale equity securities (included under "Other financial assets")	–	–	–	–	–	–	(73)		(73)
Unallocated operating expenses net of income									(873)
Profit from operations									2,401
Decrease in fair value of investment properties									(190)
Finance costs									(896)
									1,315
Share of profits less losses of associates (note (ii))									1,899
Share of profits less losses of jointly controlled entities (note (iii))									3,091
Profit before taxation									6,305
Income tax									(673)
Profit for the period									5,632

Notes to the Condensed Interim Financial Statements (unaudited)

3 Segmental information (continued)

Business segments (continued)

For the year ended 30 June 2008 (audited and 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	9,173	2,625	317	272	186	257	662	–	13,492
Other revenue (excluding bank interest income)	3	7	3	1	13	3	53	–	83
External revenue	9,176	2,632	320	273	199	260	715	–	13,575
Inter-segment revenue	–	173	1,835	–	1	–	65	(2,074)	–
Total revenue	9,176	2,805	2,155	273	200	260	780	(2,074)	13,575
Segment results	2,709	1,792	85	194	39	1	400		5,220
Inter-segment transactions	28	(51)	(84)	–	–	41	(57)		(123)
Contribution from operations	2,737	1,741	1	194	39	42	343		5,097
Bank interest income									243
Provision on inventories	(27)	–	–	–	–	–	–		(27)
Unallocated operating expenses net of income									(873)
Profit from operations									4,440
Increase in fair value of investment properties									6,706
Finance costs									(576)
									10,570
Share of profits less losses of associates (note (ii))									3,224
Share of profits less losses of jointly controlled entities (note (iii))									3,938
Profit before taxation									17,732
Income tax									(1,410)
Profit for the year									16,322

Notes to the Condensed Interim Financial Statements (unaudited)

3 Segmental information (continued)

Geographical segments

	Hong Kong HK$ million	Mainland China HK$ million	Consolidated HK$ million
For the twelve months ended 30 June 2009 (unaudited)			
Turnover	**7,475**	**985**	**8,460**
Other revenue (excluding bank interest income)	**67**	**10**	**77**
External revenue	**7,542**	**995**	**8,537**
For the year ended 30 June 2008 (audited)			
Turnover	11,302	2,190	13,492
Other revenue (excluding bank interest income)	69	14	83
External revenue	11,371	2,204	13,575

Notes:

(i) Included in the turnover of property development segment is an amount of HK$103 million (2008: HK$920 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 profit of HK$152 million (2008: HK$983 million) contributed from the property development segment, and a profit of HK$520 million (2008: HK$1,258 million) contributed from the property leasing segment (taking into account the increase in fair value of investment properties (net of deferred taxation) during the period of HK$229 million (2008: HK$1,015 million)).

(iii) Included in the Group's share of profits less losses of jointly controlled entities during the period is a profit of HK$198 million (2008: HK$390 million) contributed from the property development segment, and a profit of HK$2,758 million (2008: HK$3,342 million) contributed from the property leasing segment (taking into account the increase in fair value of investment properties (net of deferred taxation) during the period of HK$2,191 million (2008: HK$2,976 million)).

Notes to the Condensed Interim Financial Statements (unaudited)

4 Other revenue and other net income

	For the twelve months ended 30 June	
	2009	2008
	(unaudited)	(audited)
	HK$ million	HK$ million
Other revenue		
Bank interest income	**196**	243
Other interest income	**13**	13
Others	**64**	70
	273	326
Other net income		
Net profit on disposal of fixed assets (note)	**53**	71
Net foreign exchange (loss)/gain	**(30)**	227
(Loss)/gain on sale of listed investments	**(9)**	1
Net fair value loss on derivative financial instruments	**–**	(3)
Others	**(1)**	1
	13	297

Note: During the twelve months ended 30 June 2009, 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$589 million (2008: HK$1,632 million), which resulted in an aggregate net profit on disposal of approximately HK$52 million (2008: HK$65 million).

Notes to the Condensed Interim Financial Statements (unaudited)

5 Other operating income/(expenses), net

	For the twelve months ended 30 June	
	2009	2008
	(unaudited)	(audited)
	HK$ million	HK$ million
Net gain on disposal of subsidiaries (note (i))	**48**	150
Excess of interest in fair values of the acquirees' identifiable assets over cost of business combination	**–**	10
(Impairment loss)/reversal of impairment loss for trade and other receivables		
– trade debtors	**(29)**	63
– others (note (ii))	**–**	(266)
Provision on inventories	**(37)**	(27)
Impairment loss on available-for-sale equity securities (see note 14)	**(73)**	–
Others	**(140)**	(127)
	(231)	(197)

Notes:

(i) During the twelve months ended 30 June 2009, the Group sold a subsidiary which was engaged in property leasing business for a consideration of HK$49 million. During the year ended 30 June 2008, the Group sold certain subsidiaries which were engaged in property leasing and infrastructure business for an aggregate consideration of HK$470 million. This resulted in a net gain on disposal of HK$48 million (2008: HK$150 million).

(ii) The impairment loss for the year ended 30 June 2008 as referred to above included an amount of HK$257 million which was written off against certain prepayment of development costs in relation to a property development project in mainland China which was terminated during that year.

Notes to the Condensed Interim Financial Statements (unaudited)

6 Profit before taxation

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

		For the twelve months ended 30 June	
		2009	2008
		(unaudited)	(audited)
		HK$ million	HK$ million
(a)	**Finance costs:**		
	Bank interest	**975**	807
	Interest on loans repayable within five years	**94**	82
	Interest on loans repayable after five years	**181**	166
	Other borrowing costs	**54**	41
		1,304	1,096
	Less: Amount capitalised *	**(408)**	(520)
		896	576
(b)	**Staff costs:**		
	Salaries, wages and other benefits	**1,350**	1,307
	Contributions to defined contribution retirement plans	**54**	48
		1,404	1,355

* The borrowing costs have been capitalised at rates ranging from 2.05% to 6.44% (2008: 1.82% to 6.37%) per annum.

Notes to the Condensed Interim Financial Statements (unaudited)

6 Profit before taxation (continued)

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

	For the twelve months ended 30 June	
	2009	2008
	(unaudited)	(audited and restated)
	HK$ million	HK$ million
(c) Other items:		
Depreciation	**123**	104
Less: Amount capitalised	**(2)**	(2)
	121	102
Amortisation of land lease premium	**20**	20
Amortisation of intangible operating rights	**49**	49
Cost of sales		
– completed properties for sale (note (i))	**2,454**	5,606
– trading stocks	**255**	213
Rentals receivable from investment properties net of direct outgoings of HK$849 million (2008: HK$714 million) (note (ii))	**(1,462)**	(1,464)
Other rental income less direct outgoings	**(270)**	(278)
Dividend income from investments		
– listed	**(19)**	(28)
– unlisted	**(12)**	(16)

Notes:

(i) Included in the cost of sales in respect of completed properties for sale is an amount of HK$36 million (2008: HK$324 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.

(ii) Included contingent rental income of HK$136 million (2008: HK$141 million).

Notes to the Condensed Interim Financial Statements (unaudited)

7 Income tax

Income tax in the consolidated profit and loss account represents:

	For the twelve months ended 30 June	
	2009	2008
	(unaudited)	(audited)
	HK$ million	HK$ million
Current tax		
Provision for Hong Kong Profits Tax	**300**	470
Provision for taxation outside Hong Kong	**127**	211
Provision for Land Appreciation Tax	**47**	50
Deferred taxation		
Origination and reversal of temporary differences	**199**	679
	673	1,410

Provision for Hong Kong Profits Tax has been made at 16.5% (2008: 16.5%) 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 Directors' remuneration

Directors' remuneration for the twelve months ended 30 June 2009 was as follows:

	For the twelve months ended 30 June 2009-unaudited				
	Fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr. the Hon. Lee Shau Kee	70	13,800	–	–	13,870
Lee Ka Kit	70	14,097	–	12	14,179
Colin Lam Ko Yin	70	7,200	25,600	432	33,302
Lee Ka Shing	70	10,973	–	454	11,497
John Yip Ying Chee	50	5,748	22,000	345	28,143
Alexander Au Siu Kee	50	7,080	4,350	354	11,834
Suen Kwok Lam	70	4,356	5,000	261	9,687
Lee King Yue	70	3,192	–	164	3,426
Fung Lee Woon King	50	3,929	1,450	217	5,646
Eddie Lau Yum Chuen	70	–	–	–	70
Li Ning	70	3,590	–	153	3,813
Patrick Kwok Ping Ho	120	4,454	–	210	4,784
Non-executive Directors					
Sir Po-shing Woo	70	–	–	–	70
Leung Hay Man	70	430	–	–	500
Angelina Lee Pui Ling	50	–	–	–	50
Lee Tat Man	70	–	–	–	70
Jackson Woo Ka Biu	–	–	–	–	–
Independent non-executive Directors					
Gordon Kwong Che Keung	70	430	–	–	500
Professor Ko Ping Keung	70	430	–	–	500
Wu King Cheong	70	430	–	–	500
Total	1,300	80,139	58,400	2,602	142,441

Notes to the Condensed Interim Financial Statements (unaudited)

8 Directors' remuneration (continued)

Directors' remuneration for the twelve months ended 30 June 2009 was as follows: (continued)

	For the year ended 30 June 2008-audited				
	Fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr. the Hon. Lee Shau Kee	70	10,439	–	–	10,509
Lee Ka Kit	70	13,819	–	12	13,901
Colin Lam Ko Yin	70	7,095	34,000	395	41,560
Lee Ka Shing	70	10,820	–	443	11,333
John Yip Ying Chee	50	6,069	28,060	337	34,516
Alexander Au Siu Kee	50	7,471	8,700	346	16,567
Suen Kwok Lam	70	4,593	6,515	255	11,433
Lee King Yue	70	3,585	–	160	3,815
Fung Lee Woon King	50	3,828	3,550	212	7,640
Eddie Lau Yum Chuen	70	–	–	–	70
Li Ning	70	3,637	–	147	3,854
Patrick Kwok Ping Ho	120	4,532	–	205	4,857
Non-executive Directors					
Sir Po-shing Woo	70	–	–	–	70
Leung Hay Man	70	430	–	–	500
Angelina Lee Pui Ling	50	–	–	–	50
Lee Tat Man	70	–	–	–	70
Jackson Woo Ka Biu	–	–	–	–	–
Independent non-executive Directors					
Gordon Kwong Che Keung	70	430	–	–	500
Professor Ko Ping Keung	70	430	–	–	500
Wu King Cheong	70	430	–	–	500
Total	1,300	77,608	80,825	2,512	162,245

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current and prior periods.

Notes to the Condensed Interim Financial Statements (unaudited)

9 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the period/year:

	For the twelve months ended 30 June	
	2009	2008
	(unaudited)	(audited)
	HK$ million	HK$ million
Interim dividend declared for 2007/08 of HK$0.4 per share	–	859
First interim dividend declared for 2008/09 of HK$0.3 per share	**644**	–
Second interim dividend declared for 2008/09 after the balance sheet date of HK$0.3 per share	**644**	–
Final dividend proposed for 2007/08 after the balance sheet date of HK$0.7 per share	–	1,503
	1,288	2,362

The second interim dividend declared for 2008/09 and the final dividend proposed for 2007/08 after their respective balance sheet dates have not been recognised as liabilities at their respective balance sheet dates.

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

	For the twelve months ended 30 June	
	2009	2008
	(unaudited)	(audited)
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the period/year, of HK$0.7 (2008: HK$0.7) per share	**1,503**	1,360

10 Distribution to minority shareholders

During the financial year ended 30 June 2008, Henderson Investment Limited ("HIL"), a subsidiary of the Company, made a distribution to its shareholders in the aggregate amount of HK$50,262 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$16,112 million.

Notes to the Condensed Interim Financial Statements (unaudited)

11 Earnings per share

(a) The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company of HK$5,541 million (2008 (restated): HK$15,473 million) and on the weighted average number of 2,147 million ordinary shares (2008: 2,052 million ordinary shares) in issue during the period.

There were no dilutive potential shares in existence during the twelve months ended 30 June 2008 and 2009, 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 twelve months ended 30 June	
	2009	2008
	(unaudited)	(audited and restated)
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**5,541**	15,473
Effect of changes in fair value of investment properties	**190**	(6,706)
Effect of deferred taxation on changes in fair value of investment properties	**223**	732
Effect of share of changes in fair value of investment properties (net of deferred taxation) of:		
– associates	**(229)**	(1,015)
– jointly controlled entities	**(2,191)**	(2,976)
Effect of share of minority interests	**(23)**	200
Adjusted earnings for calculation of earnings per share	**3,511**	5,708
Adjusted earnings per share	**HK$1.64**	HK$2.78

Notes to the Condensed Interim Financial Statements (unaudited)

12 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.

As detailed in note 17, a subsidiary of HIL had entered into an agreement to dispose of its interest in Maanshan Highway JV (as such term is defined in note 17) during the period. Accordingly, the carrying amount of the toll highway operating right of HK$177 million has been reclassified from "Intangible operating rights" to "Assets classified as held for sale" during the period.

(b) Transfers

During the twelve months ended 30 June 2009, certain property development sites with carrying value of HK$4,304 million have been completed and transferred from "Inventories" to "Fixed assets" upon commencement of operating leases to tenants.

(c) Valuation

The investment properties were revalued at 30 June 2009 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.

(d) Assets pledged for security

At 30 June 2008 and 30 June 2009, the toll highway operating right was pledged to secure the Group's certain bank loans.

Notes to the Condensed Interim Financial Statements (unaudited)

13 Derivative financial instruments

	At 30 June 2009		At 30 June 2008	
	Assets (unaudited) HK$ million	**Liabilities (unaudited) HK$ million**	Assets (audited) HK$ million	Liabilities (audited) HK$ million
Cash flow hedges:				
– cross currency interest rate swap contracts	**414**	**618**	268	309
– interest rate swap contracts	**42**	**–**	–	–
	456	**618**	268	309

The aggregate notional principal amounts of the outstanding swap contracts at 30 June 2009 were US$524 million (2008: US$325 million), £50 million (2008: £50 million) and HK$2,450 million (2008: HK$Nil). These swap contracts comprise cross currency interest rate swap contracts and 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.

14 Other financial assets

	At 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited) HK$ million
Available-for-sale equity securities	**935**	1,062
Instalments receivable	**915**	1,003
Long term receivable	**77**	99
	1,927	2,164

At 30 June 2009, 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$73 million (2008: HK$Nil) has been made and recognised in the consolidated profit and loss account during the twelve months ended 30 June 2009 (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 15).

Notes to the Condensed Interim Financial Statements (unaudited)

15 Trade and other receivables

	At 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited) HK$ million
Instalments receivable	**2,316**	2,078
Debtors, prepayments and deposits	**2,430**	2,540
Gross amount due from customers for contract work	**21**	48
Amounts due from associates	**424**	393
Amounts due from jointly controlled entities	**1**	13
	5,192	5,072

(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 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited) HK$ million
Current or under 1 month overdue	**1,760**	1,594
More than 1 month overdue and up to 3 months overdue	**64**	792
More than 3 months overdue and up to 6 months overdue	**332**	147
More than 6 months overdue	**538**	492
	2,694	3,025

Notes to the Condensed Interim Financial Statements (unaudited)

15 Trade and other receivables (continued)

(ii) Included in trade debtors at 30 June 2009 was an amount of RMB25 million (equivalent to HK$28 million) (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 twelve months ended 30 June 2009, an amount of RMB696 million (equivalent to HK$790 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.

16 Cash and cash equivalents

	At 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited) HK$ million
Deposits with banks and other financial institutions	**9,046**	8,114
Cash at bank and in hand	**8,564**	7,561
Cash and cash equivalents in the consolidated balance sheet	**17,610**	15,675
Cash and cash equivalents classified as held for sale	**12**	–
Bank overdrafts	**(51)**	(92)
Cash and cash equivalents in the condensed consolidated cash flow statement	**17,571**	15,583

Notes to the Condensed Interim Financial Statements (unaudited)

17 Assets classified as held for sale and liabilities associated with assets classified as held for sale

On 12 March 2009, Hong Kong Vigorous Limited ("Vigorous"), a 70% owned subsidiary of HIL, entered into an agreement (the "Agreement") with 馬鞍山市過境公路建設開發有限公司 (Maanshan City Cross Border Highway Construction Development Company Limited) ("Maanshan Highway JV Partner"), a state-owned enterprise which has a 30% beneficial interest in Maanshan Huan Tong Highway Development Limited ("Maanshan Highway JV", being the joint venture engaged in the operation of Maanshan City Ring Road), in relation to the sale by Vigorous of its entire 70% interest in Maanshan Highway JV to Maanshan Highway JV Partner for a consideration of RMB122 million (equivalent to HK$138 million). At the date of authorisation for issue of these condensed interim financial statements, the transaction had yet to be completed.

At 30 June 2009, the assets and liabilities associated with the operations of Maanshan Highway JV, including the toll highway operating right, were classified as held for sale.

18 Trade and other payables

	At 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited) HK$ million
Creditors and accrued expenses	**4,096**	2,912
Rental and other deposits	**612**	556
Forward sales deposits received	**–**	821
Amounts due to associates	**142**	177
Amounts due to jointly controlled entities	**99**	123
	4,949	4,589

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

	At 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited) HK$ million
Due within 1 month and on demand	**453**	683
Due after 1 month but within 3 months	**238**	290
Due after 3 months but within 6 months	**56**	183
Due after 6 months	**2,403**	877
	3,150	2,033

Notes to the Condensed Interim Financial Statements (unaudited)

19 Bank loans and overdrafts

During the twelve months ended 30 June 2009, the Group obtained new bank loans amounting to HK$13,250 million and repaid bank loans amounting to HK$9,526 million. The new bank loans bear interest rates ranging from 0.46% to 6.85% per annum.

At 30 June 2009, bank loans and overdrafts were unsecured except for an amount of HK$29 million grouped under "Liabilities associated with assets classified as held for sale" (2008: HK$40 million grouped under "Bank loans and overdrafts") which was secured by the Group's toll highway operating right (see note 12(d)).

20 Commitments

At 30 June 2009, the Group had capital commitments not provided for in these condensed interim financial statements as follows:

	At 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited) HK$ million
Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**2,872**	3,343
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**12,882**	13,360
	15,754	16,703

21 Contingent liabilities

At 30 June 2009, contingent liabilities of the Group were as follows:

	At 30 June 2009 (unaudited) HK$ million	At 30 June 2008 (audited) HK$ million
(a) Guarantees given by the Group to financial institutions on behalf of purchasers of flats	**–**	2

(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 which 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 re-classification of the properties before the Completion. At 30 June 2009, the Group had contingent liabilities in this connection of HK$21 million (2008: HK$30 million).

Notes to the Condensed Interim Financial Statements (unaudited)

21 Contingent liabilities (continued)

(c) At 30 June 2009, 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$138 million (2008: HK$92 million).

22 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/year:

(a) Transactions with fellow subsidiaries

Details of material related party transactions between the Group and its fellow subsidiaries are as follows:

	For the twelve months ended 30 June	
	2009	2008
	(unaudited)	(audited)
	HK$ million	HK$ million
Other interest expense (note (i))	**9**	37
Management fee income (note (iii))	**6**	6

(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 twelve months ended 30 June	
	2009	2008
	(unaudited)	(audited)
	HK$ million	HK$ million
Other interest income (note (i))	**6**	17
Construction income (note (ii))	**334**	207
Management fee income (note (iii))	**11**	23
Professional fee income (note (iii))	**2**	3
Sales commission income (note (iii))	**24**	33
Rental expenses (note (iii))	**64**	61

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)

22 Material related party transactions (continued)

(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 30 June 2009, there was no outstanding balance between the entity and the abovementioned subsidiary (2008: HK$Nil) and the advance by the entity to the abovementioned associate amounted to HK$80 million (2008: HK$81 million). Such amount was unsecured and has no fixed terms of repayment.

23 Non-adjusting post balance sheet event

After the balance sheet date, the directors declared a second interim dividend. Further details are disclosed in note 9(a).

24 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

Results of operations

The following discussions should be read in conjunction with the Company's unaudited condensed interim financial statements for the twelve months ended 30 June 2009.

Turnover and profit

	Turnover		Contribution from operations	
	Twelve months ended 30 June 2009 (unaudited) HK$ million	Year ended 30 June 2008 (audited) HK$ million	**Twelve months ended 30 June 2009 (unaudited) HK$ million**	Year ended 30 June 2008 (audited and restated) HK$ million
Business segments				
– Property development	**4,084**	9,173	**1,038**	2,737
– Property leasing	**2,746**	2,625	**1,732**	1,741
– Construction	**335**	317	**(11)**	1
– Infrastructure	**299**	272	**223**	194
– Hotel operation	**171**	186	**31**	39
– Department store operation	**268**	257	**38**	42
– Other businesses	**557**	662	**137**	343
	8,460	13,492	**3,188**	5,097

	Twelve months ended 30 June 2009 (unaudited) HK$ million	Year ended 30 June 2008 (audited and restated) 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's subsidiaries, associates and jointly controlled entities	**5,541**	15,473
– excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the Group's subsidiaries, associates and jointly controlled entities	**3,511**	5,708

The Group recorded a decrease in turnover for the twelve months ended 30 June 2009 of HK$5,032 million, or 37%, to HK$8,460 million (2008: HK$13,492 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 twelve months ended 30 June 2009 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 twelve months ended 30 June 2009, excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the Group's subsidiaries, associates and jointly controlled entities, amounted to HK$3,511 million (2008 (restated): HK$5,708 million), representing a decrease of HK$2,197 million, or 38%, from that for the previous financial year. Such decrease was mainly attributable to the decrease in profit contribution from the Group's property development business for the same 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.

Excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the Group's subsidiaries, associates and jointly controlled entities, earnings per share for the twelve months ended 30 June 2009 were HK$1.64 (2008: HK$2.78).

Discussions on the major business segments are set out below.

Property development

Revenue from property development for the twelve months ended 30 June 2009 amounted to HK$4,084 million (2008: HK$9,173 million), representing a decrease of HK$5,089 million, or 55%, from that for the previous financial year. During the twelve months ended 30 June 2009, the Group's sales of the major property projects included The Sparkle, The Beverly Hills, Cité 33 and 8 Royal Green in Hong Kong and Hengli Bayview in Guangzhou, mainland China. Together with the sales of other completed properties, total profit contribution amounted to HK$1,038 million during the twelve months ended 30 June 2009 (2008: HK$2,737 million), representing a decrease of HK$1,699 million, or 62%, from that for the previous financial year.

During the twelve months ended 30 June 2009, the Group's share of pre-tax profit contributions from subsidiaries, associates and jointly controlled entities in relation to property development segment in total amounted to HK$1,436 million (2008: HK$4,385 million), comprising contribution from subsidiaries of HK$1,038 million (2008: HK$2,737 million), contribution from associates of HK$164 million (2008: HK$1,185 million) and contribution from jointly controlled entities of HK$234 million (2008: HK$463 million). In respect of the foregoing, the contribution from associates during the twelve months ended 30 June 2009 included (inter alia) profits generated from the sales of units of Grand Promenade held by The Hong Kong and China Gas Company Limited ("HKCG", a listed associate of the Company) and the sales of units of Shining Heights held by Hong Kong Ferry (Holdings) Company Limited ("HK Ferry", a listed associate of the Company).

Property leasing

Revenue from property leasing for the twelve months ended 30 June 2009 amounted to HK$2,746 million (2008: HK$2,625 million), representing an increase of HK$121 million, or 5%, over that for the previous financial year. At 30 June 2009, the Group's major investment properties in Hong Kong (other than Kwun Tong 223 which was completed in January 2008) recorded an average occupancy rate of 95% (2008: 95%) and in a number of cases there were increases in the new rents upon lease renewals and new lettings when compared with the corresponding passing rents during the twelve months ended 30 June 2009. Profit contribution from property leasing for the twelve months ended 30 June 2009 amounted to HK$1,732 million (2008: HK$1,741 million), representing a slight decrease of HK$9 million, or 1%, from that for 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 during the twelve months ended 30 June 2009 amounted to HK$4,241 million (2008: HK$3,872 million), representing an increase of HK$369 million, or 10%, over that for the previous financial year.

During the twelve months ended 30 June 2009, the Group's share of pre-tax net rental income from properties owned by subsidiaries, associates and jointly controlled entities (before any changes in fair value of investment properties and related deferred taxation) in total amounted to HK$2,941 million which represents an increase of HK$213 million, or 8%, over the corresponding amount of HK$2,728 million for the previous financial year. The Group's share of pre-tax net rental income comprises contribution from subsidiaries of HK$1,732 million (2008: HK$1,741 million), contribution from associates of HK$390 million (2008: HK$346 million) and contribution from jointly controlled entities of HK$819 million (2008: HK$641 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 twelve months ended 30 June 2009, turnover from construction activities increased by 6% to HK$335 million (2008: HK$317 million) as a result of the completion of two major construction projects during the period. Nevertheless, the construction segment reported a loss from operations of HK$11 million (2008: profit contribution of HK$1 million), for the reasons that the construction segment recorded, during the twelve months ended 30 June 2009, (i) reduced profit contribution from the leasing of tower cranes due to reduced construction activities during the period; and (ii) an increase in staff costs which were incurred by the construction segment and not allocated to the property development segment due to the reduced turnover of the property development segment during the period, which is the allocation basis of staff costs from the construction segment to the property development segment. In addition, during the twelve months ended 30 June 2009, the construction segment did not record any profit arising from the finalisation of costs with contractors for projects developed and completed in prior years.

Infrastructure

Infrastructure projects in mainland China reported a turnover of HK$299 million for the twelve months ended 30 June 2009 (2008: HK$272 million), representing an increase of HK$27 million, or 10%, over that for the previous financial year. The increase was primarily driven by the increase in traffic volume of the toll bridge in Hangzhou and in exchange gain upon conversion of Renminbi to Hong Kong dollars during the twelve months ended 30 June 2009 when compared with the previous financial year. Profit contribution from this business segment for the twelve months ended 30 June 2009 increased by HK$29 million, or 15%, to HK$223 million (2008 (restated): HK$194 million).

Hotel operation

Due to the adverse impacts of the unfavourable economic conditions after the outbreak of the global financial crisis in September 2008 and the outbreak of the H1N1 pandemic in the second quarter of 2009, turnover from hotel operation for the twelve months ended 30 June 2009 decreased by HK$15 million, or 8%, from that of the previous financial year to HK$171 million. Profit contribution from this business segment for the twelve months ended 30 June 2009 decreased by HK$8 million, or 21%, from that of the previous financial year to HK$31 million.

Department store operation

The Group operates five department stores under the name of "Citistore" and three boutique stores in Hong Kong. Revenue from department store operation for the twelve months ended 30 June 2009 amounted to HK$268 million (2008: HK$257 million), which recorded an increase of HK$11 million, or 4%, over that of the previous financial year. Profit contribution from department store operation for the twelve months ended 30 June 2009 amounted to HK$38 million (2008: HK$42 million), which nevertheless recorded a decrease of HK$4 million, or 10%, from that of the previous financial year for the reasons of increased staff costs and impairment on stock losses.

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$557 million for the twelve months ended 30 June 2009 (2008: HK$662 million), representing a decrease of HK$105 million, or 16%, from that for the previous financial year. The decrease in the turnover during the twelve months ended 30 June 2009 is mainly attributable to (i) the decrease in proceeds from the sale of land sites and agricultural land; (ii) the decrease in revenue generated from the provision of finance due to the decrease in the volume of the Group's property sales in Hong Kong; and (iii) the decrease in revenue generated from project management which is mainly due to the decrease in sales commissions earned by the Group given the decrease in property sales revenue generated by the Group's associates and jointly controlled entities. Accordingly, profit contribution from other businesses for the twelve months ended 30 June 2009 decreased by HK$206 million, or 60%, to HK$137 million (2008: HK$343 million).

Associates

The Group's share of post-tax profits less losses of associates during the twelve months ended 30 June 2009 amounted to HK$1,899 million (2008: HK$3,224 million), representing a decrease of HK$1,325 million, or 41%, from that for 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 of HK$229 million during the twelve months ended 30 June 2009 (2008: HK$1,015 million), the Group's share of the underlying post-tax profits less losses of associates for the twelve months ended 30 June 2009 amounted to HK$1,670 million (2008: HK$2,209 million), representing a decrease of HK$539 million, or 24%, from the previous financial year.

In respect of the Group's three listed associates (namely, HKCG, Miramar Hotel and Investment Company, Limited ("Miramar") and HK Ferry), the Group's aggregate share of their post-tax profits for the twelve months ended 30 June 2009 amounted to HK$1,921 million (2008: HK$2,844 million), representing a decrease of HK$923 million, or 32%, from that for 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 of HK$303 million during the twelve months ended 30 June 2009 (2008: HK$833 million), the Group's share of the underlying post-tax profits of these three listed associates amounted to HK$1,618 million for the twelve months ended 30 June 2009 (2008: HK$2,011 million), representing a decrease of HK$393 million, or 20%, from that for the previous financial year. During the twelve months ended 30 June 2009, the Group recorded a decrease in the share of profits from (i) HKCG of HK$631 million, mainly for the reason of the decrease in the Group's share of profit contribution from property sales of HK$727 million; (ii) Miramar of HK$274 million, mainly for the reasons of the decrease in the Group's share of profit contribution from hotel operations of HK$49 million due to phased closure of guestrooms for remodelling and refitting as part of the major rebranding programme of The Mira Hong Kong during its financial year ended 31 March 2009, and the increase in the Group's share of fair value loss (after deferred tax) on Miramar's investment properties of HK$248 million during its financial year ended 31 March 2009 compared with its previous financial year ended 31 March 2008; and (iii) HK Ferry of HK$18 million, for the reasons of the increase in the Group's share of profit contribution from property sales of HK$50 million (mainly in relation to Shining Heights which was launched for sale during the period) and savings in impairment of fixed assets and provisions on litigations incurred for the ferry and shipyard operations during the corresponding twelve months ended 30 June 2008 in the total amount of HK$37 million, but whose aggregate effect is offset by the increase in the Group's share of net investment loss of HK$54 million and the increase in the Group's share of fair value loss (after deferred tax) on HK Ferry's investment properties of HK$52 million during the twelve months ended 30 June 2009 compared with the corresponding twelve months ended 30 June 2008.

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$3,091 million (2008: HK$3,938 million), representing a decrease of HK$847 million, or 22%, from that for 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 of HK$2,191 million during the twelve months ended 30 June 2009 (2008: HK$2,976 million), the Group's share of the underlying post-tax profits less losses of jointly controlled entities for the twelve months ended 30 June 2009 amounted to HK$900 million (2008: HK$962 million), representing a decrease of HK$62 million, or 6%, from that of the previous financial year. Such decrease was mainly attributable to (i) the increase in the Group's share of profit contribution from property leasing, mainly in relation to the IFC Complex, of HK$200 million; (ii) the decrease in the Group's share of profit contribution from property sales of HK$192 million; (iii) the decrease in the Group's share of profit contribution from hotel operations of HK$21 million; and (iv) the decrease in the exchange gain of HK$47 million in relation to the Group's investment in a jointly controlled entity which owns a property development project in mainland China, compared with the corresponding financial year ended 30 June 2008.

Finance costs

Finance costs recognised as expenses for the twelve months ended 30 June 2009 were HK$896 million (2008: HK$576 million). Finance costs before interest capitalisation for the twelve months ended 30 June 2009 were HK$1,304 million (2008: HK$1,096 million). During the twelve months ended 30 June 2009, the Group's effective borrowing rate was approximately 3.17% per annum (2008: approximately 4.01% 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$190 million in the consolidated profit and loss account for the twelve months ended 30 June 2009 (2008: increase in fair value of HK$6,706 million).

Financial resources and liquidity

Maturity profile and interest cover

At 30 June 2009, the aggregate amount of the Group's bank and other borrowings amounted to approximately HK$39,020 million (2008: HK$35,626 million), of which 99.9% (2008: 99.9%) in value was unsecured. 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 30 June 2009 HK$ million	At 30 June 2008 HK$ million
Bank and other borrowings repayable:		
– Within 1 year	**3,894**	3,307
– After 1 year but within 2 years	**5,894**	9,093
– After 2 years but within 5 years	**26,067**	19,914
– After 5 years	**3,165**	3,312
Total bank and other borrowings	**39,020**	35,626
Less: Cash and bank balances	**(17,622)**	(15,675)
Net bank and other borrowings	**21,398**	19,951
Shareholders' funds *(2008 – restated)*	**124,396**	121,196
Gearing ratio (%)	**17.2%**	16.5%

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 increased from 16.5% at 30 June 2008 to 17.2% at 30 June 2009, which is attributable mainly to the combined effect of the increases, 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:

	Twelve months ended 30 June 2009 HK$ million	Year ended 30 June 2008 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) *(2008 – restated)*	**5,373**	8,168
Interest expense (before interest capitalisation)	**1,250**	1,055
Interest cover (times)	**4**	8

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 solely for risk management purposes and no derivative financial instruments are held by the Group for speculative purposes.

The Group conducts its business 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, 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 and £50,000,000 at 30 June 2009 (2008: US$325,000,000 and £50,000,000). Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars which bear floating interest rates ("HKD borrowings"), there were interest rate swap contracts which were entered into between the Group and certain counterparty banks in the aggregate notional principal amount of HK$2,450,000,000 at 30 June 2009 (2008: HK$Nil).

The purpose of the abovementioned swap contracts is to enable the Group to hedge against (i) 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; and (ii) the interest rate risk which may arise during the financial years between the drawdown dates and the repayment dates in respect of the HKD borrowings to the extent of HK$2,450,000,000 at 30 June 2009. 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, and any significant interest rate risk exposure in relation to the Group's HKD borrowings to the extent of HK$2,450,000,000 at 30 June 2009.

Material acquisitions and disposals

On 12 March 2009, Hong Kong Vigorous Limited ("Vigorous"), a 70%-owned subsidiary of Henderson Investment Limited (a listed subsidiary of the Company), entered into an agreement (the "Agreement") with 馬鞍山市過境公路建設開發有限公司 (Maanshan City Cross Border Highway Construction Development Company Limited) ("Maanshan Highway JV Partner"), a state-owned enterprise which has a 30% beneficial interest in Maanshan Huan Tong Highway Development Limited ("Maanshan Highway JV", being the joint venture engaged in the operation of Maanshan City Ring Road), in relation to the sale by Vigorous of its entire 70% interest in Maanshan Highway JV to Maanshan Highway JV Partner for a consideration of RMB122 million (equivalent to HK$138 million). At 30 June 2009, the transaction had yet to be completed and the assets and liabilities associated with the operations of Maanshan Highway JV, including the toll highway operating right, were classified as held for sale. Further details are set out in note 17 to the Company's unaudited condensed consolidated interim financial statements for the twelve months ended 30 June 2009.

Save as disclosed above, the Group did not undertake any significant acquisition or other significant disposals of subsidiaries or assets during the twelve months ended 30 June 2009.

Charge on assets

Assets of the Group were not charged to any third parties at 30 June 2009, 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 right. At 30 June 2009, the outstanding balance of the Group's secured bank loans grouped under "Liabilities associated with assets classified as held for sale" was HK$29 million (2008: HK$40 million which was grouped under "Bank loans and overdrafts").

Capital commitments

At 30 June 2009, capital commitments of the Group amounted to HK$15,754 million (2008: HK$16,703 million).

Contingent liabilities

At 30 June 2009, the Group's contingent liabilities amounted to HK$159 million (2008: HK$124 million).

Employees and remuneration policy

At 30 June 2009, the Group had approximately 7,700 (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 twelve months ended 30 June 2009 amounted to HK$1,404 million (2008: HK$1,355 million).

Other Information

Credit Agreements 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 (the "First Facility") obtained in 2004 that consisted of a 5-year and a 7-year tranche in equal amounts from a syndicate of banks under the guarantee given by the Company. The 5-year tranche of the First Facility was fully repaid and cancelled in July 2009.

Two wholly-owned subsidiaries of the Company, as borrowers, have obtained a HK$13,350,000,000 5-year revolving credit facility (the "Second Facility") and a HK$8,000,000,000 3-year term loan facility (the "Third Facility") from two groups of syndicate of banks under the guarantee given by the Company in 2006 and 2009 respectively.

In connection with the respective First Facility, Second Facility and Third Facility, it will be an event of default if the Company is deemed to be ultimately controlled by any person(s) other than 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, Second Facility and Third Facility may become due and payable on demand.

Review of Second Interim Results

The second unaudited interim results for the twelve months ended 30 June 2009 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 68.

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 August 2009 and reviewed the systems of internal control and compliance and the second interim report for the twelve months ended 30 June 2009.

Code on Corporate Governance Practices

During the twelve months ended 30 June 2009, 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.

Changes in the Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

Mr. Lee Ka Kit was appointed a Justice of Peace by The Government of the Hong Kong Special Administrative Region on 1 July 2009. In addition, Mr. Gordon Kwong Che Keung ceased to be a director of Ping An Insurance (Group) Company of China, Ltd., a company listed on The Stock Exchange of Hong Kong Limited, on 3 June 2009.

Changes in the amount of the Directors' remuneration are set out in note 8 to the unaudited condensed consolidated interim financial statements on pages 38 and 39.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 28 August 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 30 June 2009, 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		1,149,305,866		1,156,574,872	53.88
	Lee Ka Kit	1				1,149,305,866	1,149,305,866	53.54
	Lee Ka Shing	1				1,149,305,866	1,149,305,866	53.54
	Li Ning	1		1,149,305,866			1,149,305,866	53.54
	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

(A) Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
The Hong Kong and China Gas Company Limited	Lee Shau Kee	10	3,903,670		2,705,807,442		2,709,711,112	41.30
	Lee Ka Kit	10				2,705,807,442	2,705,807,442	41.24
	Lee Ka Shing	10				2,705,807,442	2,705,807,442	41.24
	Li Ning	10		2,705,807,442			2,705,807,442	41.24
	Au Siu Kee, Alexander	11		60,500			60,500	0.00
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) (continued)

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) (continued)

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

(A) Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Gain Base Development Limited	Fung Lee Woon King	29	50				50	5.00
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

(A) Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
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 twelve months ended 30 June 2009 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 30 June 2009, 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)	1,149,305,866	53.54
Riddick (Cayman) Limited (Note 1)	1,149,305,866	53.54
Hopkins (Cayman) Limited (Note 1)	1,149,305,866	53.54
Henderson Development Limited (Note 1)	1,147,939,800	53.47
Yamina Investment Limited (Note 1)	563,631,300	26.26
Believegood Limited (Note 1)	247,239,300	11.52
South Base Limited (Note 1)	247,239,300	11.52
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 1,149,305,866 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.; 247,239,300 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 39.68% held by Henderson Land Development Company Limited ("HL") which in turn was 53.47% 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 Henderson Investment 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.

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 74.16% 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 21 to 49 which comprise the consolidated balance sheet of Henderson Land Development Company Limited as of 30 June 2009 and the related consolidated profit and loss account, and consolidated statement of changes in equity and condensed consolidated cash flow statement for the twelve months 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 30 June 2009 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

28 August 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