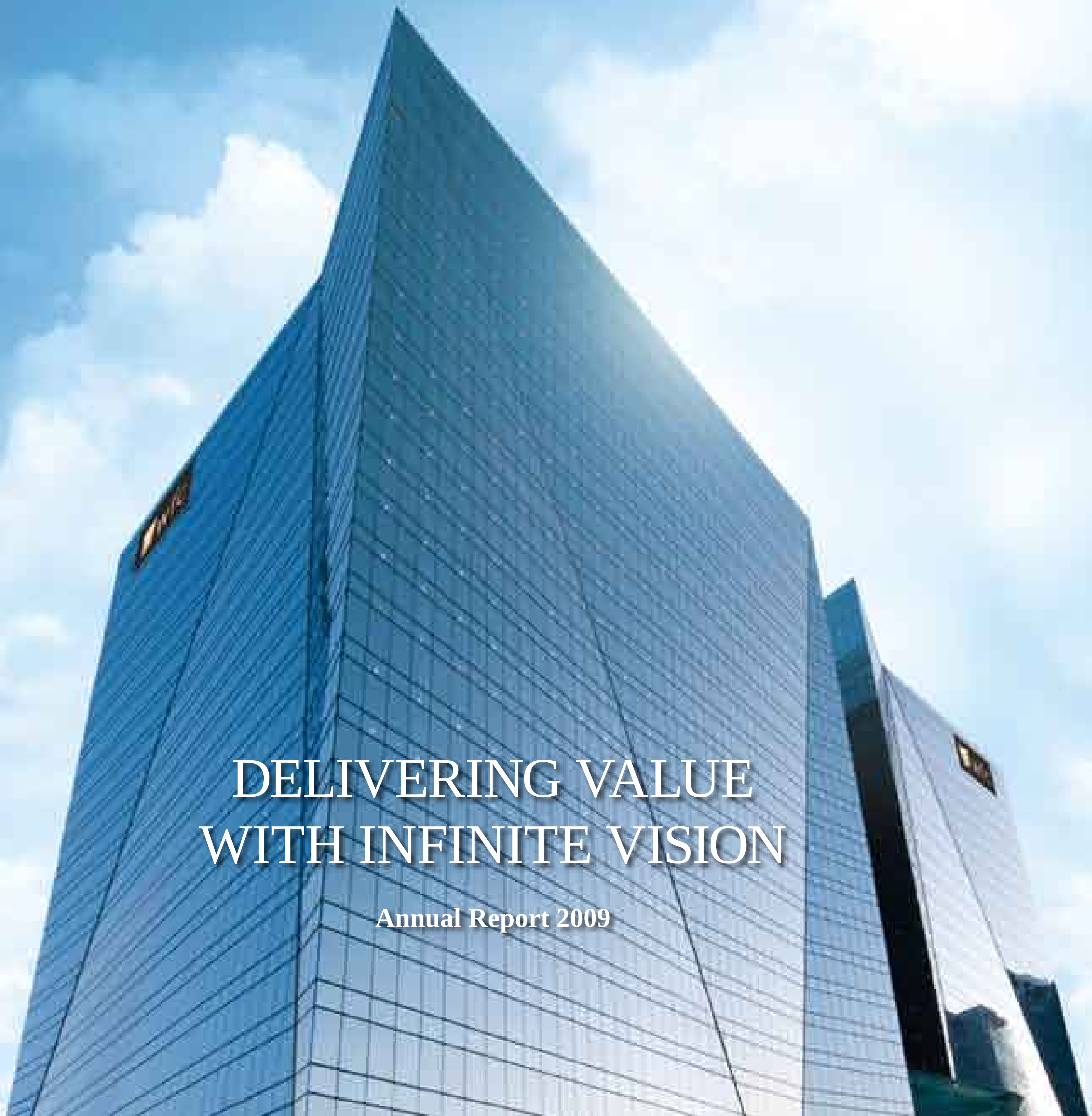
恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Stock Code: 12



DELIVERING VALUE WITH INFINITE VISION

Annual Report 2009

DELIVERING VALUE WITH INFINITE VISION

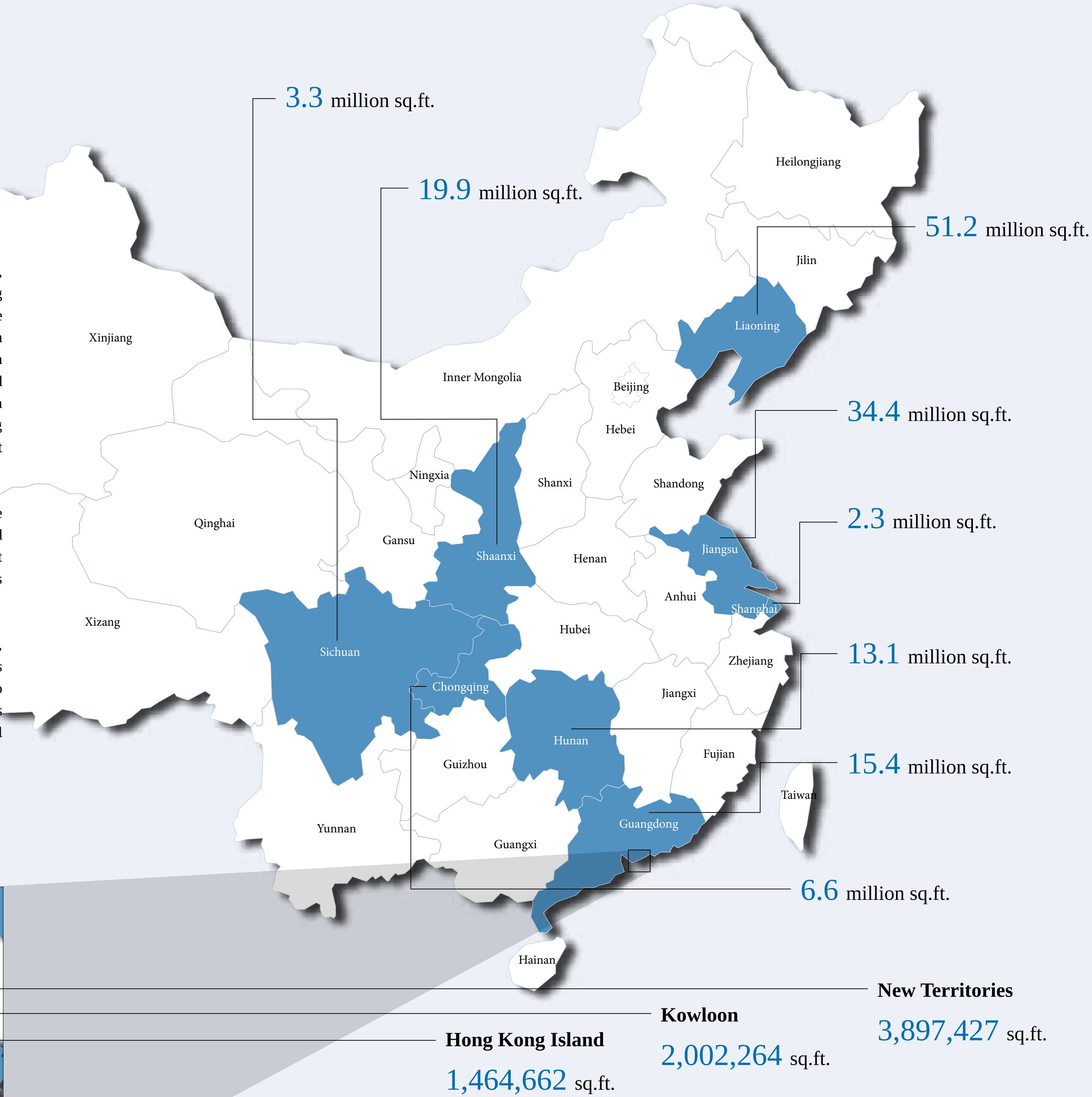
Henderson Land's progressive business strategy of concurrent development in Hong Kong and mainland China is backed by its substantial and geographically diverse land bank of quality sites which has been built up over the years and currently provides the basis for a steadily expanding portfolio of iconic properties. In Hong Kong, impressive new projects have recently been launched, with more in the pipeline as the Group pursues the conversion and development of new sites and also acquires old buildings for redevelopment. In mainland China, the Group's progress is exemplified by the launch of the World Financial Centre in Beijing (pictured on front cover), another milestone in Henderson Land's portfolio of innovative, award-winning and much sought after development projects.

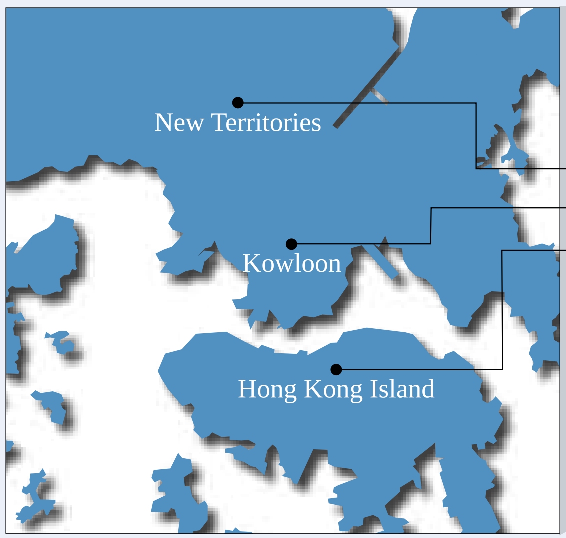
Corporate Profile

Founded in 1976 by its Chairman, Dr The Honourable Lee Shau Kee, GBM, Henderson Land Development Company Limited is a leading property group with a focus on Hong Kong and mainland China. Its core businesses comprise property development and property investment. In addition, it has direct equity interests in a listed subsidiary, Henderson Investment Limited, and three listed associates, The Hong Kong and China Gas Company Limited (which in turn has equity stakes in a listed subsidiary, Towngas China Company Limited), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited.

Henderson Land has been listed in Hong Kong since 1981 where it is one of the largest property groups. As at 31 December 2009, Henderson Land had market capitalization of HK$125 billion and the combined market capitalization of the Company, its listed subsidiaries and associates was HK$268 billion.

The Company is vertically integrated, with project management, construction, property management, and financial services supporting its core businesses. In all aspects of its operations, Henderson Land strives to add value for its shareholders, customers and the community through its commitment to excellence in product quality and service delivery as well as a continuous focus on sustainability and the environment.





The diagram above provides an overview of the Group's substantial and diverse, yet balanced development land bank in Hong Kong and mainland China as at 31 December 2009. It illustrates the attributable developable gross floor area by location. Henderson Land's quality land reserve is earmarked for both commercial and residential projects, which are expected to provide handsome returns for the Group during the years to come.

Contents

Awards & Accolades

1 **Intelligent Building of the Year for 2009**
Asian Institute of Intelligent Buildings
World Financial Centre, Beijing

2 **Building Environmental Assessment Method (BEAM)**
BEAM Society
Platinum Standard
(World Financial Centre, Beijing)

3 **HKIS Property Marketing Awards 2008**
The Hong Kong Institute of Surveyors
The Best Property Marketing Award 2008
(The Beverly Hills)
Top Ten Property Marketing Awards 2008
(The Beverly Hills)
Top Ten Property Sales Brochures Awards 2008
(The Beverly Hills)
Top Five Clubhouse Facilities Awards 2008
(The Beverly Hills)
The Best Environmental Operation Award 2008
(The Sherwood)

4 **IR Magazine Awards 2009 - Hong Kong and Taiwan**
IR Magazine
Certificate of Excellence

5 **World Top 1000 Chinese Enterprises**
Yazhou Zhoukan
2009 Top 20 Enterprises Award
(Hong Kong Region)

6 **Hong Kong Outstanding Enterprises Parade 2008**
Economic Digest
Hong Kong Outstanding Enterprises (Blue Chip)

7 **Caring Company 2008 / 09**
Hong Kong Council of Social Services
Henderson Land, Hong Kong & China Gas,
Hong Kong Ferry, Miramar, Hang Yick,
Well Born & Goodwill

8 **National Enterprise Environmental Achievement Award 2008 - 2009**
Hong Kong Environmental Protection Association

9 **Carbon Reduction Charter**
Environmental Protection Department
AIA Tower & Manulife Financial Centre (Goodwill)

10 **Hong Kong Awards for Environmental Excellence**
Environmental Campaign Committee, Environmental Protection Department and 9 other institutes/disciplines
"Class of Excellence" Wastewi$e Label – City Landmark I, Golden Centre, ING Tower, Metro City Plaza II, Kowloon Building, Sunshine City Phase I-V Shopping Arcade, Trend Plaza (Goodwill)

11 **HKCA Safety Award 2008**
Hong Kong Construction Association
HKCA Safety Gold Award 2008 (E Man & Heng Tat)
HKCA Safety Merit Award 2008 (Heng Tat)
Proactive Safety Contractor Award 2008
(E Man & Heng Lai)

12 Construction Industry Safety Award Scheme 2008/2009
Labour Department, Occupational Safety & Health Council and 9 other government departments/institutes/disciplines
Merit Award - Sha Tin Town Lot 539 (Heng Lai)

13 Considerate Contractors Site Award Scheme 2008
Development Bureau
Considerate Contractors Site Award – Fanling SSTL 231 (Heng Lai)

14 TVB Weekly Outstanding Award 2009
TVB Weekly

15 Hong Kong Art & Design Festival 2009
Hong Kong Communication Art Centre
Outstanding Greater China Design Awards 2009 (Cité 33 Show Flat)

16 2008/09 International MERCURY Awards and 19th Annual ASTRID Awards
MerComm, Inc.
MERCURY Awards - Bronze Award (Category: Design: Annual Report Cover)
ASTRID Awards - Silver Award (Category: Cover: Annual Reports – Photography)

17 Customer Relationship Excellence Awards 2008
Asia Pacific Customer Service Consortium
Best Use of Knowledge Management of the Year 2008 (Property Management)
Innovative Technology of the Year 2008 (Property Management)

18 The Best Brand Enterprise Award 2008 (Greater China)
Hong Kong Productivity Council
Well Born Real Estate Management Limited

19 Hong Kong Q-Mark Service Scheme
Hong Kong Q-Mark Council
Hong Kong Q-Mark Service Certificate (Well Born Real Estate Management Limited & Hang Yick Properties Management Limited)

20 The Asset Triple A Asian Awards 2008
The Asset
The Hong Kong and China Gas Company Limited - US$1 billion 10-year bond
Best Investment Grade Bond
Best Corporate Bond

21 2009 Hong Kong Awards for Industries
Hong Kong Retail Management Association
Customer Service Grand Award (The Hong Kong and China Gas Company Limited)

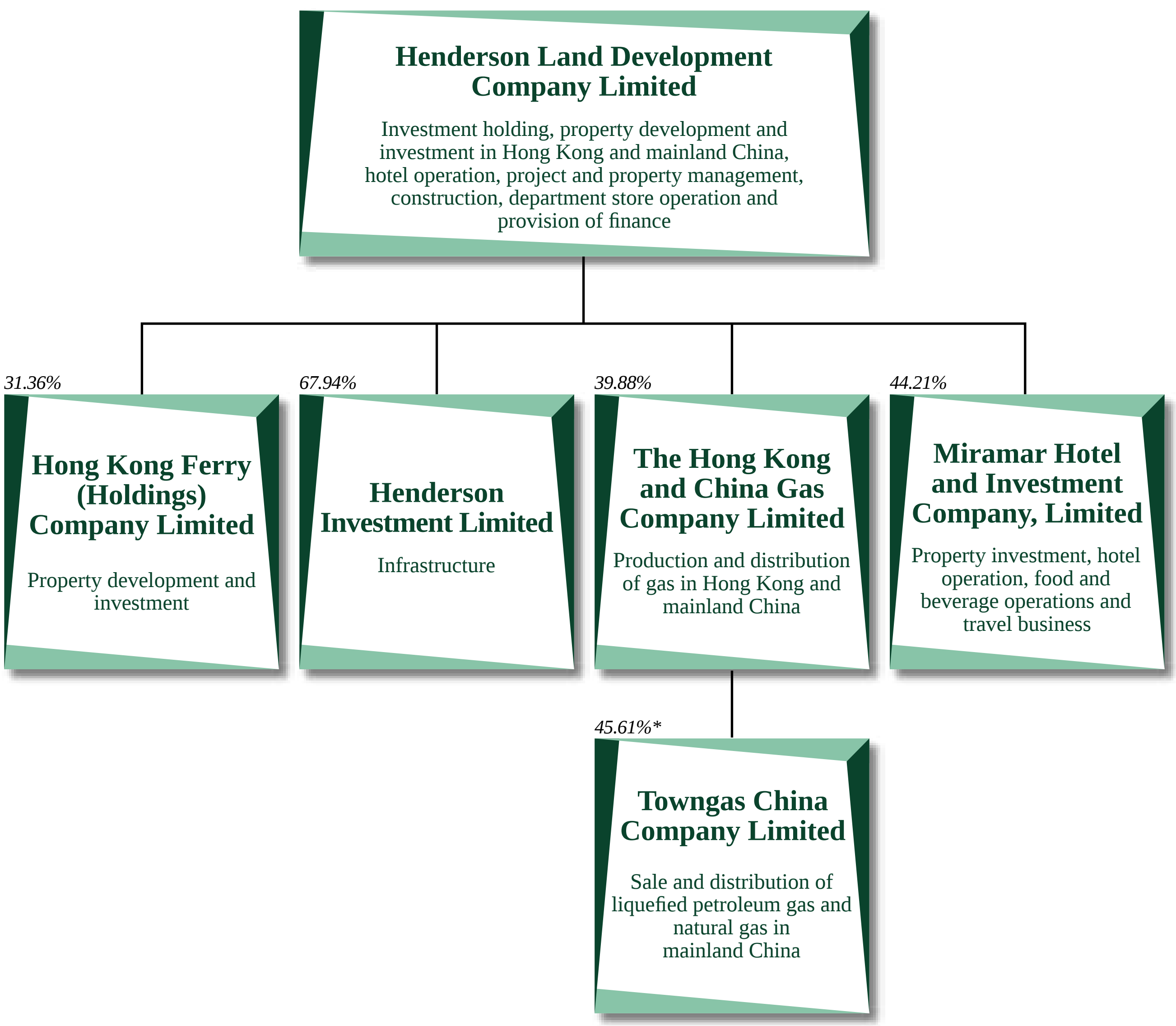
22 Travel & Meeting Industry for 2009
Travel Weekly China
Best New Business Hotel Award (The Mira Hong Kong – Miramar Hotel and Investment Company, Limited)

23 CAPITAL Best of the Best 2009
CAPITAL
The Best Travel Agency Award (Miramar Travel – Miramar Hotel and Investment Company, Limited)

Group Structure

Henderson Land Group Structure

Market capitalization as at 31 December 2009
Henderson Land Development Company Limited: HK$125 billion
Six listed companies of the Group: HK$268 billion



Note: all percentage shareholdings shown above were figures as of 31 December 2009

* *Towngas China Company Limited was accounted for and consolidated into the consolidated accounts of The Hong Kong and China Gas Company Limited as a subsidiary starting from 31 December 2009.*

Highlights of 2008/2009 Final Results

	Note	For the eighteen months ended 31 December 2009 HK$ million	For the financial year ended 30 June 2008 HK$ million (restated)	Change
Property sales				
– Revenue	*1*	**8,700**	11,163	-22%
– Profit contribution	*2*	**3,739**	4,385	-15%
Net rental income	*3*	**4,540**	2,728	+66%
Profit attributable to Shareholders				
– Underlying profit	*4*	**6,088**	5,708	+7%
– Reported profit		**14,320**	15,473	-7%
		HK$	HK$	
Earnings per share				
– Based on underlying profit	*4*	**2.84**	2.78	+2%
– Based on reported profit		**6.67**	7.54	-12%
Dividends per share		**1.30**	1.10	+18%
		At 31 December 2009	At 30 June 2008	
		HK$	HK$	
Net asset value per share	*5*	**62.01**	56.45	+10%
Adjusted net asset value per share	*6*	**66.08**	60.04	+10%
Net debt to shareholders' equity		**19.2%**	16.5%	+ 2.7 percentage points
		At 31 December 2009 Million square feet	At 30 June 2008 Million square feet	
Hong Kong				
Land bank (attributable floor area)				
– Properties held for/under development	*7*	**9.4**	8.4	
– Completed investment properties	*8*	**10.4**	10.0	
		19.8	18.4	
Agricultural land (total land area)		**32.8**	34.0	
Mainland China				
Land bank (attributable floor area)				
– Properties held for/under development		**146.2**	115.7	
– Completed investment properties		**5.2**	3.1	
		151.4	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 (before taxation) from property sales in Hong Kong and mainland China by associates and JCEs.*

3 *Including the Group's attributable share of net rental income (before taxation) 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$8,743 million (30 June 2008: HK$7,710 million), equivalent to HK$4.07 per share (30 June 2008: HK$3.59 per share), as provided for 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 2.0 million square feet at 31 December 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.*

SOARING TO NEW HEIGHTS

As one of the tallest buildings in Mid-Levels, 39 Conduit Road combines the best in international design and architecture, taking opulence to a new level. The 66 splendid homes at this ultra-luxurious residence enjoy Harbour and Peak views, all complemented by a magnificent clubhouse.

Dr The Honourable Lee Shau Kee, GBM
Chairman and Managing Director

Chairman's Statement

Dear Shareholders

On behalf of your Board, I am pleased to present my report on the operations of the Group for the eighteen months ended 31 December 2009. This report covers a period of eighteen months from 1 July 2008 to 31 December 2009 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.

Overview

As a result of the outbreak of the financial tsunami in 2008, massive economic stimulus measures as well as quantitative easing policies have been implemented by most major economies. For the Group the period under review was characterized mainly by a rapid expansion of our land bank to capitalize on market opportunities. Agricultural land in the New Territories, which is now only 30 or 60-minute drive away from the downtown thanks to significant improvement to the transportation network in recent years, is poised to developed into new towns. With a recent addition of approximately 10 million square feet in agricultural land site, the Group has to date increased its agricultural land reserve to approximately 40 million square feet in land area, the largest holding among all property developers in Hong Kong. At an aggregate premium of approximately HK$7,300 million, the sites at Wu Kai Sha, Shatin and Tai Tong, Yuen Long were both converted into residential development purposes, providing a total attributable developable gross floor area of approximately 2,600,000 square feet, whilst continued efforts for the sites at Wo Shang Wai and Tai Tong (phase two development) will likely result in further agricultural land conversion in 2010 which will provide development land with an attributable gross floor area of approximately 1,000,000 square feet. During the period, the Government published its preliminary layout plan for North East New Territories New Development Areas, which include Wu Nga Lok Yeung, Kwu Tung North and Fanling North in which the Group holds land lots of approximately 5.1 million square feet. Such land lots are expected to provide a total attributable gross floor area of approximately 9 million square feet, whilst the expected attributable gross floor area arising from the conversion of the Group's 3 million-square-foot land site in Hung Shui Kiu, Yuen Long, which is within the coverage of the Government's ten major infrastructures, will be approximately 6 million square feet. The total attributable gross floor area available for development from all the above sources amounts to 18.6 million square feet, which allows the Group to build about 30,000 housing units, more than triple the number of new completions in Hong Kong last year.

During the period, the Group continued to acquire old buildings for redevelopment and to date, the majority ownership for 11 urban projects has been secured. Together with ongoing acquisition of another 19 urban projects, the Group has a total of 30 projects which are expected to provide a total attributable gross floor area of approximately 4 million square feet, or about 6,000 housing units against total land costs of approximately HK$18,000 million. The acquisition of old buildings for redevelopment, in fact, is a win-win move for all parties. First, it enables the owners of units in the old buildings to realize their homes at a price higher than the market price prevailing for the old buildings and to acquire newer and safer homes. Second, it is in line with and supports the Government's policy initiatives on promoting urban renewal, a subject brought into sharp focus with the recent disastrous collapse of certain old buildings in To Kwa Wan, Kowloon. Third, it enables the Group to add sites in the urban areas to its development land bank and hence provides a better geographical balance in its holdings between urban and suburban land (with the latter resulting mainly from agricultural land conversion). Meanwhile, the Group is planning to redevelop and convert some of the existing properties into other purposes, providing a further 2 million square feet in attributable gross floor area for commercial and residential uses in the urban areas.

The Group also continues to be bullish of the long-term prospects for the property market in mainland China, where the Group's development land bank has risen by 30.5 million square feet to 146.2 million square feet in attributable gross floor area spread across the prime cities and the high-growth second tier cities, through the acquisition of land sites in city centres and new development areas during the period. The Group's land costs are relatively low, particularly when compared with the recent transacted prices for sites in the same districts which were generally 2 to 3 times or even much higher. Starting from 2010, the Group will re-double its efforts in mainland China and accelerate the progress of construction, particularly for those projects that have reached an advanced stage of development. Capitalizing on the rising market (as confirmed by the sale of land lots and projects nearby), these projects will be launched for sale in phases to enable their potential profits to be realized. Quality residences with distinctive design, well-equipped facilities and sound property management are expected to remain highly sought-after in the market; these are exactly the type of product that the Group is developing to meet market demand. The Group's efforts on sustainable development in the Mainland were recognized with the award of "Platinum Rating" by the HK-BEAM Society in its Building Environmental Assessment of World Financial Centre, an International Grade-A office complex in Beijing, completed in January 2009. The complex was also accredited with "Distinction" in the Certificate of Intelligent Building Index Assessment by the Asian Institute of Intelligent Buildings.

The Hong Kong and China Gas Company Limited, the Group's member company, has also been transformed from a locally-based company into a nation-wide corporation with a total of 103 projects spread across 19 provinces/municipalities/autonomous regions, encompassing city piped gas, the water supply and wastewater treatment sector, natural gas filling stations and emerging environmentally-friendly energy projects. It is anticipated that the results of this group's emerging environmentally-friendly energy businesses and Mainland utility businesses will reach the same level as that of Hong Kong gas businesses in 2012, and will maintain growth momentum faster than Hong Kong businesses thereafter.

Profit and Net Assets Attributable to Shareholders

The Group underlying profit attributable to equity shareholders (before the fair value change of investment properties) for the eighteen months ended 31 December 2009 amounted to HK$6,088 million, representing an increase of HK$380 million or 7% over HK$5,708 million (restated) for the twelve months ended 30 June 2008. Based on the underlying profit, earnings per share for this eighteen-month period were HK$2.84 (Twelve months for the 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 eighteen months ended 31 December 2009 was HK$14,320 million. Compared with the Group profit attributable to equity shareholders of HK$15,473 million (restated) for the twelve months for the financial year ended 30 June 2008, this represents a decrease of HK$1,153 million or 7% due to a smaller increase in fair value (net of deferred tax and minority interests) of the investment properties held by the Group's subsidiaries, associates and jointly controlled entities for the period under review. Earnings per share for this eighteen-month period were HK$6.67 (Twelve months for the financial year 2008: HK$7.54).

At 31 December 2009, the net asset value attributable to equity shareholders amounted to HK$133,127 million (or HK$62.01 per share), 10% higher than the amount of HK$121,196 million (or HK$56.45 per share) (restated) at 30 June 2008, while the adjusted net asset value, after excluding deferred tax liabilities on the revaluation of investment properties in Hong Kong held by the Group's subsidiaries, associates and jointly controlled entities, was HK$141,870 million (or HK$66.08 per share), 10% higher than the amount of HK$128,906 million (or HK$60.04 per share) (restated) at 30 June 2008. Net debt amounted to HK$25,500 million with the gearing ratio at 19.2%.

Dividends

Your Board recommends the payment of a final dividend of HK$0.70 per share to Shareholders whose names appear on the Register of Members of the Company on 23 April 2010, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the first interim dividend and the second interim dividend each of HK$0.30 per share already paid, the total dividend for the eighteen months ended 31 December 2009 will amount to HK$1.30 per share (Twelve months for the financial year 2008: HK$1.10 per share).

The proposed final dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend and Bonus Warrants Issue (as defined below), but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the relevant election form are sent to Shareholders.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the forthcoming annual general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent to Shareholders on 2 June 2010.

Bonus Issue of Warrants

Directors of the Company will propose a bonus issue of warrants (the "Warrants") to Shareholders of the Company whose names appear on the register of members of the Company on 23 April 2010 in the proportion of one Warrant for every five shares of HK$2 each in the capital of the Company (the "Share(s)") ("Bonus Warrants Issue") at an extraordinary general meeting of the Company to be held. The Warrants will entitle the holders thereof to subscribe an aggregate of up to 429,348,748 Shares at an initial subscription price of HK$58 per Share (subject to adjustment). The Warrants will be exercisable at any time during a period of one year commencing from the date of first issue of the Warrants up to the date immediately preceding the first anniversary of the date of first issue of the Warrants.

Shares falling to be issued upon exercising the subscription rights attaching to the Warrants will rank pari passu in all respects with the then existing Shares on the relevant date of issue. The proposed Bonus Warrants Issue will be conditional upon: -

(i) the passing of a relevant ordinary resolution at the extraordinary general meeting of the Company to be convened; and

(ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the Warrants and any new Shares which fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Warrants and any new Shares which fall to be issued upon the exercise of the subscription rights attaching to the Warrants. A circular containing details of the proposed Bonus Warrants Issue will be sent to Shareholders.

Business Review - Hong Kong

Property Sales

Helped by quantitative easing policies adopted by most central banks throughout the world, coupled with implementation of various massive economic stimulus measures, the global economy was on a recovery path during the last nine months of the period under review. With stock markets rebounding around the world, the Hong Kong property market has also bounced back significantly. The prevailing low mortgage rate due to the funds inflow, coupled with an improving job market, lent strong support to end-users, whilst many investors also preferred to hold investment properties as part of their asset portfolios. Driven by pent-up housing demand, transaction volumes for both primary market and second-hand properties have picked up gradually since the second quarter of 2009. Together with the low completion and hence limited new supply of private residential units, and a new source of demand from Mainland and overseas buyers, this has exerted considerable upward pressure on housing prices generally. To meet the market demand, the Group launched a number of residential projects for sale.

During the period, residential developments including 39 Conduit Road in Island Mid-Levels, Cité 33 in Mong Kok and 8 Royal Green in Sheung Shui were put up for sale and all received encouraging responses. In parallel with this sales momentum, the Group has continued to offer some other popular projects for sale. Projects

The ultra stylish interior of 39 Conduit Road.

re-launched included Grand Promenade, Grand Waterfront, The Sparkle, The Beverly Hills and Casa Marina (phases I and II). An attributable HK$8,370 million worth of properties in Hong Kong was thus sold for the eighteen months ended 31 December 2009.

Turnover for the eighteen months ended 31 December 2009 included an amount of HK$3,280 million relating to the sale of 25 units at 39 Conduit Road. At the recent requests of the buyers, the completion dates of the sale of 24 units have been extended by two to four months from February 2010. The turnover and profit after taxation arising from these 24 units attributable to the Group for the eighteen months ended 31 December 2009 amounted to HK$1,912 million and HK$973 million respectively. Currently, there are no reasons to believe that the sale of such 24 units would not proceed. However, in the event that the sale of such 24 units is not completed, and before taking into account any re-sale of such units, the Group shall recognise an attributable loss of approximately HK$780 million after forfeiture of deposits.

With a growing number of affluent Mainland and overseas Chinese citizens interested in buying local properties through the investment immigration scheme, the profile of homebuyers in Hong Kong is becoming more diverse and a wider range of marketing channels is thus needed to promote the Group's Hong Kong property projects. As such, the Group led the way by setting up a Hong Kong Property Exhibition Centre in Futian, Shenzhen so as to promote the Group's products with the view to tapping the huge market potential across the border.

The following development projects were completed during the period under review:

	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.	39 Conduit Road Mid-Levels	56,748	229,255	Residential	60.00	137,553
7.	11,12,12A,12B Headland Road Island South	43,492	32,619	Residential	44.42	14,489
8.	The Pivot 52 Hung To Road, Kwun Tong	11,375	125,114	Industrial	100.00	125,114
9.	International Trade Centre 712 Prince Edward Road East, San Po Kong	18,051	216,593	Office	100.00	216,593
					Total:	**1,882,806**

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.

At 31 December 2009, the Group had over 850 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 at 31 December 2009	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	32	103,922
2.	Casa Marina II 1 Lo Ping Road, Tai Po	228,154	182,545	Residential	100.00	46	137,952
3.	Grand Promenade 38 Tai Hong Street Sai Wan Ho	131,321	1,410,629	Residential	69.94	11	13,014
4.	Grand Waterfront 38 San Ma Tau Street To Kwa Wan	130,523	1,109,424	Commercial/ Residential	Residential: 56.11 Commercial: 39.88	11	14,699
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	96 *(Note 2)*	315,448 *(Note 2)*
6.	The Sparkle 500 Tung Chau Street Cheung Sha Wan	35,629	320,659	Commercial/ Residential	100.00	37	37,259
7.	Cité 33 33 Lai Chi Kok Road Mong Kok	9,600	84,090	Commercial/ Residential	100.00	33	27,790
8.	8 Royal Green 8 Ching Hiu Road, Sheung Shui	45,779	228,860	Residential	100.00	106	91,086
9.	39 Conduit Road Mid-Levels	56,748	229,255	Residential	60.00	24 *(Note 3)*	84,131 *(Note 3)*
					Sub-total:	**396**	**825,301**
					Gross area attributable to the Group:		**750,056**

(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 4)*	439,744 *(Note 4)*
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. Hill Paramount 18 Hin Tai Street, Shatin	95,175	358,048	Residential	100.00	157	358,048
5. 11,12,12A,12B Headland Road Island South	43,492	32,619	Residential	44.42	4	32,619
6. Jade Suites 600 Canton Road, Jordan	3,642	32,772	Commercial/ Residential	100.00	62	27,311
				Sub-total:	**460**	**970,811**
				Gross area attributable to the Group:		**909,146**
				Total saleable residential units and total residential gross area from the major development projects:	**856**	**1,796,112**
				Total gross area attributable to the Group:		**1,659,202**

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 30 houses in this phase of The Beverly Hills held for investment purpose.
Note 3: In addition, there are 17 residential units held for investment purpose.
Note 4: In addition, two houses were already sold through private sale.

Land Bank

At 31 December 2009, the Group had a land bank in Hong Kong with a total attributable gross floor area of approximately 19.8 million square feet, comprising 7.4 million square feet of properties held for or under development, 2.0 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 2.8 million square feet.

In light of the positive view taken by the Group of the Hong Kong property market, a decision was made to expand the Group's holding of development land through the conversion of agricultural land, further acquisition of agricultural land, and purchase of old buildings.

At the end of December 2009, the Group held agricultural land reserves amounting to approximately 32.8 million square feet in land area, which was the largest holding among all property developers in Hong Kong. During the period under review, significant progress was made in land-use conversion.

For the site in Wu Kai Sha, Shatin, the land-use conversion was finalized with the Government and the land premium of HK$9,596,950,000 was fully settled. The site will be developed into a residential development with a total developable gross floor area of approximately 2.95 million square feet, of which 56.75% or about 1.67 million square feet is attributable to the Group. Meanwhile, the land premium for the residential site at Lot 5369, DD 116 at Tai Tong Road, Yuen Long was also finalized with the Government and a deposit equal to 10% of the premium of HK$2,334.8 million was paid upon acceptance. It is expected to provide approximately 1.175 million square feet in gross floor area, of which 79.03% or approximately 930,000 square feet is attributable to the Group.

For the wetland restoration and residential project in Wo Shang Wai, Yuen Long, it is planned to be developed into a low-density residential development with a total gross floor area of approximately 895,000 square feet against a total land area of about 2.3 million square feet. The environmental permits and the design framework plan have been approved by the Director of Environmental Protection and the Town Planning Board respectively, whilst the basic terms for land exchange have also been agreed with the Government. Construction will commence upon finalization of the land premium with the Government and it will be a further boost to the Group’s development land bank. In addition, the Group expects to finalize the conversion of the site at Lot 524, DD 116 at Tai Tong Road, Yuen Long which will provide approximately 157,000 square feet in gross floor area, of which 79.03% is attributable to the Group.

Looking ahead, the Group is actively pursuing land-use conversion of the following sites, which are situated in the “North East New Territories New Development Areas” or in close proximity to the Government’s ten major infrastructure projects, to capitalize on the transport convenience offered by the improvement in the transport infrastructure, in particular the construction of Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link:

	Total land area (sq.ft.)	Attributable gross floor area (sq. ft.)
1. Wu Nga Lok Yeung	2,700,000	6,000,000
2. Sheung Shui Kwu Tung North	400,000	1,500,000
3. Hung Shui Kiu	3,000,000	6,000,000
4. Fanling North	2,000,000	1,500,000
Total:	**8,100,000**	**15,000,000**

The total attributable gross floor area available for development from all the above sources amounts to 18.6 million square feet, which allows the Group to build about 30,000 housing units, more than triple the number of new completions in Hong Kong last year.

In parallel to the land-use conversion, the Group has taken active steps to expand the agricultural land reserves from approximately 32.8 million square feet at 31 December 2009 to the current level of approximately 40 million square feet in site area.

In line with the strategic decision taken last year and in response to the Government's policy initiatives on promoting urban renewal, the Group has recently been pursuing an increase in its land bank in the urban areas of Hong Kong and Kowloon by actively acquiring properties in certain old buildings in the market for redevelopment purposes. During the period under review, a majority of the ownership of the following old buildings in the urban areas, which are all located in the vicinity of existing or planned railway lines was acquired:

		Site area (sq.ft.)	Expected gross floor area in future redevelopment (sq. ft.)
1.	Western Court 450-456G Queen's Road West Hong Kong	29,875	268,482
2.	30-38 Po Tuck Street & 36 Clarence Terrace Hong Kong	7,310	61,103
3.	1-7A Gordon Road Hong Kong	7,423	61,280
4.	62-76 Main Street Ap Lei Chau, Hong Kong	7,953	65,852
5.	Matauwei Apartments 57-69 Ma Tau Wai Road 2-20 Bailey Street and 18A-30 Sung Chi Street To Kwa Wan, Kowloon	23,031	207,279
6.	Hoi On Building 11-33 Li Tak Street Tai Kok Tsui, Kowloon	19,600	166,600
7.	186-188 Tai Po Road Sham Shui Po, Kowloon	8,234	70,242
8.	Keung Fu Building 45-49 Boundary Street & 189-195 Sai Yeung Choi Street North, Kowloon	5,880	52,919
9.	162-168 Pau Chung Street 50-64 Ma Tau Kok Road To Kwa Wan, Kowloon	11,700	105,300
10.	184-198 Fuk Wing Street Sham Shui Po, Kowloon	8,458	71,367
11.	75-81 Sa Po Road Kowloon City, Kowloon	3,582	32,238
	Total:	**133,046**	**1,162,662**

In August 2008, the Group (by order of the court) also 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. Of these two sites, the old Kam Kwok Building was already demolished and it will be developed into a residential tower with a total gross floor area of about 114,700 square feet, whilst at the site of the former National Building, the foundation work for a boutique hotel with a total gross floor area of about 66,000 square feet was already completed.

Further land acquisitions, involving another 19 old buildings in the urban areas, are in progress and ownership of each of these sites is expected to be largely consolidated during the course of 2010, providing a total attributable gross floor area of approximately 3,000,000 square feet for future redevelopment. This represents a very significant contribution by the Group to urban renewal and is a win-win outcome for all parties.

Meanwhile, the Group is planning to redevelop and convert some of the existing properties into other purposes, providing a further 2 million square feet in attributable gross floor area for commercial and residential uses in the urban areas. Details of these properties are as follows:

		Site area (sq.ft.)	Expected gross floor area in future development (sq. ft.)	Group's interest (%)	Expected attributable gross floor area in future development (sq. ft.)
1.	19-21 Wong Chuk Hang Road Hong Kong	14,298	214,470	50.00	107,235
2.	45-47 Pottinger Street / Ezra's Lane, Central, Hong Kong	9,067	93,733	19.095	17,898
3.	66 Boundary Street Kowloon *(Note 1)*	6,670	60,030	100.00	60,030
4.	25 La Salle Road Kowloon Tong, Kowloon *(Note 2)*	13,467	24,241	100.00	24,241
5.	29 Lugard Road The Peak, Hong Kong	23,653	11,826	100.00	11,826
6.	8 Wang Kwong Road Kowloon Bay, Kowloon *(Note 3)*	21,528	258,336	100.00	258,336
7.	24 Lee Chung Street Chai Wan, Hong Kong	11,590	173,849	100.00	173,849
8.	59-61 Wing Hong Street / 88-92 King Lam Street Cheung Sha Wan, Kowloon	24,854	298,248	100.00	298,248
9.	14-30 King Wah Road North Point, Hong Kong	52,690	224,828	100.00	224,828
10.	Yau Tong Bay, Kowloon	892,330	4,461,651	18.44	822,537
	Total:	**1,070,147**	**5,821,212**		**1,999,028**

Note 1: The site is currently held by the Group as Newton Hotel Kowloon.
Note 2: The site is currently held by the Group as a serviced apartment building.
Note 3: The old industrial building (i.e., Big Star Centre) at this site will be converted into an office building or a hotel upon the implementation of the Government's new revitalization policy in April 2010, which exempts eligible owners from paying a fee for change in the land-use.

In summary, the attributable gross floor area available to the Group for development from all sources, namely, agricultural land conversion and acquisition of old buildings, together with existing properties under planning for redevelopment and conversion into other purposes, would be:

	Land available for development in attributable gross floor area			
	At 31 December 2009 (sq.ft.)	Resulting from further agricultural land conversions and acquisition of old buildings	(sq.ft.)	Total (sq.ft.)
Agricultural land conversion	2,600,000	Expected in 2010:	1,019,000	3,619,000
		Beyond 2010:	15,000,000	15,000,000
Acquisition of old buildings	1,160,000	Expected in 2010:	3,000,000	4,160,000
Existing properties under planning for redevelopment and conversion into other purposes	2,000,000		-	2,000,000
Total:	**5,760,000**		**19,019,000**	**24,779,000**

Investment Properties

At 31 December 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 400,000 square feet as compared with 30 June 2008), made up of 4.5 million square feet of commercial or retail space, 3.4 million square feet of office space, 900,000 square feet of industrial/office space and 600,000 square feet of residential and apartment space. This investment portfolio is geographically diverse, with 25% in Hong Kong Island, 33% in Kowloon and the remaining 42% in the New Territories.

After several months of consolidation since the onset of the global financial crisis in September 2008, leasing demand for retail shops and shopping space has shown signs of recovery since mid-2009 amid improving consumption sentiment. The Group's recently-completed office and industrial premises in Kowloon East also fared well with over 60% of their space already taken up at 31 December 2009. Driven by higher rents for new lettings and lease renewals, mostly from retail shops and shopping spaces in particular during the second half of 2009 as well as an increased contribution from these new projects, the Group's attributable gross rental income in Hong Kong for the eighteen months ended 31 December 2009, including that derived from the investment properties owned by the Group's associates and jointly controlled entities, amounted to HK$6,025 million, representing an increase of 67% over that for the twelve months for the financial year ended 30 June 2008. Net rental income also increased from HK$2,550 million for the twelve months of the previous financial year to HK$4,262 million for the eighteen months for the current financial year, whilst the leasing rate for the Group's core rental properties (excluding the recently-completed developments in Kowloon East) rose to 97% at 31 December 2009.

Located at the heart of the city, ifc mall houses a number of designer boutiques, flagship stores and dining outlets, making it a popular destination for locals and tourists alike. During the period under review, ifc mall was almost fully let with remarkable growth in rental income. Leasing performance for the Group's large-scale shopping malls in the new towns was equally satisfactory and Metro City Phase 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 almost full occupancy at 31 December 2009.

The Group's quality office developments, such as the International Finance Centre in Central and AIA Tower in North Point, continued to perform satisfactorily despite adversities posed by the global financial crisis. In Kowloon East, an upcoming commercial hub with abundant supply of leasing space, the Group boasts a 2.0 million square foot portfolio of new premium office and industrial developments and most of them have been leasing well. The leasing rate of Manulife Financial Centre in Kwun Tong reached 66% with Manulife, one of the anchor tenants, exercising their expansion right to take up an additional space of 130,000 square feet. International Trade Centre in San Po Kong also recorded an improving leasing rate of 74% at 31 December 2009.

Manulife Financial Centre combines Grade-A office space with excellent leisure and entertainment facilities.

The Group enhances rental values by regularly upgrading its investment properties. The first phase of renovation works at the South Wing of Trend Plaza in Tuen Mun is progressing well, whilst transformation of the upper ground floor of Metro City Phase II in Tseung Kwan O was completed at 31 December 2009 with over 20,000 square feet of its space converted into more than 20 retail outlets. Encouraging responses have been received from the pre-leasing of these two projects with rentals bid up considerably. Meanwhile, the facelift to Kowloon Building on Nathan Road as well as the facility upgrade for Golden Centre in Sheung Wan have commenced already. The second phase of renovation works at South Wing of Trend Plaza in Tuen Mun will also begin soon. The planning of refurbishment works for Sunshine City Plaza in Ma On Shan, Citimall in Yuen Long and City Landmark I in Tsuen Wan is currently in the pipeline.

Due to limited supply in the marketplace, as well as the increasing number of returning expatriates, leasing demand for the Group's luxury residences has been strong. The serviced suite hotel at Four Seasons Place, which was highly sought after by expatriate executives and practitioners in the legal, banking and finance sectors, recorded solid growth in both occupancy and room rates. Eva Court, a luxury apartment complex in the Mid-Levels, also reported high occupancy by the end of December 2009 with satisfactory rental growth for both renewals and new lettings.

Hotel and Retailing Operations

Due to the slowdown in world-wide economies caused by the global financial crisis, as well as the start of cross-strait direct links and the outbreak of pandemic flu, the hotel industry in Hong Kong on the whole has been operating under very difficult conditions.

The Four Seasons Hotel won a coveted Forbes five-star award and was voted one of the world's top ten hotels by readers of Institutional Investor magazine, whilst two of its top restaurants, namely, Lung King Heen and Caprice also emerged as the only ones in Hong Kong to be honoured with three Michelin stars in the new gourmet guide. With such widely-recognized quality and service in an unmatched location at the Central waterfront, The Four Seasons Hotel continued to stay ahead of the market and maintain its usual above market average room rate, albeit at a lower occupancy, amid the financial turmoil. The Group's four Newton hotels also performed profitably, although average room rates and occupancies inevitably came under pressure in such challenging market conditions.

Established in 1989, Citistore currently has five department store outlets offering value-for-money merchandise to local households and two "id:c" specialty stores introducing a collection of trendy brands from Japan and Korea to young and fashion-conscious customers.

Construction and Property Management

The Group pledges to build the finest properties, offering unparalleled design, quality and comfort to its customers. In order to ensure that such a quality conscious approach is adopted throughout the design and construction process of the Group's developments in both Hong Kong and mainland China, inter-departmental communication and information sharing are always encouraged. Similarly, the stringent requirements laid down by the Leadership in Energy and Environmental Design (LEED) and Building Environmental Assessment Method (BEAM) are also complied with by the Group so as to ensure that all the facilities provided are trend-setting and eco-friendly.

With such proactive management and stringent monitoring of the whole construction process, the accident rate for the Group's construction activities was well below the industry average, whilst numerous awards received recently (including the "Quality Building Award" from nine building-related professional bodies, "Considerate Contractors Site Award" from the Development Bureau of the Hong Kong SAR Government and "Proactive Safety Contractor Award" from The Hong Kong Construction Association) served as testimony to the Group's commitment to excellence, an essential differentiating factor in the competitive market-place.

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 is a member of the Construction Industry Council. In recognition of his wide experience and seasoned leadership, he has been appointed as the Chairman for its "Construction Industry Training Board" and "Committee on Manpower Training and Development", which are both assigned to build a strong talent pool for Hong Kong so as to support the forthcoming implementation of the ten mega infrastructures as well as their related construction projects.

The Group's member property management companies, Hang Yick Properties Management Limited ("Hang Yick") and Well Born Real Estate Management Limited ("Well Born") collectively manage over 180 premises in Hong Kong, comprising a total of over 75,000 residential, commercial and industrial units and shops, and more than 16,000 car parking units. During 2009, Hang Yick and Well Born received a total of 271 performance-related accolades including "Innovative Technology of the Year and Best Use of Knowledge Management of the Year in the Customer Relationship Excellence Awards 2009", as well as the "Q-Mark Service Scheme certification". They were also bestowed with the Certificate of Excellence in the "Award for Excellence in Training and Development" by The Hong Kong Management Association, in recognition of their learning culture and unflagging efforts to raise standards in property management in Hong Kong.

Aligning with the Group's corporate culture, these two companies also offer care to the public at large. Being named as "Caring Company" for seven consecutive years, they were widely acclaimed for their dedication to corporate social responsibility, whilst the sixth consecutive year's "Highest Voluntary Service Hour Award" championship is a testimony to their commitment to charitable activities and community services.

Their heartfelt services also attracted considerable recognition throughout mainland China. Hengbao Garden, a mass residential development in Guangzhou under the Group's management, was honoured as an "Outstanding Community for Promoting Sports Development in Guangdong Province" in 2009, in addition to its accreditations as the "Excellent Property Management Community Showcase in Guangdong Province" and "Excellent Community Showcase in Guangzhou". Meanwhile, Hengli Wanpan Huayuan, a newly-completed residential development in Guangzhou also under the Group's management, was recently honoured as one of the "Best Managed Housing Estates Showcase in Guangzhou" by Guangzhou Property Management Association. To support the Group's business development, both Hang Yick and Well Born will further extend their presence in the Mainland, providing their quality property handover and management services to all of the Group's property developments throughout the country.

Business Review - Mainland China

For the eighteen months from July 2008 to December 2009, the real estate market in mainland China swiftly experienced a consolidation, contraction, revival and rejuvenation, followed by extensive and heated growth. With timely policy adjustments and effective measures decisively implemented by the Central Government, mainland China successfully navigated out of this recessionary crisis.

The onset of global financial turmoil in the second half of 2008 and the resultant wait-and-see attitude adopted by some homebuyers put the property market into the doldrums, with a general decline in both transaction volume and transacted prices. Even though fewer land auctions were held by the local governments, there were repeated incidents of auctions being called off for some residential land sites, whilst for those land lots successfully sold, transactions were mostly recorded at the reserve price levels. In the fourth quarter of 2008, the Central Government introduced a massive economic stimulus package of RMB4 trillion and adopted a moderately loose monetary policy. Meanwhile, austerity measures targeted at the property market were relaxed and a series of preferential housing policies were put forward instead. In order to promote home purchases by end-users and stabilize the property market, the Central Bank also cut the deposit and loan benchmark rates consecutively from September 2008 onwards.

In early 2009, the property market was still being driven by pessimistic sentiment and a wait-and-see attitude, leading to a further drop in the transaction volume. However, the combined effect of the launch of a series of home-ownership incentives by the Central Government, together with a relaxation of housing loans by banks, concerted efforts made by local governments through the introduction of various subsidies for home purchases, as well as a general price cut by developers to promote property sales, led to huge pent-up demand and a considerable amount of housing stocks being subsequently snapped up. Market conditions thus improved substantially and property prices stabilized.

Starting from the latter part of the second quarter of 2009, the minimum capital requirements for certain industries (including investment in commodity housing projects) were adjusted downwards so as to stimulate further growth of fixed asset investment and to stabilize the economy. From the third quarter of 2009 onwards, land auctions became increasingly competitive and record-breaking deals were commonly seen across different cities in the country. High auction prices, together with widespread participation by developers, reflected their optimism for the market outlook. Re-ignited speculation was seen in certain cities and the housing price rally aroused the concerns not only of the general public, but also of the Central Government. By the end of 2009, the Central Government called for strengthening of credit management and controls on risk exposure (including the tightening of individual housing credits and cancellation of preferential measures for second-home mortgages) in those regions where the property market has exhibited great volatility.

The eyecatching facade of Henderson Metropolitan in Shanghai (artist's impression)

The Group is fully confident of the long-term prospects for the Mainland property market. Although a steady rise in housing price is always preferred, inevitably external economic factors, investment and speculative activities will cause some short-term ripples which the Group has been well adjusted to deal with over the years. It is an indisputable fact that mainland China is now an economic powerhouse that is fuelling global growth and its property market is set to expand even further in light of its huge and unfulfilled demand for better housing. As such, the Group will adhere to its long-term development strategy, focusing on the high-growth second-tier cities in addition to building commercial investment properties at prime sites in the prime cities. In these cities, the sales response for quality residences has been encouraging with a sustained growth in housing prices.

Backed by its rich experience in the property sector as well as its financial strength, the Group has successfully met the challenges posed by the prevailing market changes. In view of the continued economic growth in the Mainland as well as its increasing affordability, the Group will focus on developing medium to high-end residences. By employing world-renowned architects, and working with leading homegrown design houses, top-quality residences that offer the finest living conditions, design layout, complementary facilities and landscaping will be offered to prospective customers. This market positioning will also avoid competing with the low-cost economical housing. In order to ensure an overwhelming response for the presale of these quality properties, much time has been spent on designing the clubhouses, sales centres, show flats, landscape and the overall project planning. During the period, the Group has developed long-term strategic co-operation relationships with a number of leading and reputable sub-contractors, international architects, domestic design houses and landscape planning consultants.

In the first half of 2009, many developers slashed their offer prices considerably in a bid to move their housing stocks and improve liquidity. With its solid financial strength as evidenced by its low gearing ratio, the Group was not under any pressure to deliberately lower prices. Instead, the Group capitalized on this opportunity to buy a number of sizeable land lots in scenic low-density residential areas right in the heart of the second-tier cities of Dalian, Anshan and Tieling.

As scheduled, the first phase of the "Arch of Triumph" project in Changsha was launched for pre-sale in October 2009 and all the available units were snapped up amid keen interest from homebuyers, with the achieved price setting a new record in the area. Highly commended was the building layout, as well as the quality design and clubhouse facility, all of which will serve as a blueprint for the Group's planning and sale of future developments in the Mainland. This was the first time the Group had applied its Hong Kong marketing techniques and strategy in tandem with local practices and customs for the sales launch of a property project in a second-tier Mainland city. The response was so encouraging that the Group will speed up the construction of various premier development projects in the second-tier cities, whilst their marketing activities and brand promotion are also under active planning.

By the end of December 2009, the Group's Mainland land bank had an attributable developable gross floor area of 146.2 million square feet.

Land bank under development or held for future development

	Group's share of developable gross floor area* (million sq.ft.)
Prime cities	
Shanghai	2.3
Guangzhou	15.4
	Sub-Total: 17.7
Second-tier cities	
Anshan	18.0
Changsha	13.1
Chengdu	3.3
Chongqing	6.6
Dalian	1.6
Nanjing	2.4
Shenyang	17.2
Suzhou	17.0
Tieling	14.4
Xian	19.9
Xuzhou	5.3
Yixing	9.7
	Sub-Total: 128.5
	Total: 146.2

** Excluding basement areas and car parks*

Around 82% of the Group's development land bank in mainland China would be high-end residences for sale. Meanwhile, most of the offices and commercial projects under development are located in Shanghai, where the Group has an attributable 2.3 million square feet of new investment properties under development. These include Centro, which was just completed in January 2010 and Henderson Metropolitan, which is scheduled for completion in the first half of 2010, in time to benefit from the 2010 Shanghai World Expo. Located at the 130-2 Tianmu Road West of Zhabei District, Centro boasts approximately 370,000 square feet of office space and 60,000 square feet of retail area. Pre-leasing has been going well as the energy-efficiency features of this building are highly sought after by cost-conscious tenants. 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. With a direct link to a subway station which will be the interchange for two major subway lines, as well as a distinctive design for its facade by the acclaimed architect, Tange Associates of Japan, this 730,000-square-foot development is attracting an array of the world's most respected brands, speciality restaurants and multinational corporations as its potential tenants. Construction of another two investment properties in Shanghai is now under way. The project at 147 Tianmu Road West of Zhabei District, which contains offices and retail space with a combined gross floor area of about 410,000 square feet, will be completed in 2011. The project at Lot 688 Nanjing Road West, which provides a total gross floor area of approximately 700,000 square feet comprising a 22-storey office tower plus a 2-level retail podium, is poised to be another landmark in Jingan District upon completion in the second quarter of 2012 due to its innovative, quartz-like facade designed by Tange Associates.

Usage of development land bank

	Developable gross floor area (million sq.ft.)	Percentage
Residential	120.0	82%
Office	8.0	6%
Commercial	13.5	9%
Others (including clubhouses, schools and community facilities)	4.7	3%
	Total: 146.2	**100%**

"Arch of Triumph" in Changsha was highly sought-after by the market and the launch of its first phase of development was greeted with an overwhelming response. In response, the Group prepared to launch more projects for sale, whilst a number of prime sites (such as those in Dalian, Anshan and Tieling in the province of Liaoning as mentioned below) were also added to the Group's development land bank in mainland China. Land lots newly acquired during the eighteen months ended 31 December 2009 are summarized below.

In Chengdu, the Group entered into a joint venture in July 2008 with Sun Hung Kai Properties Limited and The Wharf (Holdings) Limited 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. Upon completion, this high-end commercial-cum-residential development will comprise a premium office tower, a five-star hotel, a high-end shopping centre and luxury residences, providing a total gross floor area of over 11,200,000 square feet, of which about 3,360,000 square feet is attributable to the Group.

The much sought-after Arch of Triumph in Changsha (artist's impression)

In Changsha, 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 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. 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 5,440,000 square feet is attributable to the Group.

After the Pearl River Delta and Yangtze River Delta, Pan Bohai Rim is expected to become another high growth region in mainland China. Therefore, the Group recently increased its investment in Liaoning Province following its previous successful bids for the land sites in Shenyang. In June 2009, the Group won the bids for two prime sites in Anshan, a famous industrial city in this province. An old stadium site in the city centre was acquired for about RMB462 million which will be developed into a high-end residential community with a total gross floor area of about 3,730,000 square feet against a site area of approximately 621,000 square feet. In another prestigious residential district, a land lot of approximately 5,490,000 square feet was purchased at about RMB765 million which will be built into a residential development offering a total developable gross floor area of 14,260,000 square feet. In Dalian, a port city at the southern tip of the province, the Group acquired a land lot of approximately 3,200,000 square feet for a consideration of RMB320 million in October 2009 which will be developed into luxury, low-density residences with a total gross floor area of approximately 1,550,000 square feet. In Tieling, a neighbouring city of Shenyang, the Group also successfully bid for two sites for an aggregate consideration of approximately RMB800 million in late 2009. Of these two sites, a 2,800,000-square-foot land lot is earmarked for commercial development with an expected gross floor area of approximately 4,900,000 square feet, whilst the other land parcel is planned to be a low-density residential development with a gross floor area of approximately 9,500,000 square feet.

For the eighteen months ended 31 December 2009, property sales in mainland China attributable to the Group amounted to HK$330 million, mainly relating to the remaining stocks of Hengli Wanpan Huayuan in Guangzhou which was already completed in early 2008. Meanwhile, the Group's attributable gross rental income grew by 84% to HK$497 million.

In the Mainland, the Group had another 5.2 million square feet of completed investment properties: mainly offices and shopping centres in the prime locations in Beijing, Shanghai and Guangzhou. Completed in Beijing in January 2009, World Financial Centre, together with other neighbouring architectural wonders, defines a new image for the Chao Yang Central Business District of Beijing. Designed by the world-renowned Cesar Pelli as twin "crystal jewel boxes" incorporating special effect facade lighting on the exterior, this development is equipped with advanced facilities and green spaces, making it an International Grade A office complex in Beijing. As testimony to the Group's efforts on sustainable development, these two 22-storey, 2.1 million-square-foot office buildings were accredited with "Platinum Rating" in the Building Environmental Assessment by HK-BEAM Society and awarded "Distinction" in the Certificate of Intelligent Building Index Assessment by the Asian Institute of Intelligent Buildings. Its list of tenants to date includes many renowned financial institutions and multinational corporations. Standard Chartered Bank, Mizuho Corporate Bank, International Air Transport Association, FAW Toyota and Novo Nordisk have all become anchor tenants. Meanwhile, the leasing rate for the Group's shopping mall at Beijing Henderson Centre was over 90% at the end of December 2009, whilst Grand Gateway Office Tower II in Shanghai was also over 90% let with many multinational corporations such as Microsoft, Adidas, Tesco and Yum! Brands Inc. remaining as its anchor tenants. Hengbao Plaza in Guangzhou recorded a 10% year-on-year growth in rental income with almost 90% leasing rate by the end of 2009. Over the years, the Group has been optimizing its investment property mix in mainland China, gradually increasing the proportion of premier grade projects by building new landmark developments in prime locations.

Joint-Venture Development in Macau

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

Henderson Investment Limited ("HIL")

For the eighteen months ended 31 December 2009, this group's profit attributable to equity shareholders amounted to HK$156 million compared to HK$35,392 million (restated) for the financial year ended 30 June 2008. The significant decrease in profit was mainly attributable to a one-off gain of HK$35,265 million from the divestment of this group's entire interest in The Hong Kong and China Gas Company Limited during the financial year ended 30 June 2008. Excluding the effect of such gain from the discontinued operations, the profit of this group attributable to equity shareholders for the financial year ended 30 June 2008 amounted to HK$127 million (restated). The profit of this group attributable to equity shareholders of HK$156 million for the eighteen months ended 31 December 2009 represented an increase of HK$29 million or 23% as compared with that of HK$127 million (restated) for the financial year ended 30 June 2008, reflecting the effect of an extended accounting period currently being reported on when compared with the previous period of twelve months ended 30 June 2008, and the increased profit contribution from this group's infrastructure business during the extended reporting period compared with the financial year ended 30 June 2008.

During the eighteen months ended 31 December 2009, 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 had 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 by that subsidiary of its entire 70% equity interest in Maanshan Highway JV to the joint venture partner for a consideration of RMB122 million (equivalent to HK$139 million). The transaction was completed on 26 February 2010, resulting in a net gain on disposal attributable to equity shareholders of HIL of approximately HK$26 million which will be recognized in this group's accounts for the financial year ending 31 December 2010.

After completion of the disposal of the Maanshan City Ring Road, this group's core asset is its 60% interest in Hangzhou Qianjiang Third Bridge. During the eighteen months ended 31 December 2009, this group posted a turnover of HK$441 million compared to HK$272 million for the previous period of twelve months ended 30 June 2008. This increase in turnover was primarily attributable to the extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2008, the growth of traffic volume of the toll bridge in Hangzhou and the increase in exchange gain upon conversion of Renminbi to Hong Kong dollars during the period when compared with the financial year ended 30 June 2008.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

Profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK$5,175.0 million, an increase of HK$872.5 million compared to 2008 mainly due to growth in profits of Mainland businesses, one-off gains from investments in projects in mainland China, and an increase in financial investment income. During the year under review, this group invested HK$2,760.2 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various businesses in Hong Kong and the Mainland.

(I) Gas business in Hong Kong

Total volume of gas sales in Hong Kong decreased slightly by 1.1% compared to 2008, whilst the total number of appliances sold in 2009 was 219,896 units, an increase of 6.1% over 2008. As at the end of 2009, the number of customers was 1,698,723, an increase of 26,639 compared to 2008.

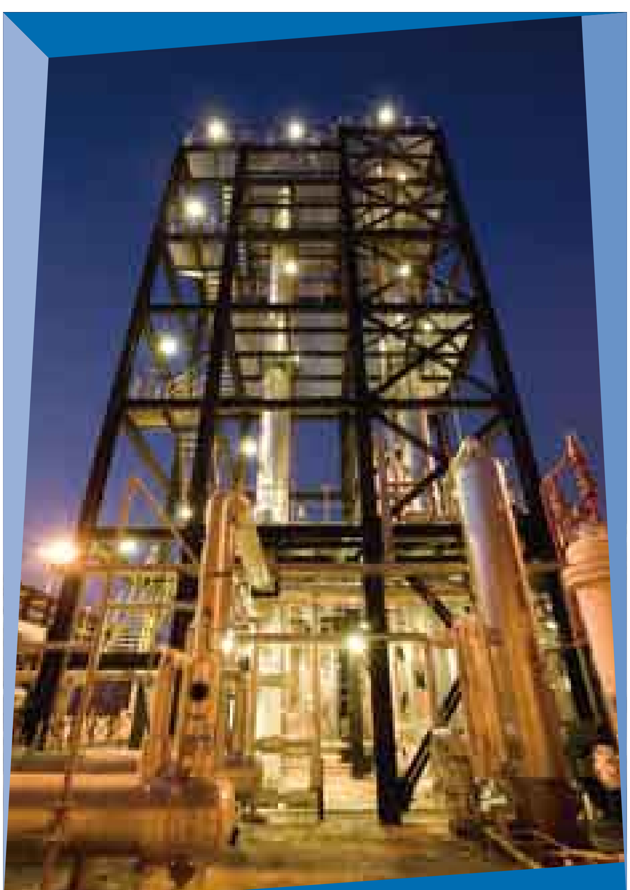
Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, is progressing well. Construction of a 9 km pipeline in the western New Territories to strengthen supply reliability is also in progress. In tandem with the development of West Kowloon, South East Kowloon and a cruise terminal, planning for the networks in these regions is underway, including a route diversion for the submarine pipeline from Ma Tau Kok to North Point. Meanwhile, Hong Kong and China Gas reached a 30-year agreement with Ocean Park Hong Kong in 2009 for gas supply and utilization and thus, a gas transportation system will be developed.

(II) Mainland utility businesses

In 2009, Hong Kong and China Gas successfully established new city-gas projects in Xinmi in Henan province, in Fengxian county Economic Development Zone and Suining county in Jiangsu province, and in Zhangshu, Fengcheng and Pingxiang in Jiangxi province.

Meanwhile, Hong Kong and China Gas currently had a 45.61% interest in Towngas China Company Limited ("Towngas China", stock code: 1083) which recorded a profit of HK$265 million in 2009, an increase of 31% over 2008. With an effective control over the majority of the board of directors of Towngas China, Towngas China was accounted for and consolidated into its consolidated accounts as a subsidiary commencing from 31 December 2009.

In 2009, Towngas China set up new city-gas project companies in Chiping county in Shandong province, in Xinjin county and the Xindu district of Chengdu in Sichuan province, in Huangshan in Anhui province, in Yangjiang in Guangdong province and in the Changjiu Industrial Corridor in Jiangxi province. Towngas China also signed agreements for the development of city-gas projects in Linqu in Shandong province and in the New Industrial District of Anshan in Liaoning province in November 2009 and February 2010 respectively. Inclusive of seven new projects established by Towngas China in 2009, this group had 84 city-gas projects in Mainland cities spread across 16 provinces/municipalities as at the end of 2009. With the total volume of gas sales for its 10,617,000 residential customers reaching 6,870 million cubic metres, this group has become the largest city-gas enterprise in the Mainland.



ECO's liquefied coalbed methane plant in Jincheng, Shanxi

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. It 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.

Overall as at the end of 2009, inclusive of projects of its subsidiary company, Towngas China, this group had 103 projects spread across 19 provinces/municipalities/autonomous regions, encompassing upstream, midstream and downstream natural gas sectors, the water supply and wastewater treatment sector, natural gas filling stations and emerging environmentally-friendly energy projects.

(III) Environmentally-friendly energy businesses

This group developed emerging environmentally-friendly energy projects through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"). ECO's five dedicated liquefied petroleum gas filling stations and its 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 help reduce greenhouse gas emissions and depletion of fossil fuels, thus improving air quality in Hong Kong. Construction of ECO's phase-one 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 basically complete with commencement of operation scheduled for the first quarter of 2010. Construction of a neighbouring second tank farm is also progressing well and commissioning is expected before the end of 2010.

ECO has endeavoured to develop clean and emerging environmentally-friendly energy projects on the Mainland since early 2008 and in order to enhance its management effectiveness and financing flexibility, ECO established a Chinese holding company in Erdos, Inner Mongolia at the end of 2009. Phase one of its coalbed methane liquefaction facility located in Jincheng, Shanxi province commissioned in the fourth quarter of 2008 produced approximately 100 million cubic metres of liquefied coalbed methane in 2009 for transportation by tankers to downstream markets. Construction of phase two of the facility is in progress. Once commissioned, which is expected to be in the fourth quarter of 2010, the annual production capacity will be increased to 300 million standard cubic metres. In 2009, ECO, in joint co-operation with Mainland scientific research institutes, successfully developed a technology to remove oxygen from coal-mine methane so as to produce liquefied methane which is compatible with liquefied natural gas. ECO has recently pinned down a project in Chongqing to utilize the abundant coal-mine methane there for production of liquefied methane. ECO is now constructing a methanol production plant and developing a coal mine in Junger, Erdos, Inner Mongolia; both are expected to be commissioned by the end of 2010. The annual production capacity of this methanol plant is 200,000 tonnes of methanol. For its coal mining and coking plant project in Fengcheng, Jiangxi province, the total amount of resources reserves of coal mine projects invested by ECO is approximately 180 million tonnes, including thermal coal and prime coking coal. ECO is also proactively developing and establishing vehicular clean fuel filling station businesses in places such as Shandong, Shanxi, Shaanxi, Henan and Liaoning provinces following the successful commissioning of a compressed natural gas filling station in Shaanxi province in 2008.

(IV) Property development

For the property development projects of Grand Promenade and Grand Waterfront, over 99% and over 98% of their total residential floor areas had been sold by the end of December 2009. For property leasing, this group has an 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 performance.

Hong Kong and China Gas anticipates steady growth and an increase of about 26,000 new customers in Hong Kong during 2010, whilst its city-gas and natural gas businesses in the Mainland are expected to continue to progress well. It is anticipated that the results of this group's emerging environmentally-friendly energy businesses and Mainland utility businesses will reach the same level as that of Hong Kong gas businesses in 2012, and will maintain growth momentum faster than Hong Kong businesses thereafter.

Notes 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. Credit rating of A1 (stable) was assigned to the Notes by international rating agency Moody's Investors Service and rating A+ (stable) by Standard and Poor's rating services.

In May 2009, this group further established a US$1 billion medium term note programme through HKCG (Finance) Limited and since then, this group has issued medium term notes with an aggregate amount of HK$3.01 billion at nominal interest rates ranging from 3.90% to 5.00% per annum with a maturity of 10 to 40 years. These included the first ever issue of 30-year notes and 40-year notes - the longest term corporate papers ever issued - in the Hong Kong dollar bond market.

Acquisition of Interests in Certain Projects by Towngas China

On 17 March 2010, Towngas China entered into an agreement with a wholly-owned subsidiary of Hong Kong and China Gas pursuant to which Towngas China has conditionally agreed to purchase six piped gas projects from Hong Kong and China Gas in the Liaoning and Zhejiang province for a consideration of HK$1,721.75 million, which will be satisfied by issuing new shares of Towngas China to Hong Kong and China Gas. Following completion of the acquisition, Hong Kong and China Gas will be interested in approximately 56.40% of the enlarged issued share capital of Towngas China.

Towngas China currently has existing piped gas projects in Liaoning province. After completion of the acquisition, all of this group's piped gas businesses in the Liaoning and Zhejiang provinces will be held exclusively under Towngas China, which will have 53 piped gas projects in 43 cities serving around 5.5 million users in the Mainland with combined piped gas sales volume of 3.4 billion cubic metres.

The Spectacle lives up to its name, providing spectacular views.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

The consolidated profit after taxation of Hong Kong Ferry for the year ended 31 December 2009 amounted to approximately HK$1,099 million, compared with the consolidated loss after taxation in 2008 of HK$526 million.

During the year under review, Hong Kong Ferry sold more than 50% of the units of Shining Heights and more than one third of the units of The Spectacle. A total of 372 residential units were sold which accounted for a profit of approximately HK$770 million. Rental and other income from its commercial arcades amounted to approximately HK$32 million. At the end of the year, the occupancy rates of commercial arcade of Metro Harbour View and Shining Heights were 95% and 66% respectively. The commercial arcade of MetroRegalia was fully let.

Hong Kong Ferry acquired a property located at 52-56 Kwun Chung Street for leasing purpose and it might be redeveloped into a new building with a gross floor area of 14,000 square feet. It also acquired a great majority of the ownership of the property at 204-214 Tung Chau Street, which comprises six blocks of buildings with a site area of approximately 6,600 square feet. It will be re-developed into a commercial/residential building with a gross floor area of approximately 55,000 square feet upon consolidation of its entire ownership.

Its investments in available-for-sale securities and equity-link-notes recorded marked-to-market profits of HK$54 million and HK$257 million respectively.

The Ferry, Shipyard and Related Operations recorded a profit of approximately HK$3 million in total, a decrease of 17% as compared with last year. The Harbour Cruise operation achieved a profit of HK$2 million, whilst the Shipyard operation recorded a loss of approximately HK$3.1 million against a slide of 22% in its turnover.

The Travel operation recorded a profit of HK$0.7 million. After the completion of renovation of Silvermine Beach Hotel, its turnover rose 2.8%, reducing the loss to HK$2 million, a decrease of 11%.

The revenue from the sale of flats at Shining Heights and The Spectacle will be the major source of income of the year, whilst Hong Kong Ferry will continue to look for properties with re-development potential at reasonable prices.

The Mira Hong Kong celebrated its official Grand Opening on 17 September 2009.

Miramar Hotel and Investment Company, Limited (“Miramar”)

Miramar’s turnover amounted to approximately HK$1,303 million for the nine months ended 31 December 2009 (the “Reporting Period”), compared with HK$1,616 million for the twelve months ended 31 March 2009 due to the change of financial year end date. Profit attributable to shareholders amounted to approximately HK$243 million (for the twelve months ended 31 March 2009: HK$164 million). Excluding the net increase in the fair value of its investment properties, profit after tax from its core businesses for the nine months period was approximately HK$152 million (for the twelve months ended 31 March 2009: HK$276 million).

During the first six months of the Reporting Period, The Mira Hong Kong (“The Mira”), its flagship hotel, was still under renovation which led to a decline in its occupancy rate and operating profit. The average occupancy rate for the Reporting Period decreased by approximately 15 percentage points while the average room rate was kept at a constant level as compared to the previous period of twelve months ended 31 March 2009. Following its grand opening on 17 September 2009 with renovation substantially completed, occupancy rate surged with an increase of over 40% in room rate as compared to the pre-renovation period.

Miramar has launched a brand-new website for The Mira, designed to encourage direct online bookings for the hotel, whilst representative offices were also established in mainland China, Japan, the United States and Australia, strengthening the prospects of increased room sales for the hotel sector.

The property rental business registered a turnover of approximately HK$364 million during the Reporting Period with occupancy maintained at about 87%. The average unit rate of Miramar Shopping Centre for the Reporting Period increased by approximately 8% in comparison with that of the previous period of twelve months ended 31 March 2009, whilst its average occupancy rate decreased by approximately 9 percentage points mainly due to tenants who were located in Basement 1 being moved out for refurbishment work, which commenced in September 2009. This refurbishment work will be completed and new tenants will move in during the first quarter of 2010. Meanwhile, the average occupancy rate of Miramar Tower for the Reporting Period dropped by approximately 4 percentage points while the average unit rate increased by approximately 8% when compared to the previous period of twelve months ended 31 March 2009.

Within the Tsim Sha Tsui district two new shopping centres opened in 2009 while a shopping centre will open next to The Mira in 2010, adding a total gross floor area of approximately 1,300,000 square feet. The retail property leasing market will witness intense competition in the coming year, but at the same time, it will make the district more attractive for visitors. Miramar has thus commenced the renovation of the Miramar Tower’s common area in the fourth quarter of 2009, with completion expected to be by early 2011. It has also decided to renovate the shopping centre within The Mira from basement 1 to 2/F of the hotel building in the middle of 2010 and the work will probably take about a year.

The closure for renovation of Lumiere in the ifc affected the patronage of the neighbouring Cuisine Cuisine. This, together with the global financial turmoil and Human Swine Flu Pandemic outbreak, resulted in a loss for the food and beverage division during the Reporting Period. To respond to these challenges, Yunyan Szechuan Restaurant is scheduled to be renovated in early 2010, and Lumiere re-opened after a complete transformation in December 2009 as an upscale French-style dining venue named "The French Window". They will also continue with their plans for gradual expansion in mainland China, with a Chinese restaurant planned to be set up in Beijing in the year 2010.

Total turnover for its travel business amounted to approximately HK$605 million during the Reporting Period, representing an increase of approximately 20% as compared to the same period last year, whilst the operating profit rose approximately two times. Such successful performance was largely due to a boost in travellers by its competitive differentiation strategy in long-haul tours, with an approximately 140% rise as compared to the previous whole-year period. Meanwhile, its travel arm continues to be the first and only accredited agent in Hong Kong of Richard Branson's Virgin Galactic enterprise, which offers the opportunity of space travel to wealthy individuals, further underlining its status for innovative and up-market travel.

Corporate Finance

The Group has always adhered to prudent financial management principles, as evidenced by its low gearing ratio which stood at 19.2% at 31 December 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). It clearly demonstrated the strong confidence and continued support of the banking community for the Group and is a reflection of its sound financial position and superior credit quality.

To diversify the source of funding and lengthen the debt maturity profile, the Group made an approach to the unrated bond market which resulted in the successful conclusion of a Guaranteed Notes issuance transaction in September 2009 for a total transaction size of US$500 million. At a coupon rate of 5.5% the pricing for this transaction, which carries a maturity of ten years, was benchmarked against the interest rate levels prevailing for comparable public bonds issued by Hong Kong top credit-rated companies.

Further, in light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past year, 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 a treasury management strategy will be of benefit to the Group in the long run.

Prospects

Hong Kong has gone through the toughest period of the global financial turmoil that started nearly one and a half years ago. Though the external environment is still fraught with uncertainties, mainland China, which has been less affected by the global financial tsunami, is expected to keep growing from strength to strength despite fine tuning of its moderately loose monetary policy on concerns of overheating in the property sector and inflation risk. Hong Kong will stand to benefit greatly from mainland China's economic growth, drawing the persistent inflow of liquidity in the territory.

Better affordability supported by the prevailing low mortgage rate, as well as tight primary housing supply in the pipeline, will fuel further growth in the local residential property market. Capitalizing on the current buoyant market, the Group plans to embark on sales launches for a number of its luxury developments such as Hill Paramount in Shatin, The Beverly Hills Phase 3 in Tai Po and Headland Road project in Island South, whilst Green Lodge in Tong Yan San Tsuen, Yuen Long, Jade Suites at Canton Road and Fanling Sheung Shui Town Lot 76 in Fanling will also be released to meet market demand. These are expected to bring significant revenue to 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. In fact, in order to curb speculative activities and to suppress the excessive property price rise, a number of measures unveiled in early 2010, including the increase in the banks' reserve requirement to tighten credit expansion and implementation of a 50% down-payment for land acquisition, are reflections of the Central

Government's policy objectives to ensure a stable development of the property market and the related financial sector. However, in view of uncertainties in the external environment, and to ensure continued high economic growth in the Mainland, draconian measures on the property market are unlikely as the property sector is a pillar industry in mainland China. As such, housing and credit policies are expected to be executed flexibly, with due regard to special situations, whilst for the forthcoming austerity policies the emphasis would be on how such policies would be applied, both in terms of flexibility and potency.

The Group is highly confident of the sale of its developments. The Group will push ahead with the construction of such projects in earnest and increase the area for development in parallel. At the same time, the project management teams will be expanded in line with our localization policy. To this end, a number of professionals with rich experience in the Mainland market and property development have been recruited as project leaders. All these measures will result in an acceleration of the Group's development projects in mainland China.

The Group expects that most of the residential projects will be ready for sales in 2010 or 2011. Both the sales force and leasing team in mainland China have been strengthened, whilst the local senior marketing executives have also been under rigorous training. Upon completion of the training programme, they will receive internship in different cities and subsequently be assigned to frontline sales and marketing duties for the Group's impending launches of various projects.

On the property investment front, continued improvement in the local economy will strengthen leasing demand across all property sectors, leading to a better leasing performance for the Group's rental portfolio in Hong Kong. The Group's recently-completed rental premises in Kowloon East, in particular, are expected to record strong growth with the relocation of many corporate tenants from sectors ranging from finance to manufacturing to that district. The leasing rate for this portfolio of about 2,000,000 square feet is expected to have steady growth. In mainland China, the recent completion of Centro and the scheduled completion of Henderson Metropolitan in Shanghai in the first half of 2010 will expand the Group's Mainland rental portfolio by about 1.2 million square feet to about 6.4 million square feet in gross floor area. As such, rental income in mainland China is set to increase further.

Capitalizing on the buoyant property market, the Group has rapidly expanded its development land bank in Hong Kong (through conversion of agricultural land or existing properties into other purposes, as well as expedited property developments and acquisitions of old buildings) so that a total of 5,760,000 square feet is available for development, with a further 4,000,000 square feet in gross floor area becoming available hopefully by the end of 2010 and 15,000,000 square feet beyond 2010. At the same time, the Group has built up a substantial development land bank in mainland China, totalling 146.2 million square feet in developable gross floor area. These extensive land resources in both Hong Kong and mainland China are expected to provide handsome return.

In addition, the expanding rental portfolio in both Hong Kong and mainland China will provide the Group with rising recurrent rental income, whilst the contributions by the three listed associates, namely, Hong Kong and China Gas, Hong Kong Ferry and Miramar, are also expected to record steady growth. Given the Group's four valuable growth drivers, namely: (i) continued expansion of the Group's agricultural land reserve, already the largest among all property developers in Hong Kong, from 32.8 million square feet at 31 December 2009 to the current level of 40 million square feet in land area as well as its expedited land-use conversion; (ii) proven experience of expanding property developments by acquiring prime urban sites at reasonable prices; (iii) the huge, low-cost development land bank in mainland China, the handsome returns from which will be gradually realized in line with their accelerated development, and (iv) the Group's investment in Hong Kong and China Gas (for each of the issued shares of the Company, it has a holding of about 1.21 shares of Hong Kong and China Gas whose prevailing market value of approximately HK$23.1 based on its closing price of HK$19.1 as at 30 March 2010 represents about 40% of the market price for each issued share of the Company), which is expected to grow in line with China's economic growth with its emerging environmentally-friendly energy businesses and Mainland utility businesses reaching the same level as that of Hong Kong gas businesses in 2012, the creation of value for shareholders over the long term is assured. There are thus ample reasons to be optimistic about the future of the Group.

Appreciation

I would like to take this opportunity to express my gratitude to my fellow directors for their support and wise counsel, and to thank all our staff for their dedication and hard work.

Lee Shau Kee

Chairman

Hong Kong, 30 March 2010

PARAMOUNT EXCELLENCE

Located in Shatin Mid-Levels with magnificent views over the Lion Rock Country Park, Beacon Hill and the Shatin countryside, Hill Paramount is a signature residential project that offers homebuyers both tranquility and convenient access to modern life. Another rare and luxurious residential development from Henderson Land, it features a blend of fascinating art and innovative design created by some of the most renowned professionals.

Land Bank

2009 HIGHLIGHTS

- Diverse and sizeable land bank with a total attributable gross floor area of 19.8 million square feet
- Agricultural land reserve increased to the current level of 40 million square feet in terms of site area – the largest such holding among all Hong Kong property developers
- Converted 2 sites in suburban areas and acquired majority ownership of 11 urban projects

Land sites situated in the "North East New Territories New Development Areas" or in close proximity to the Government's ten major infrastructure projects

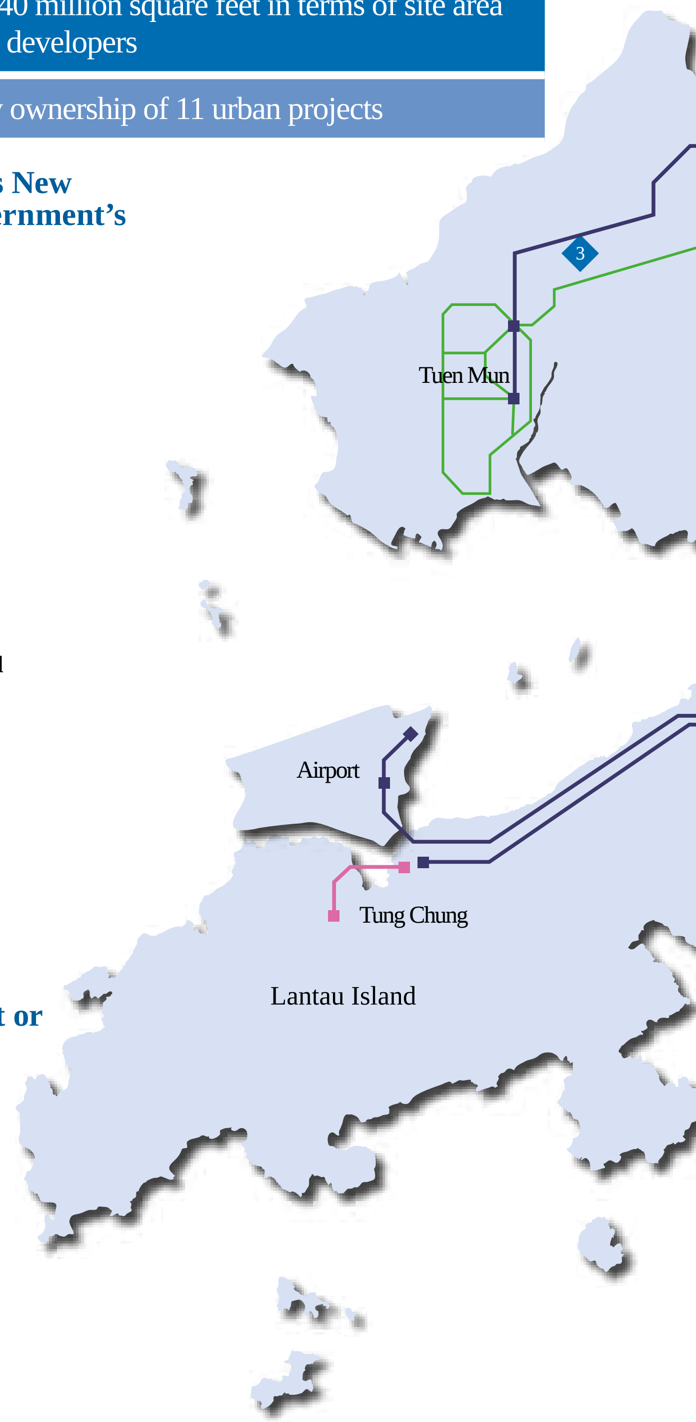
1. Wu Nga Lok Yeung
2. Sheung Shui Kwu Tung North
3. Hung Shui Kiu
4. Fanling North

Newly-acquired old building redevelopment projects

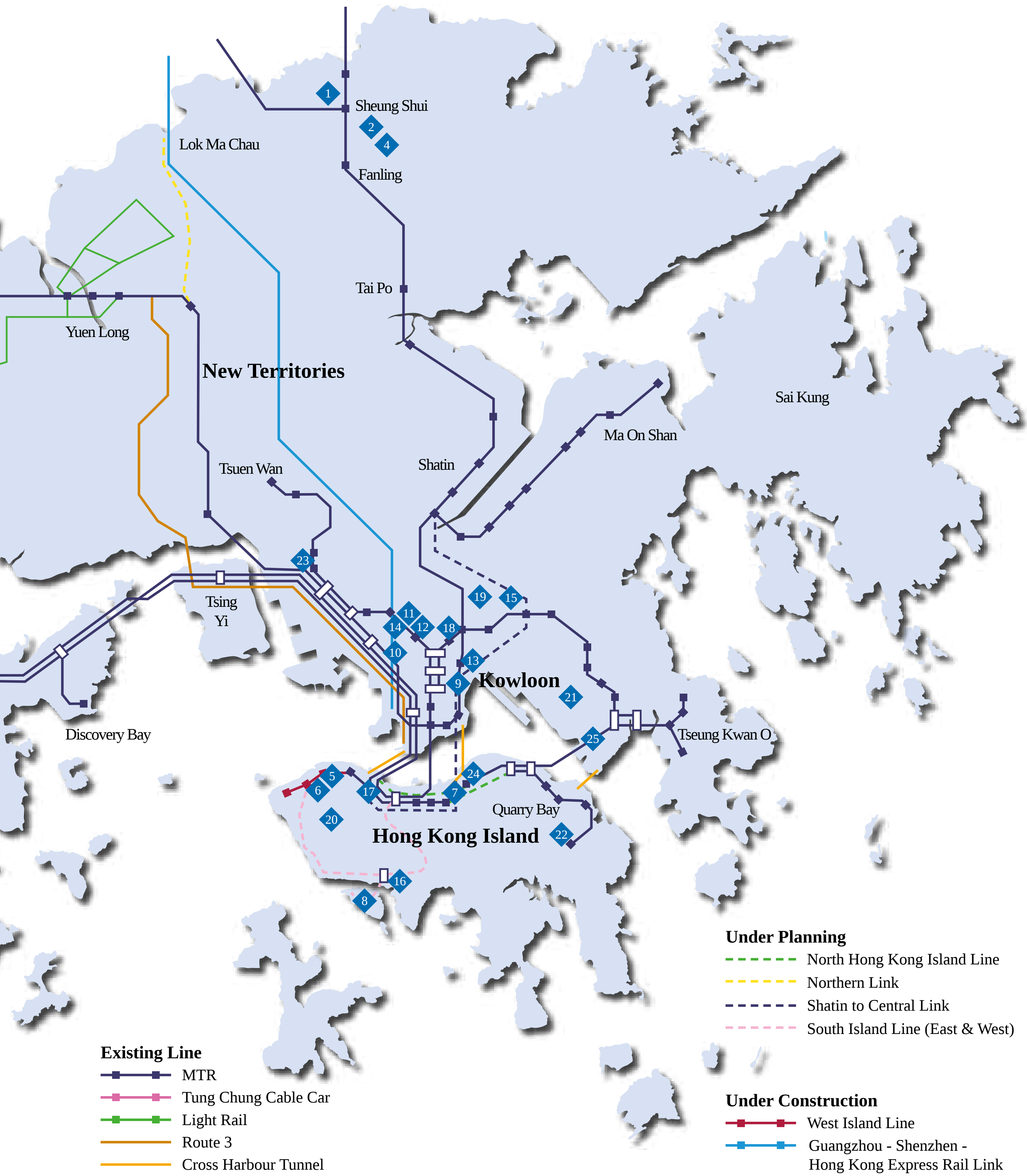
5. Western Court, 450-456G Queen's Road West
6. 30-38 Po Tuck Street & 36 Clarence Terrace
7. 1-7A Gordon Road
8. 62-76 Main Street, Ap Lei Chau
9. Matauwei Apartments, 57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan
10. Hoi On Building, 11-33 Li Tak Street, Tai Kok Tsui
11. 186-188 Tai Po Road, Sham Shui Po
12. Keung Fu Building, 45-49 Boundary Street & 189-195 Sai Yeung Choi Street North
13. 162-168 Pau Chung Street, 50-64 Ma Tau Kok Road, To Kwa Wan
14. 184-198 Fuk Wing Street, Sham Shui Po
15. 75-81 Sa Po Road, Kowloon City

Existing properties under planning for redevelopment or conversion into other purposes

16. 19-21 Wong Chuk Hang Road
17. 45-47 Pottinger Street / Ezra's Lane, Central
18. 66 Boundary Street
19. 25 La Salle Road, Kowloon Tong
20. 29 Lugard Road, The Peak
21. 8 Wang Kwong Road, Kowloon Bay
22. 24 Lee Chung Street, Chai Wan
23. 59-61 Wing Hong Street / 88-92 King Lam Street, Cheung Sha Wan
24. 14-30 King Wah Road, North Point
25. Yau Tong Bay



Land Bank


Sheung Shui
Lok Ma Chau
Fanling
Tai Po
Yuen Long
New Territories
Sai Kung
Ma On Shan
Tsuen Wan
Shatin
Tsing
Yi
Kowloon
Discovery Bay
Tseung Kwan O
Quarry Bay
Hong Kong Island
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Under Planning
North Hong Kong Island Line
Northern Link
Shatin to Central Link
South Island Line (East & West)
Existing Line
MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel
Under Construction
West Island Line
Guangzhou - Shenzhen -
Hong Kong Express Rail Link

Land Bank

At 31 December 2009, the Group had a land bank in Hong Kong with a total attributable gross floor area of approximately 19.8 million square feet, comprising 7.4 million square feet of properties held for or under development, 2.0 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 2.8 million square feet.

In light of the positive view taken by the Group of the Hong Kong property market, a decision was made to expand the Group's holding of development land through the conversion of agricultural land, further acquisition of agricultural land, and purchase of old buildings.

At the end of December 2009, the Group held agricultural land reserves amounting to approximately 32.8 million square feet in land area, which was the largest holding among all property developers in Hong Kong. During the period under review, significant progress was made in land-use conversion.

For the site in Wu Kai Sha, Shatin, the land-use conversion was finalized with the Government and the land premium of HK$9,596,950,000 was fully settled. The site will be developed into a residential development with a total developable gross floor area of approximately 2.95 million square feet, of which 56.75% or about 1.67 million square feet is attributable to the Group. Meanwhile, the land premium for the residential site at Lot 5369, DD 116 at Tai Tong Road, Yuen Long was also finalized with the Government and a deposit equal to 10% of the premium of HK$2,334.8 million was paid upon acceptance. It is expected to provide approximately 1.175 million square feet in gross floor area, of which 79.03% or approximately 930,000 square feet is attributable to the Group.

For the wetland restoration and residential project in Wo Shang Wai, Yuen Long, it is planned to be developed into a low-density residential development with a total gross floor area of approximately 895,000 square feet against a total land area of about 2.3 million square feet. The environmental permits and the design framework plan have been approved by the Director of Environmental Protection and the Town Planning Board respectively, whilst the basic terms for land exchange have also been agreed with the Government. Construction will commence upon finalization of the land premium with the Government and it will be a further boost to the Group's development land bank. In addition, the Group expects to finalize the conversion of the site at Lot 524, DD 116 at Tai Tong Road, Yuen Long which will provide approximately 157,000 square feet in gross floor area, of which 79.03% is attributable to the Group.

Looking ahead, the Group is actively pursuing land-use conversion of the following sites, which are situated in the "North East New Territories New Development Areas" or in close proximity to the Government's ten major infrastructure projects, to capitalize on the transport convenience offered by the improvement in the transport infrastructure, in particular the construction of Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link:

	Total land area (sq.ft.)	Attributable gross floor area (sq. ft.)
1. Wu Nga Lok Yeung	2,700,000	6,000,000
2. Sheung Shui Kwu Tung North	400,000	1,500,000
3. Hung Shui Kiu	3,000,000	6,000,000
4. Fanling North	2,000,000	1,500,000
Total:	**8,100,000**	**15,000,000**

The total attributable gross floor area available for development from all the above sources amounts to 18.6 million square feet, which allows the Group to build about 30,000 housing units, more than triple the number of new completions in Hong Kong last year.

In parallel to the land-use conversion, the Group has taken active steps to expand the agricultural land reserves from approximately 32.8 million square feet at 31 December 2009 to the current level of approximately 40 million square feet in site area.

Land Bank

In line with the strategic decision taken last year and in response to the Government's policy initiatives on promoting urban renewal, the Group has recently been pursuing an increase in its land bank in the urban areas of Hong Kong and Kowloon by actively acquiring properties in certain old buildings in the market for redevelopment purposes. During the period under review, a majority of the ownership of the following old buildings in the urban areas, which are all located in the vicinity of existing or planned railway lines was acquired:

	Site area (sq.ft.)	Expected gross floor area in future redevelopment (sq. ft.)
1. Western Court, 450-456G Queen's Road West, Hong Kong	29,875	268,482
2. 30-38 Po Tuck Street & 36 Clarence Terrace, Hong Kong	7,310	61,103
3. 1-7A Gordon Road, Hong Kong	7,423	61,280
4. 62-76 Main Street, Ap Lei Chau, Hong Kong	7,953	65,852
5. Matauwei Apartments, 57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan, Kowloon	23,031	207,279
6. Hoi On Building, 11-33 Li Tak Street, Tai Kok Tsui, Kowloon	19,600	166,600
7. 186-188 Tai Po Road, Sham Shui Po, Kowloon	8,234	70,242
8. Keung Fu Building, 45-49 Boundary Street & 189-195 Sai Yeung Choi Street North, Kowloon	5,880	52,919
9. 162-168 Pau Chung Street, 50-64 Ma Tau Kok Road, To Kwa Wan, Kowloon	11,700	105,300
10. 184-198 Fuk Wing Street, Sham Shui Po, Kowloon	8,458	71,367
11. 75-81 Sa Po Road, Kowloon City, Kowloon	3,582	32,238
Total:	**133,046**	**1,162,662**

In August 2008, the Group (by order of the court) also 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. Of these two sites, the old Kam Kwok Building was already demolished and it will be developed into a residential tower with a total gross floor area of about 114,700 square feet, whilst at the site of the former National Building, the foundation work for a boutique hotel with a total gross floor area of about 66,000 square feet was already completed.

Further land acquisitions, involving another 19 old buildings in the urban areas, are in progress and ownership of each of these sites is expected to be largely consolidated during the course of 2010, providing a total attributable gross floor area of approximately 3,000,000 square feet for future redevelopment. This represents a very significant contribution by the Group to urban renewal and is a win-win outcome for all parties.

Land Bank

Meanwhile, the Group is planning to redevelop and convert some of the existing properties into other purposes, providing a further 2 million square feet in attributable gross floor area for commercial and residential uses in the urban areas. Details of these properties are as follows:

	Site area (sq.ft.)	Expected gross floor area in future development (sq.ft.)	Group's interest (%)	Expected attributable gross floor area in future development (sq.ft.)
1. 19-21 Wong Chuk Hang Road, Hong Kong	14,298	214,470	50.00	107,235
2. 45-47 Pottinger Street / Ezra's Lane, Central, Hong Kong	9,067	93,733	19.095	17,898
3. 66 Boundary Street, Kowloon *(Note 1)*	6,670	60,030	100.00	60,030
4. 25 La Salle Road, Kowloon Tong, Kowloon *(Note 2)*	13,467	24,241	100.00	24,241
5. 29 Lugard Road, The Peak, Hong Kong	23,653	11,826	100.00	11,826
6. 8 Wang Kwong Road, Kowloon Bay, Kowloon *(Note 3)*	21,528	258,336	100.00	258,336
7. 24 Lee Chung Street, Chai Wan, Hong Kong	11,590	173,849	100.00	173,849
8. 59-61 Wing Hong Street / 88-92 King Lam Street Cheung Sha Wan, Kowloon	24,854	298,248	100.00	298,248
9. 14-30 King Wah Road, North Point, Hong Kong	52,690	224,828	100.00	224,828
10. Yau Tong Bay, Kowloon	892,330	4,461,651	18.44	822,537
Total:	**1,070,147**	**5,821,212**		**1,999,028**

Note 1: The site is currently held by the Group as Newton Hotel Kowloon.
Note 2: The site is currently held by the Group as a serviced apartment building.
Note 3: The old industrial building (i.e., Big Star Centre) at this site will be converted into an office building or a hotel upon the implementation of the Government's new revitalization policy in April 2010, which exempts eligible owners from paying a fee for change in the land-use.

In summary, the attributable gross floor area available to the Group for development from all sources, namely, agricultural land conversion and acquisition of old buildings, together with existing properties under planning for redevelopment and conversion into other purposes, would be:

	Land available for development in attributable gross floor area			
	At 31 December 2009 (sq.ft.)		Resulting from further agricultural land conversions and acquisition of old buildings (sq.ft.)	Total (sq.ft.)
Agricultural land conversion	2,600,000	Expected in 2010:	1,019,000	3,619,000
		Beyond 2010:	15,000,000	15,000,000
Acquisition of old buildings	1,160,000	Expected in 2010:	3,000,000	4,160,000
Existing properties under planning for redevelopment and conversion into other purposes	2,000,000		-	2,000,000
Total:	**5,760,000**		**19,019,000**	**24,779,000**

Property Development

2009 HIGHLIGHTS

- Completed approximately 1.9 million square feet of properties, of which over 1.5 million square feet comprises residential properties for sale
- Sold an attributable HK$8,370 million of properties in Hong Kong

The Beverly Hills - combining opulence with lush green surroundings.

During the period under review, the Group completed a number of mass residential properties for sale. The Sparkle in West Kowloon met the high aspirations of homebuyers on the back of its widely acclaimed building quality and interior layout, with over 90% of its total units sold by the end of December 2009. Cité 33 in Mong Kok was highly sought after by those buyers who value glamorous living and an alluring lifestyle, whilst 8 Royal Green in Sheung Shui offers a lush and relaxing living environment that many city dwellers are looking for.

39 Conduit Road, a 46-storey residential development, stands out among all other properties in that prestigious district of Mid-Levels, offering 66 luxury apartments to the privileged few in town. Meanwhile, a number of luxury residences, namely, Hill Paramount in Shatin, The Beverly Hills (Phase 3) in Tai Po and Headland Road project in Island South were also completed and ready for sale. Comprising two blocks of 31-storey apartment towers and four detached houses, Hill Paramount commands magnificent views of Lion Rock and the lush green Shatin countryside. The Beverly Hills (Phase 3), a European-style town house development on the Tolo Harbour coastline, provides a range of facilities and living styles that are unique in Hong Kong. For the Headland Road project, four three-storey detached houses are set amidst lush green surroundings, benefiting from infinite sea views across South Bay.

Property Development

The exclusive setting of Headland Road project (artist's impression)

Following the successful completion of Newton Place Hotel, Manulife Financial Centre and 78 Hung To Road in the previous years, the Group continued to increase its presence in Kowloon East by completing another two rental properties, namely, The Pivot and International Trade Centre during the period under review. The completion of these premium industrial and office premises is integral to the Group's revitalization plan for Kowloon East, which is now a new business hub in the city.

Particulars of these newly completed projects are set out in greater detail on page 12 of the Chairman's Statement.

Property Sales

Helped by quantitative easing policies adopted by most central banks throughout the world, coupled with implementation of various massive economic stimulus measures, the global economy was on a recovery path during the last nine months of the period under review. With stock markets rebounding around the world, the Hong Kong property market has also bounced back significantly. The prevailing low mortgage rate due to the funds inflow, coupled with an improving job market, lent strong support to end-users, whilst many investors also preferred to hold investment properties as part of their asset portfolios. Driven by pent-up housing demand, transaction volumes for both primary market and second-hand properties have picked up gradually since the second quarter of 2009. Together with the low completion and hence limited new supply of private residential units, and a new source of demand from Mainland and overseas buyers, this has exerted considerable upward pressure on housing prices generally. To meet the market demand, the Group launched a number of residential projects for sale.

During the period, residential developments including 39 Conduit Road in Island Mid-Levels, Cité 33 in Mong Kok and 8 Royal Green in Sheung Shui were put up for sale and all received encouraging responses. 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, The Beverly Hills and Casa Marina (phases I and II). An attributable HK$8,370 million worth of properties in Hong Kong was thus sold for the eighteen months ended 31 December 2009.

8 Royal Green in Sheung Shui offers a lush and relaxing living environment.

Property Development

Hong Kong Property Exhibition Centre in Futian, Shenzhen

Turnover for the eighteen months ended 31 December 2009 included an amount of HK$3,280 million relating to the sale of 25 units at 39 Conduit Road. At the recent requests of the buyers, the completion dates of the sale of 24 units have been extended by two to four months from February 2010. The turnover and profit after taxation arising from these 24 units attributable to the Group for the eighteen months ended 31 December 2009 amounted to HK$1,912 million and HK$973 million respectively. Currently, there are no reasons to believe that the sale of such 24 units would not proceed. However, in the event that the sale of such 24 units is not completed, and before taking into account any re-sale of such units, the Group shall recognise an attributable loss of approximately HK$780 million after forfeiture of deposits.

With a growing number of affluent Mainland and overseas Chinese citizens interested in buying local properties through the investment immigration scheme, the profile of homebuyers in Hong Kong is becoming more diverse and a wider range of marketing channels is thus needed to promote the Group's Hong Kong property projects. As such, the Group led the way by setting up a Hong Kong Property Exhibition Centre in Futian, Shenzhen so as to promote the Group's products with the view to tapping the huge market potential across the border.

At 31 December 2009, the Group had over 850 residential units available for sale, comprising a total gross area of over 1.8 million square feet, of which around 1.7 million square feet was attributable to the Group. Particulars of the major development projects offered for sale and pending sale or pre-sale are shown on page 13 and 14 of the Chairman's Statement.

Status of Major Property Developments

Jade Suites, 590-600 Canton Road, Jordan (100% owned)

Site area: 3,642 square feet
Gross floor area: 32,772 square feet
Residential Units: 62
Expected completion: April 2010

Jade Suites at Canton Road, a world-famous shopping boulevard in close proximity to the jade bazaar, is being developed into a boutique luxury residence with a 22-storey apartment tower over three levels of commercial podium and residence clubhouse. Benefiting from the future development of the West Kowloon Cultural District, this project also enjoys fast and easy access to every corner of Hong Kong as Austin MTR station, Jordan MTR station, as well as the planned terminus of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, are all within walking distance.

Fanling Sheung Shui Town Lot 76, Fanling (100% owned)

Site area: 42,884 square feet
Gross floor area: 34,308 square feet
Residential Units: 16
Expected completion: Fourth quarter of 2010

This high-end residential development on Jockey Club Road will contain 16 three-storey houses, complemented by a residents clubhouse and car parking spaces in a tranquil and lush environment.

59-61 Wing Hong Street / 88-92 King Lam Street, Cheung Sha Wan (100% owned)

Site area: 24,854 square feet
Gross floor area: 298,248 square feet
Expected completion: End of 2011

Located in close proximity to Lai Chi Kok MTR station, this project will set a new standard for premium industrial premises in West Kowloon with top quality and advanced facilities upon completion. Work has proceeded to the superstructure stage.

388-390 Jaffe Road, Wanchai (100% owned)

Site area: 4,409 square feet
Gross floor area: 66,102 square feet
Expected completion: End of 2011

Wanchai has become a popular destination for conventions and exhibitions, bringing in an increasing number of upscale business and leisure travellers to this district. In order to meet this demand, the National Building at Jaffe Road was torn down and will be redeveloped into a boutique hotel. Construction is now under way.

Property Development

24 Lee Chung Street, Chai Wan (100% owned)

Site area: 11,590 square feet
Gross floor area: 173,849 square feet
Expected completion: April 2012

At the site of the former Joseph Yen Industrial Building, which is close to Chai Wan MTR station, the foundation work for a premium office tower is progressing well and it will boast innovative architecture and high-tech facilities upon completion.

210-216 Gloucester Road, Wanchai (100% owned)

Site area: 11,439 square feet
Gross floor area: 114,390 square feet
Expected completion: Fourth quarter of 2012

Located at the waterfront area with an MTR station, exotic restaurants and trendy boutiques in its proximity, this prime site is being developed into a deluxe apartment tower, offering magnificent views of Central and Kowloon Peninsula to the residents.

Lok Wo Sha, Wu Kai Sha, Shatin (56.75% owned)

Site area: 1,042,396 square feet
Gross floor area: 2,950,660 square feet
Expected completion: Fourth quarter of 2012 (Phase I)

Adjacent to the MTR terminus with many natural beauties such as Starfish Bay and To Tau Beach nearby, this project is earmarked for a luxury waterfront residential development, complemented by commercial area, a kindergarten and clubhouse facilities. The whole project, with a total gross floor area of approximately 3,000,000 square feet, will be completed in phases and a uniquely-designed, rhythmic grouping of apartment towers will be built, offering panoramic views of Tolo Harbour and Chek Mun Channel to most of its households. The first phase of its development provides a total residential gross floor area of about 685,000 square feet.

Lot 5369, DD116 at Tai Tong Road, Yuen Long (79.03% owned)

Site area: 371,778 square feet
Gross floor area: 1,301,223 square feet

The land premium for the residential site of approximately 336,000 square feet with a developable gross floor area of 1,175,000 square feet was finalized with the Government. This site, together with adjacent pieces of agricultural land which are now under negotiation of land premium for conversion into residential usage, will be jointly developed into a large-scale residential development with a total gross floor area of 1,301,223 square feet in a tranquil and green environment. There will be twelve residential buildings with 25-storeys containing approximately 2,600 units. With its proximity to the Yuen Long town centre, together with a well connected mass transit network to get around Hong Kong and travel to mainland China, the development is destined to be a central focus in the district.

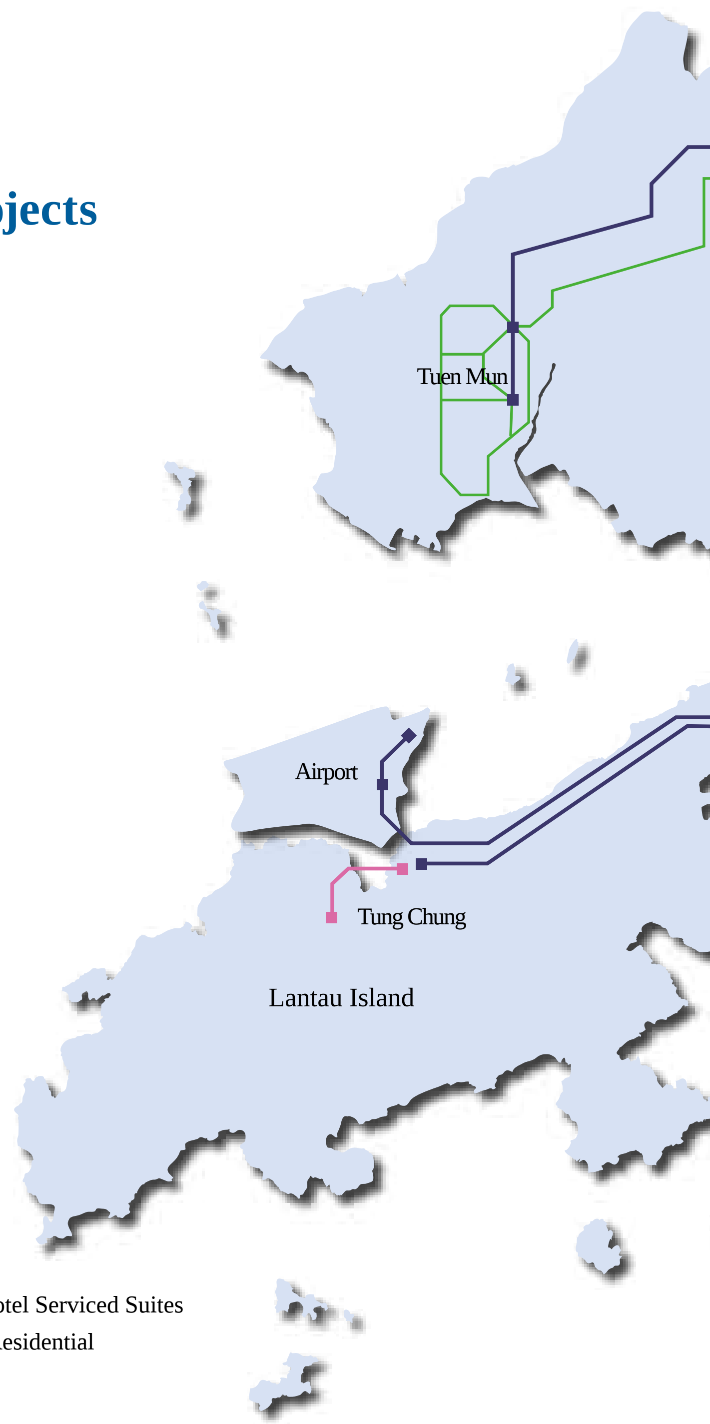
Major Development Projects

Major Projects Under Development

1. Jade Suites, 590-600 Canton Road, Jordan
2. Fanling Sheung Shui Town Lot 76, Fanling
3. 59-61 Wing Hong Street / 88-92 King Lam Street, Cheung Sha Wan
4. 388-390 Jaffe Road, Wanchai
5. 24 Lee Chung Street, Chai Wan
6. 210-216 Gloucester Road, Wanchai
7. Lok Wo Sha, Wu Kai Sha, Shatin
8. Lot 5369, DD 116 at Tai Tong Road, Yuen Long

Major Completed Development Projects Offered for Sale or Pending Sale

9. Casa Marina I, 28 Lo Fai Road, Tai Po
10. Casa Marina II, 1 Lo Ping Road, Tai Po
11. Grand Promenade, 38 Tai Hong Street, Sai Wan Ho
12. Grand Waterfront, 38 San Ma Tau Street, To Kwa Wan
13. The Beverly Hills – Phase 1, 23 Sam Mun Tsai Road, Tai Po
14. The Sparkle, 500 Tung Chau Street, Cheung Sha Wan
15. Cité 33, 33 Lai Chi Kok Road, Mong Kok
16. 8 Royal Green, 8 Ching Hiu Road, Sheung Shui
17. 39 Conduit Road, Mid-Levels
18. The Beverly Hills – Phase 3, 23 Sam Mun Tsai Road, Tai Po
19. Green Lodge, Tong Yan San Tsuen, Yuen Long
20. Hill Paramount, 18 Hin Tai Street, Shatin
21. 11,12,12A,12B Headland Road, Island South



Existing Line

- MTR
- Tung Chung Cable Car
- Light Rail
- Route 3
- Cross Harbour Tunnel

Under Construction

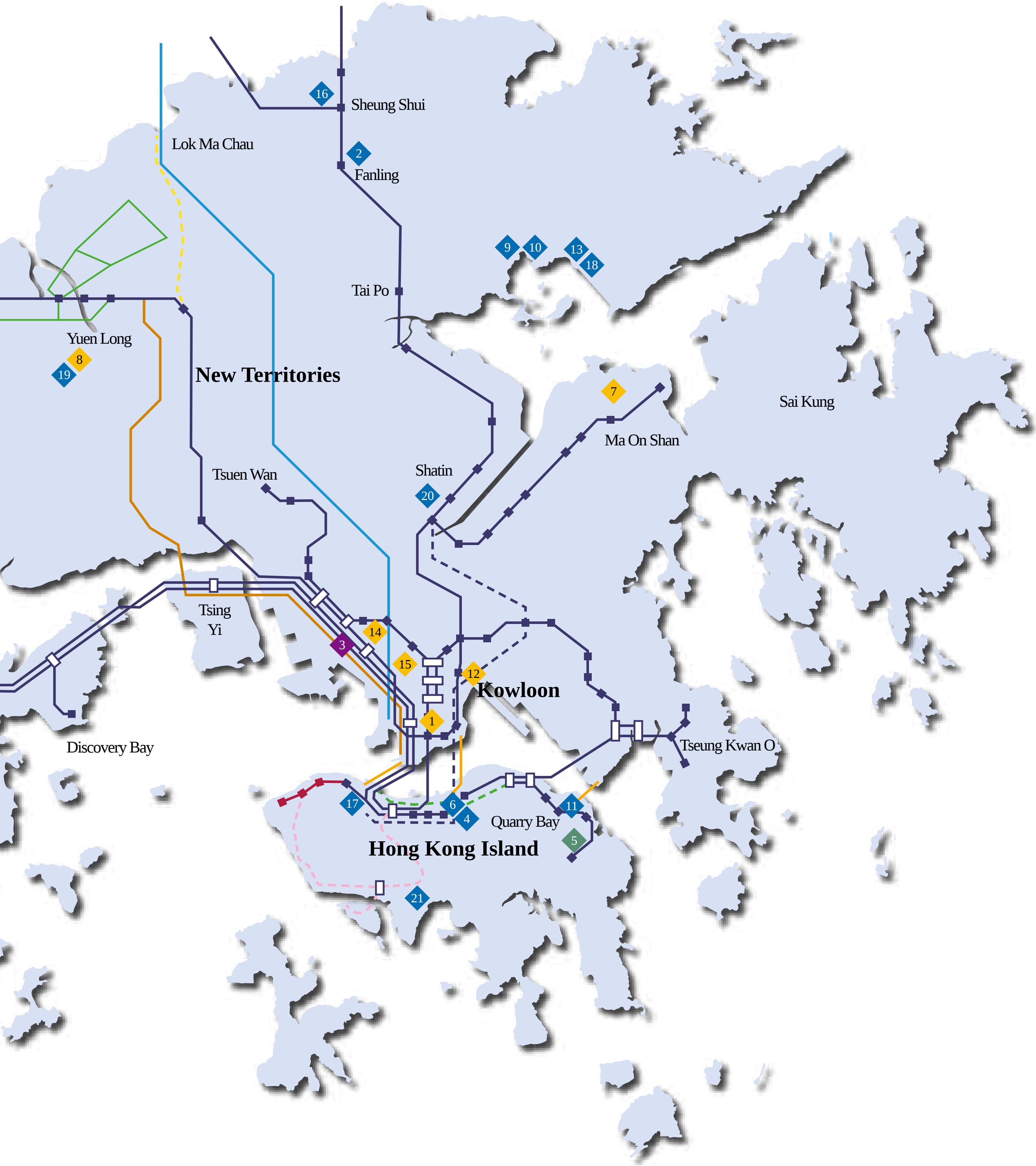
- West Island Line
- Guangzhou - Shenzhen - Hong Kong Express Rail Link

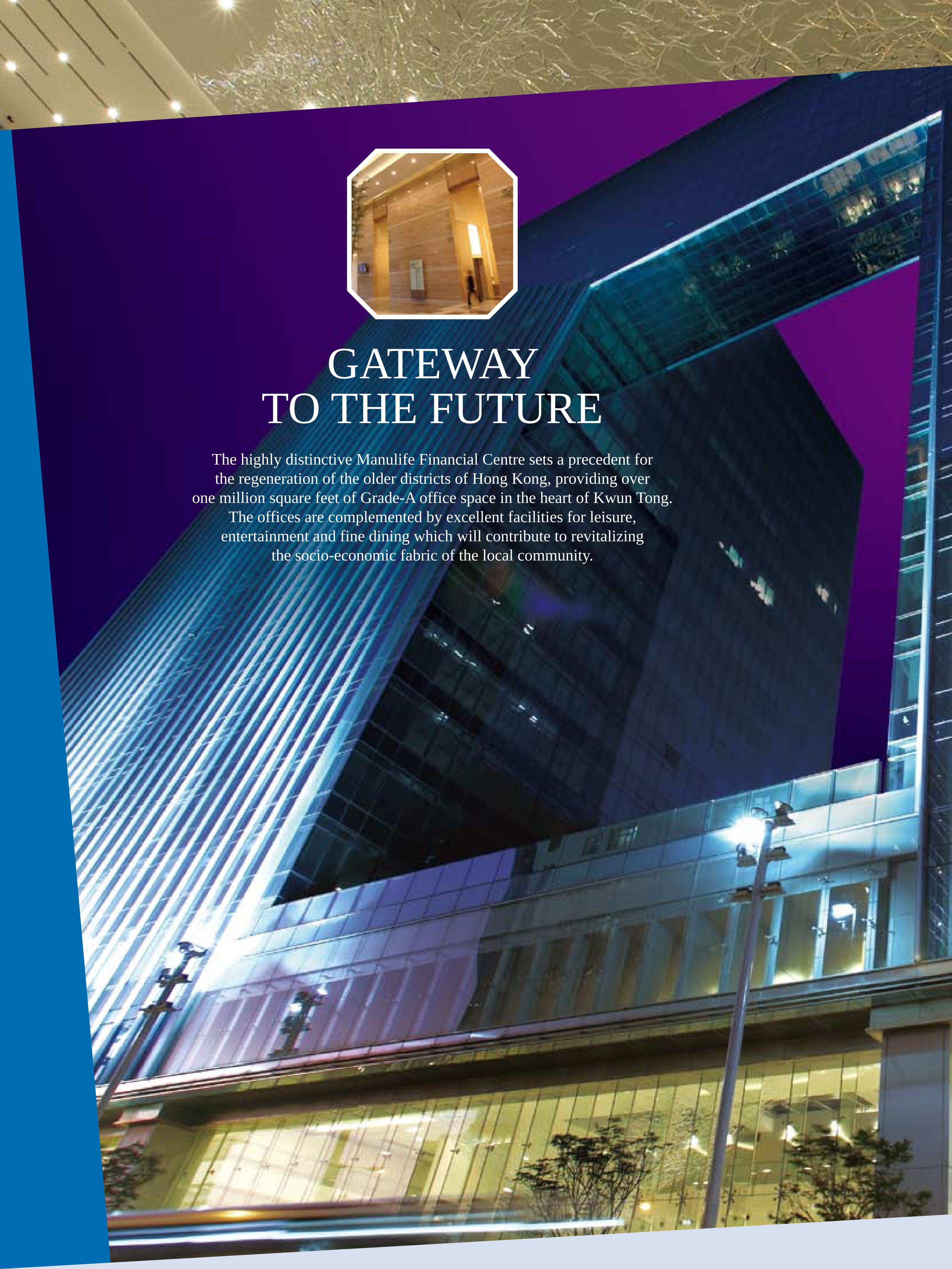
Under Planning

- North Hong Kong Island Line
- Northern Link
- Shatin to Central Link
- South Island Line (East & West)

- Residential / Hotel Serviced Suites
- Commerical / Residential
- Office
- Industrial

Major Development Projects





GATEWAY TO THE FUTURE

The highly distinctive Manulife Financial Centre sets a precedent for the regeneration of the older districts of Hong Kong, providing over one million square feet of Grade-A office space in the heart of Kwun Tong. The offices are complemented by excellent facilities for leisure, entertainment and fine dining which will contribute to revitalizing the socio-economic fabric of the local community.

Property Investment

2009 HIGHLIGHTS

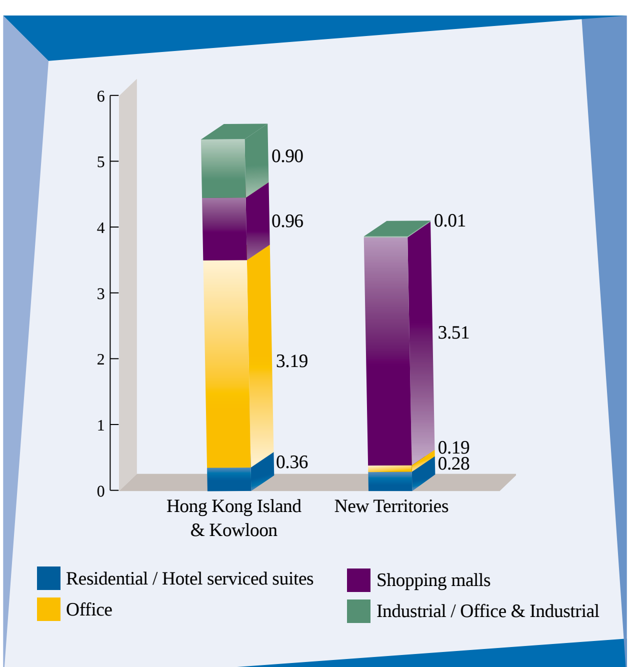
- Including contributions from associates and jointly controlled entities, gross rental income increased by 67% to HK$6,025 million
- 9.4 million square feet of completed investment properties with another 1.0 million square feet of hotels
- Quality portfolio with core properties attaining 97% occupancy at 31 December 2009

At 31 December 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 400,000 square feet as compared with 30 June 2008), made up of 4.5 million square feet of commercial or retail space, 3.4 million square feet of office space, 900,000 square feet of industrial/office space and 600,000 square feet of residential and apartment space. This investment portfolio is geographically diverse, with 25% in Hong Kong Island, 33% in Kowloon and the remaining 42% in the New Territories.

The composition of the Group's diverse property investment portfolio at 31 December 2009 is shown in the accompanying chart.

Investment Properties

(gross floor area in million square feet)



After several months of consolidation since the onset of the global financial crisis in September 2008, leasing demand for retail shops and shopping space has shown signs of recovery since mid-2009 amid improving consumption sentiment. The Group's recently-completed office and industrial premises in Kowloon East also fared well with over 60% of their space already taken up at 31 December 2009. Driven by higher rents for new lettings and lease renewals, mostly from retail shops and shopping spaces in particular during the second half of 2009 as well as an increased contribution from these new projects, the Group's attributable gross rental income in Hong Kong for the eighteen months ended 31 December 2009, including that derived from the investment properties owned by the Group's associates and jointly controlled entities, amounted to HK$6,025 million, representing an increase of 67% over that for the twelve months for the financial year ended 30 June 2008. Net rental income also increased from HK$2,550 million for the twelve months of the previous financial year to HK$4,262 million for the eighteen months for the current financial year, whilst the leasing rate for the Group's core rental properties (excluding the recently-completed developments in Kowloon East) rose to 97% at 31 December 2009.

Commercial

The Group holds 4.5 million square feet of prime shopping space spread over various strategic locations in Hong Kong.

Located at the heart of the city, ifc mall houses a number of designer boutiques, flagship stores and dining outlets, making it a popular destination for locals and tourists alike. During the period under review, ifc mall was almost fully let with remarkable growth in rental income. Leasing performance for the Group's large-scale shopping malls in the new towns was equally satisfactory and Metro City Phase 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 almost full occupancy at 31 December 2009.

Property Investment

The newly transformed Metro City Phase II in Tseung Kwan O

The Group enhances rental values by regularly upgrading its investment properties. The first phase of renovation works at the South Wing of Trend Plaza in Tuen Mun is progressing well, whilst transformation of the upper ground floor of Metro City Phase II in Tseung Kwan O was completed at 31 December 2009 with over 20,000 square feet of its space converted into more than 20 retail outlets. Encouraging responses have been received from the pre-leasing of these two projects with rentals bid up considerably. Meanwhile, the facelift to Kowloon Building on Nathan Road as well as the facility upgrade for Golden Centre in Sheung Wan have commenced already. The second phase of renovation works at South Wing of Trend Plaza in Tuen Mun will also begin soon. The planning of refurbishment works for Sunshine City Plaza in Ma On Shan, Citimall in Yuen Long and City Landmark I in Tsuen Wan is currently in the pipeline.

Offices

The Group owns approximately 3.4 million square feet of rental office space, mainly located in the urban business districts.

The Group's quality office developments, such as the International Finance Centre in Central and AIA Tower in North Point, continued to perform satisfactorily despite adversities posed by the global financial crisis. In Kowloon East, an upcoming commercial hub with abundant supply of leasing space, the Group boasts a 2.0 million square foot portfolio of new premium office and industrial developments and most of them have been leasing well. The leasing rate of Manulife Financial Centre in Kwun Tong reached 66% with Manulife, one of the anchor tenants, exercising their expansion right to take up an additional space of 130,000 square feet. International Trade Centre in San Po Kong also recorded an improving leasing rate of 74% at 31 December 2009.

Residential / Hotel Serviced Suites

The Group holds about 640,000 square feet of residential properties / hotel serviced suites for lease, making its investment property portfolio more balanced and diversified.

Due to limited supply in the marketplace, as well as the increasing number of returning expatriates, leasing demand for the Group's luxury residences has been strong. The serviced suite hotel at Four Seasons Place, which was highly sought after by expatriate executives and practitioners in the legal, banking and finance sectors, recorded solid growth in both occupancy and room rates. Eva Court, a luxury apartment complex in the Mid-Levels, also reported high occupancy by the end of December 2009 with satisfactory rental growth for both renewals and new lettings.

Other Properties

The Group owns a number of rentable car parking spaces, generating steady rental income. The Group also owns approximately 900,000 square feet of industrial premises. Some of the industrial buildings, such as Big Star Centre at 8 Wang Kwong Road, Kowloon Bay, are being evaluated for conversion into other uses such as offices or hotels.

Property Investment

Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq.ft.) Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
Hong Kong Island									
Eva Court	36 MacDonnell Road, Mid-Levels	2895	100.00	108,214	-	-	-	108,214	49
Golden Centre	170-188 Des Voeux Road, Central	2050	100.00	-	21,842	134,450	-	156,292	-
ING Tower	308-320 Des Voeux Road Central / 98-116 Wing Lok Street	2865	100.00	-	31,987	182,373	-	214,360	-
AIA Tower	183 Electric Road, North Point	2047	94.56	-	21,123	463,412	-	484,535	242
One International Finance Centre	1 Harbour View Street, Central	2047	40.51	-	53,124	317,793	-	370,917	71
Two International Finance Centre (excluding levels of 33 to 52, 55, 56 and 77 to 88)	8 Finance Street, Central	2047	40.51	-	206,151	448,975	-	655,126	189
Four Seasons Place	8 Finance Street, Central	2047	40.51	214,724	-	-	-	214,724	7
20/F., Nine Queen's Road Central	9 Queen's Road Central	(Note 1)	100.00	-	-	13,742	-	13,742	-
CentreStage	108 Hollywood Road	2072	100.00	-	16,084	-	-	16,084	64
39 Conduit Road	39 Conduit Road, Mid-Levels	2061	60.00	37,516	-	-	-	37,516	65
Kowloon									
Hollywood Plaza	610 Nathan Road, Mong Kok	2047	33.33	-	33,511	64,422	-	97,933	-
Kowloon Building	555 Nathan Road, Mong Kok	2060	100.00	-	28,656	84,626	-	113,282	-
Winning Centre	29 Tai Yau Street, San Po Kong	2047	100.00	-	-	-	150,212	150,212	-
Well Tech Centre (excluding levels 16 and 17)	9 Pat Tat Street, San Po Kong	2047	100.00	-	-	-	158,993	158,993	40
Big Star Centre	8 Wang Kwong Road, Kowloon Bay	2047	100.00	-	-	-	175,447	175,447	20
579 Nathan Road	579 Nathan Road, Mong Kok	2037	100.00	-	7,805	18,810	-	26,615	-
Paradise Square	3 Kwong Wa Street, Mong Kok	2054	100.00	-	25,979	-	-	25,979	72
Dragon Centre	79 Wing Hong Street, Cheung Sha Wan	2023	100.00	-	-	-	172,117	172,117	76
Manulife Financial Centre	223-231 Wai Yip Street, Kwun Tong	2050	88.50	-	47,860	919,004	-	966,864	394
78 Hung To Road	78 Hung To Road, Kwun Tong	2047	100.00	-	-	-	119,995	119,995	17
The Pivot	52 Hung To Road, Kwun Tong	2047	100.00	-	-	-	125,114	125,114	-
International Trade Centre	712 Prince Edward Road East, San Po Kong	2047	100.00	-	-	216,593	-	216,593	70
Cité 33	33 Lai Chi Kok Road, Mong Kok	2026	100.00	-	15,624	-	-	15,624	-
The Sparkle	500 Tung Chau Street, Cheung Sha Wan	2055	100.00	-	53,443	-	-	53,443	-

Property Investment

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq.ft.) Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
New Territories									
Fanling Centre	33 San Wan Road, Fanling	2047	100.00	-	151,513	-	-	151,513	302
Flora Plaza	88 Pak Wo Road, Fanling	2047	60.00	-	94,657	-	-	94,657	130
The Trend Plaza	Tuen Mun Heung Sze Wui Road, Tuen Mun	2047	100.00	-	195,280	-	-	195,280	78
Marina Cove	Lot No. 526 in D.D. No. 210, Sai Kung	2047	40.00	-	9,566 (Note 2)	-	-	9,566	151
City Landmark I	68 Chung On Street, Tsuen Wan	2047	74.96	-	138,555	156,981	-	295,536	100
City Landmark II	145-165 Castle Peak Road, Tsuen Wan	2047	100.00	-	155,022	-	-	155,022	127
Skyline Plaza	88 Tai Ho Road, Tsuen Wan	2047	100.00	-	154,259	-	-	154,259	104
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	-	100,029	-	-	100,029	545
Shatin Plaza	21-27 Shatin Centre Street, Sha Tin	2047	77.55	-	114,730	-	-	114,730	103
Blocks A & B, Sunshine City	18 On Shing Street, Ma On Shan	2047	100.00	-	9,305	-	-	9,305	-
Blocks C & D, Sunshine City	22 On Shing Street, Ma On Shan	2047	50.00	-	5,118	-	-	5,118	-
Blocks N, P, Q & R, Sunshine City	8 On Shing Street, Ma On Shan	2047	100.00	-	58,881	-	-	58,881	196
Sunshine City Plaza	18 On Luk Street, Ma On Shan	2047	100.00	-	532,637	-	-	532,637	831
Sunshine Bazaar	628 Sai Sha Road, Ma On Shan	2047	100.00	-	79,642	-	-	79,642	234
Citimall	1 Kau Yuk Road, Yuen Long	2047	100.00	-	140,341	-	-	140,341	51
La Cité Noble Shopping Arcade	1 Ngan O Road, Tseung Kwan O	2047	100.00	-	35,186	-	-	35,186	-
Dawning Views Plaza	23 Yat Ming Road, Fanling	2047	100.00	-	87,766	-	-	87,766	-
Metro City Phase 2 Shopping Arcade	8 Yan King Road, Tseung Kwan O	2047	100.00	-	956,849	-	-	956,849	669
The Metropolis, Metro City Phase 3 Shopping Arcade	8 Mau Yip Road, Tseung Kwan O	2047	100.00	-	266,954	-	-	266,954	232
Citygate	20 Tat Tung Road, Tung Chung, Lantau Island	2047	20.00	-	92,536	32,280	-	124,816	233
The Beverly Hills, Phases 1 & 2	23 Sam Mun Tsai Road, Tai Po	2047	90.10	98,011	-	-	-	98,011	51
The Sherwood	8 Fuk Hang Tsuen Road, Tuen Mun	2052	100.00	-	30,139	-	-	30,139	308
			Total:	**458,465**	**3,972,154**	**3,053,461**	**901,878**	**8,385,958**	**5,821**

Note 1: Of the four land lots for this building, three lots expire in 2854 and the remaining lot expires in 2856
Note 2: In addition there are 121 pontoons and 30 hardstand spaces attributable to the Group

Major Completed Investment Properties

Major Completed Investment Properties

1 Eva Court
2 Golden Centre
3 ING Tower
4 AIA Tower
5 One International Finance Centre
6 Two International Finance Centre
7 Four Seasons Place
8 Nine Queen's Road Central
9 CentreStage
10 39 Conduit Road
11 Hollywood Plaza
12 Kowloon Building
13 Winning Centre
14 Well Tech Centre
15 Big Star Centre
16 579 Nathan Road
17 Paradise Square
18 Dragon Centre
19 Manulife Financial Centre
20 78 Hung To Road
21 The Pivot
22 International Trade Centre
23 Cité 33
24 The Sparkle
25 Fanling Centre
26 Flora Plaza
27 The Trend Plaza
28 Marina Cove
29 City Landmark l
30 City Landmark ll
31 Skyline Plaza
32 Shatin Centre
33 Shatin Plaza
34 Blocks A & B, Sunshine City
35 Blocks C & D, Sunshine City
36 Blocks N, P, Q, & R, Sunshine City
37 Sunshine City Plaza
38 Sunshine Bazaar
39 Citimall
40 La Cité Noble Shopping Arcade
41 Dawning Views Plaza
42 Metro City Phase 2 Shopping Arcade
43 The Metropolis
44 Citygate
45 The Beverly Hills – Phases 1 & 2
46 The Sherwood

Existing Line

- MTR
- Tung Chung Cable Car
- Light Rail
- Route 3
- Cross Harbour Tunnel

Under Construction

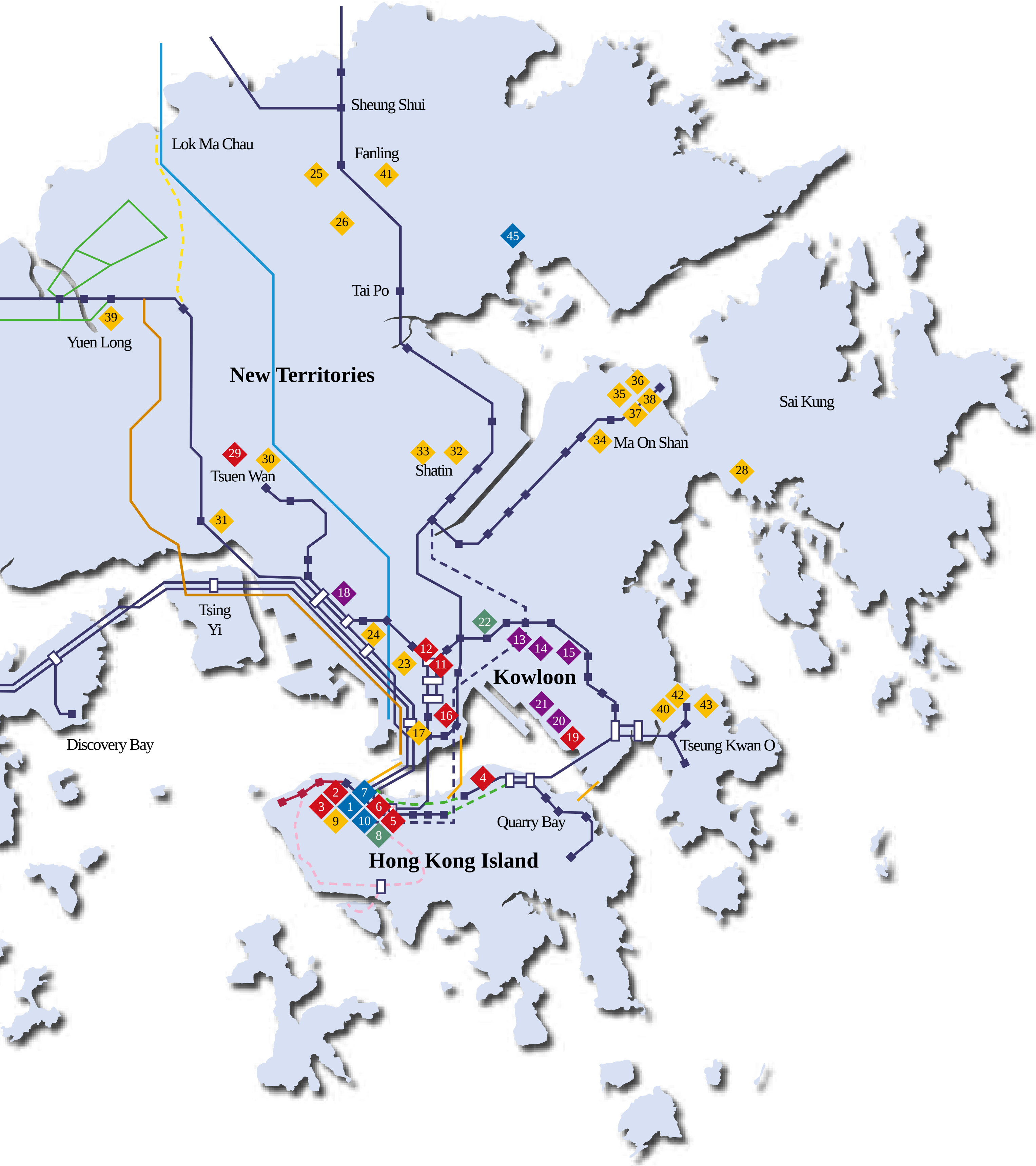
- West Island Line
- Guangzhou - Shenzhen - Hong Kong Express Rail Link

Under Planning

- North Hong Kong Island Line
- Northern Link
- Shatin to Central Link
- South Island Line (East & West)

- Residential / Hotel Serviced Suites
- Commerical
- Office
- Industrial & Offices
- Commerical & Offices

Major Completed Investment Properties



Property Related Businesses

Hotel and Retailing Operations

Due to the slowdown in world-wide economies caused by the global financial crisis, as well as the start of cross-strait direct links and the outbreak of pandemic flu, the hotel industry in Hong Kong on the whole has been operating under very difficult conditions.

The Four Seasons Hotel won a coveted Forbes five-star award and was voted one of the world's top ten hotels by readers of Institutional Investor magazine, whilst two of its top restaurants, namely, Lung King Heen and Caprice also emerged as the only ones in Hong Kong to be honoured with three Michelin stars in the new gourmet guide. With such widely-recognized quality and service in an unmatched location at the Central waterfront, The Four Seasons Hotel continued to stay ahead of the market and maintain its usual above market average room rate, albeit at a lower occupancy, amid the financial turmoil. The Group's four Newton hotels also performed profitably, although average room rates and occupancies inevitably came under pressure in such challenging market conditions.

Established in 1989, Citistore currently has five department store outlets offering value-for-money merchandise to local households and two "id:c" specialty stores introducing a collection of trendy brands from Japan and Korea to young and fashion-conscious customers.

Construction

The Group pledges to build the finest properties, offering unparalleled design, quality and comfort to its customers. In order to ensure that such a quality conscious approach is adopted throughout the design and construction process of the Group's developments in both Hong Kong and mainland China, inter-departmental communication and information sharing are always

The Group received the "Proactive Safety Contractor Award".

The pool with a view at Newton Hotel Hong Kong.

encouraged. Similarly, the stringent requirements laid down by the Leadership in Energy and Environmental Design (LEED) and Building Environmental Assessment Method (BEAM) are also complied with by the Group so as to ensure that all the facilities provided are trend-setting and eco-friendly.

With such proactive management and stringent monitoring of the whole construction process, the accident rate for the Group's construction activities was well below the industry average, whilst numerous awards received recently (including the "Quality Building Award" from nine building-related professional bodies, "Considerate Contractors Site Award" from the Development Bureau of the Hong Kong SAR Government and "Proactive Safety Contractor Award" from The Hong Kong Construction Association) served as testimony to the Group's commitment to excellence, an essential differentiating factor in the competitive market-place.

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 is a member of the Construction Industry Council. In recognition of his wide experience and seasoned leadership, he has been appointed as the Chairman for its "Construction Industry Training Board" and "Committee on Manpower Training and Development", which are both assigned to build a strong talent pool for Hong Kong so as to support the forthcoming implementation of the ten mega infrastructures as well as their related construction projects.

Property Management

The Group's member property management companies, Hang Yick Properties Management Limited ("Hang Yick") and Well Born Real Estate Management Limited ("Well Born") collectively manage over 180 premises in Hong Kong, comprising a total of over 75,000 residential, commercial and industrial units and shops, and more than 16,000 car parking units. During 2009, Hang Yick and Well Born received a total of 271 performance-related accolades including "Innovative Technology of the Year and Best Use of Knowledge Management of the Year in the Customer Relationship Excellence Awards 2009", as well as the "Q-Mark Service Scheme certification". They were also bestowed with the Certificate of Excellence in the "Award for Excellence in Training and Development" by The Hong Kong Management Association, in recognition of their learning culture and unflagging efforts to raise standards in property management in Hong Kong.

Aligning with the Group's corporate culture, these two companies also offer care to the public at large. Being named as "Caring Company" for seven consecutive years, they were widely acclaimed for their dedication to corporate social responsibility, whilst the sixth consecutive year's "Highest Voluntary Service Hour Award" championship is a testimony to their commitment to charitable activities and community services.

Their heartfelt services also attracted considerable recognition throughout mainland China. Hengbao Garden, a mass residential development in Guangzhou under the Group's management, was honoured as an "Outstanding Community for Promoting Sports Development in Guangdong Province" in 2009, in addition to its accreditations as the "Excellent Property Management Community Showcase in Guangdong Province" and "Excellent Community Showcase in Guangzhou". Meanwhile, Hengli Wanpan Huayuan, a newly-completed residential development in Guangzhou also under the Group's management, was recently honoured as one of the "Best Managed Housing Estates Showcase in Guangzhou" by Guangzhou Property Management Association. To support the Group's business development, both Hang Yick and Well Born will further extend their presence in the Mainland, providing their quality property handover and management services to all of the Group's property developments throughout the country.

Award for Excellence in Training 2009 presentation ceremony

Marketing

During the year, the Group executed a carefully coordinated two-pronged approach to its marketing activities in Hong Kong and China. Meticulous attention was paid to adopting creative strategies that addressed the needs of specific target buyers. As part of its efforts to ensure all activities were customer-focused, where possible the Group ensured that on-site promotional opportunities were utilized. These opportunities enabled both the media and potential buyers to fully experience the superb quality and provisions of new Group properties such as 39 Conduit Road, Cité 33, The Spectacle, Shining Heights and The Sparkle. To stimulate visitor flow to these properties, on-site entertainment shows were arranged during weekends and holidays.

As the number of buyers from mainland China increased steadily, road shows and property investment seminars for current Hong Kong projects under the Henderson Land portfolio were organized in several major Mainland cities including Shenzhen, Guangzhou, Shanghai and Changsha. The Group also made use of these connections to capitalize on the opportunity presented by the Hong Kong Capital Investment Entrant Scheme. Special attention was also paid to the continual upgrading of property project provisions to attract both Hong Kong and China buyers.

39 Conduit Road (Mid-levels, Hong Kong)

Henderson Land's credentials as a leading developer of original, innovative and highly desirable residences were again endorsed with the launch of 39 Conduit Road. This definitive new luxury residential project of only 66 prestigious homes is in a premier Mid-Levels location at Conduit Road minutes away from Hong Kong's financial district, Central. It was developed by the Group in association with award-winning international professionals from the worlds of architecture, interior design, landscaping, modern art, spas and technical engineering. To highlight its distinguished status, uniqueness and rarity, Henderson Land deployed a niche marketing strategy under the theme "Exclusive for the City's Who's Who."

Instead of adopting a traditional mass media campaign, the Group used a highly selective approach targeted at clearly identified market segments in the top-end luxury bracket, thereby projecting an image of absolute exclusivity. To further reinforce this positioning, a first of its kind limited edition "Who's Who" book was produced, which described the achievements and portfolio of each professional consultant involved in the project together with their specific roles. Market awareness was generated after the consultant team introduced the project's unique characteristics at a press conference. The timetable for project progression became the focus of public attention.

The who's who of professionals behind 39 Conduit Road

The Spectacle (8 Cho Yuen Street, Kowloon)

Marketing activities for The Spectacle highlighted its location close to Yau Tong MTR Station and its panoramic open views that span from Lei Yue Mun and Central District to the Kai Tak Southeast Kowloon Development Area. Activities also stressed the preferential advantages of its location in proximity to the "Yau Tong Bay Comprehensive Development Area". The Group also paid special attention to adopt a positioning that ensured The Spectacle attained a desirability among prospective purchasers similar to that of the Group's overwhelmingly successful Grand Promenade on Island East.

A show flat for The Spectacle

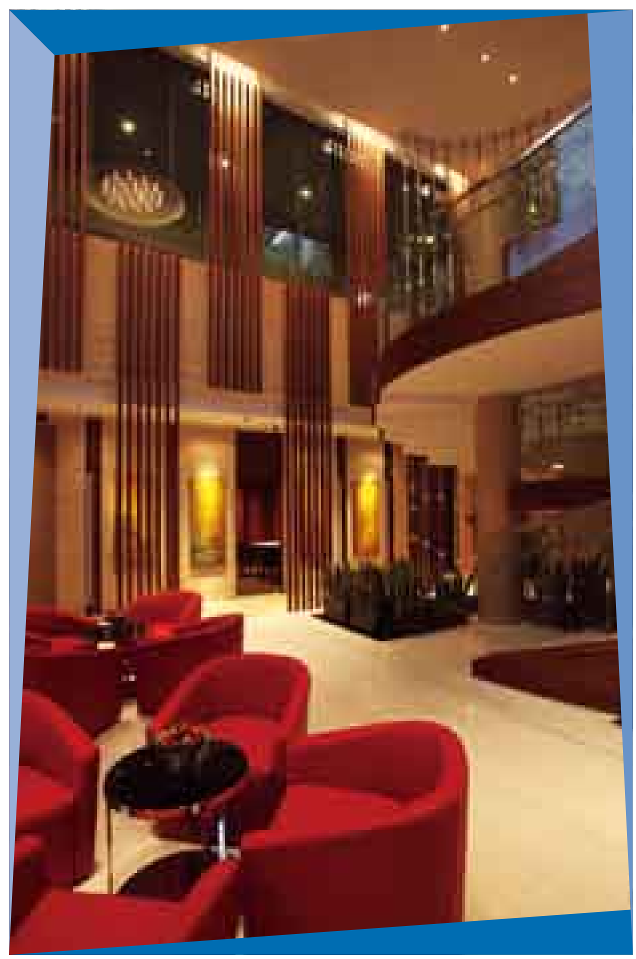
Measures to reach out to a broad prospective base of buyers included staging road shows in nearby districts at selected shopping malls including Metro City Plaza 2 Shopping Arcade, Lei Yue Mun Plaza and Hau Tak Shopping Centre. To highlight the added value features of the development, the Group held a number of events for the media, including a topping out ceremony at the property which fully demonstrated the unrivalled views from the location. A press conference was also held to exhibit the most prestigious units in The Spectacle, a top-floor Penthouse Spectacle duplex and two panoramic CEO Spectacle sky terrace apartments. Attending media experienced first hand the roomy living spaces that include 13-feet high ceilings, an array of European branded provisions and home automation systems.

Shining Heights (83 Sycamore Street, Kowloon)

The Group adopted "The Glittering Landmark Residence" as the marketing theme for Shining Heights, to highlight its status as the tallest residential property in the district. The spectacular views over Victoria Harbour and West Kowloon were demonstrated through a series of events held at the property, including a special on-site promotion for Shining Stage, a creative multi-media performing venue for residents.

The Group also dedicated efforts to promoting the value-added facilities, high ceiling layout and deluxe provisions of the property. A tour for the media was arranged before the official opening to demonstrate features that are highly unusual for residential developments in the neighbourhood. These include a special range of Miele kitchenware fitted as standard throughout, the first of its kind in Asia, and a "V-Home" Automation System that delivers a new high-tech household experience. Other attractions include the twin clubhouse design that features well-appointed residents' lounges, a gym, a spa gallery and more.

The Group targeted potential mainland China buyers through various promotions. Shining Heights was presented to prospective high net worth purchasers as an investment opportunity at a wealth management seminar "In the Know" organized by an immigration consulting company in Guangzhou. The Group also collaborated with Hengli Wanpan Huayuan and Hengbao Plaza in Guangzhou to organize a Valentine's Day entertainment show for potential buyers, which doubled as a marketing opportunity for Shining Heights.



The lavish interior of Shining Heights' clubhouse.

8 Royal Green (8 Ching Hiu Road, Sheung Shui)

The natural characteristics of 8 Royal Green include exceptional views of Hong Kong Golf Club to far reaching Huanggang and Lo Wu in Shenzhen, a lush verdant living environment and advantageous location offering convenient access to Shenzhen. The property is outstanding in the neighbourhood, offering an unparalleled quality of finishing, high ceilings and extensive clubhouse facilities. Emphasizing these key features to potential customers, the Group targeted permanent Shenzhen residents who benefit from new Customs arrangements facilitating multiple individual visits to Hong Kong, and Hong Kong residents who frequently travel between Hong Kong and the Mainland. The Group conducted a one-week road show to promote the property in Shenzhen. A road show and investment seminar also took place in collaboration with the Guangdong Federation of Industry & Commerce in Guangzhou to introduce various Group's projects, including 8 Royal Green.

To cater for the needs of those investors living outside Hong Kong, especially residents of the Mainland, a comprehensive set of after-sales services named "Royal Plus" Tenancy Management Services was devised to make the property investment process straightforward for them. The overall strategy was a success, with sales performance in the first three days of the project launch exceeding pre-set targets.

The Group introduced "Royal Plus" Tenancy Management Services for the buyers of 8 Royal Green.

The Beverly Hills (23 Sam Mun Tsai Road, Tai Po)

As in previous years, Henderson Land staged a series of events that emphasized the grandeur and majestic positioning of The Beverly Hills and gave visitors firsthand experience of the exceptional environment of the property. A Royal Jewellery Show presented by Emperor Watch and Jewellery included performances by leading Emperor Entertainment Group artists that served to highlight the extravagant and glamourous lifestyle of The Beverly Hills.

Launch banquet for Land Rover's New 2010 Collection at The Beverly Hills

The Group also hosted the Royal Pet Fair in association with Hong Kong's largest e-commerce portal for pets, iPET channel. The event included a number of celebrities and their pets and illustrated the exclusive Pet Care Room at The Beverly Hills which provides a wide variety of services including pet grooming, pet hotel, pet food and toy supplies and a veterinarian referral service.

To support local arts, The Beverly Hills worked with the Hong Kong Contemporary Artists Association to organize the Rich Local Arts at Rich Scenic Property arts exhibition, which included more than 40 original works together with guided tours by artists and on-site demonstrations. Other events at the property during the year included the New 2010 Land Rover Collection, with the unveiling ceremony officiated by the former Hong Kong Academy Best Actress, Ms Anita Yuen Wing-Yi. A fine jewellery show presented by Chow Sang Sang was also held on-site, attracting hundreds of prominent guests.

Marketing

As a means of sharing with the community, The Beverly Hills donated HK$300,000 to World Vision to support their Child Sponsorship Programme, and HK$100,000 to Yan Mei (Miss Asia) Association to support their future charity endeavors at the publicity event Miss Asia Pageant Charity Christmas Show at The Beverly Hills. The attendance and performances by current and past winners of the Miss Asia contest, together with a charity sale of Chouette luxury watches in aid of the World Vision Child Sponsorship Programme, attracted wide media attention.

Industry Recognition

During the year, the Group's precisely targeted and focused approach to its marketing activities achieved outstanding results both in terms of sales and publicity. The quality of Henderson properties and proactive marketing initiatives was reflected in the widespread recognition the Group received across various sectors.

The Beverly Hills

The Hong Kong Institute of Surveyors

- The Best Property Marketing Award 2008
- Top Ten Property Marketing Awards 2008
- Top Ten Property Sales Brochures Awards 2008
- Top Five Clubhouse Facilities Awards 2008

Grand Waterfront

The Hong Kong Institute of Surveyors

- Top Ten Property Marketing Awards 2008
- Top Ten Property Sales Brochures Awards 2008

The Sherwood

The Hong Kong Institute of Surveyors

- The Best Environmental Operation Award 2008

Cité 33 - Show Flat

Hong Kong Communication Art Centre

- Outstanding Greater China Design Award 2009

Henderson Club

Henderson Club is responsible for the Group's customer relationship management programme and continuously monitors customers' needs and expectations.

During the year, the Club jointly organized many different activities with various Group subsidiaries or fellow subsidiaries in its ongoing mission to provide excellent service delivery. These activities included a one-day tour in association with HYFCO Travel Agency Limited, a cake making class in partnership with The Hong Kong and China Gas Company Limited, a free seminar organized by Union Hospital, and exclusive previews of show flats for new Group properties.

In 2009 for the first time, a Henderson Club team participated in the Standard Chartered Hong Kong Marathon 2009. The Henderson Club Running Team was awarded a top ten prize of the Most Supportive Group Award from the organizer, Hong Kong Amateur Athletic Association (HKAAA), which recognizes team effort entries for the Marathon.

In its commitment to providing excellent customer service, the Club is dedicated to securing and providing an extensive range of privileged offers for Group customers. These range from exclusive discounts at designated retail outlets and restaurants in the Group's shopping malls to the exclusive offers from other retail outlets across Hong Kong. To enjoy these privileges, customers must present their Henderson Club Credit Card.

To ensure excellent communication with its stakeholders, from time to time the Club reviews its communication methods and channels. Earlier in the year, the Henderson Club newsletter underwent a significant makeover, with changes to its design and content. The new look newsletter delivers more diversified content, including updated market information as well as the entertainment news.

FROM STRONG LOCAL FOUNDATIONS TO ROBUST REGIONAL DEVELOPMENT

Hong Kong and China Gas is the leading gas conglomerate on the Mainland and the foremost supplier of clean energy in the region, serving over 1.68 million customers in Hong Kong and 10 million customers throughout China. The company is the driving force behind over 100 projects across 19 provinces, municipalities and autonomous regions in mainland China. With an increasingly diverse portfolio, Hong Kong and China Gas is committed to new energy projects that reduce emissions and pollution, including initiatives in exploration and utilization of coalbed methane and natural gas, coal-based chemical projects, as well as eco-friendly vehicular fuels.

Henderson Investment Limited ("HIL")

(67.94%-owned by the Company)

For the eighteen months ended 31 December 2009, this group's profit attributable to equity shareholders amounted to HK$156 million compared to HK$35,392 million (restated) for the financial year ended 30 June 2008. The significant decrease in profit was mainly attributable to a one-off gain of HK$35,265 million from the divestment of this group's entire interest in The Hong Kong and China Gas Company Limited during the financial year ended 30 June 2008. Excluding the effect of such gain from the discontinued operations, the profit of this group attributable to equity shareholders for the financial year ended 30 June 2008 amounted to HK$127 million (restated). The profit of this group attributable to equity shareholders of HK$156 million for the eighteen months ended 31 December 2009 represented an increase of HK$29 million or 23% as compared with that of HK$127 million (restated) for the financial year ended 30 June 2008, reflecting the effect of an extended accounting period currently being reported on when compared with the previous period of twelve months ended 30 June 2008, and the increased profit contribution from this group's infrastructure business during the extended reporting period compared with the financial year ended 30 June 2008.

During the eighteen months ended 31 December 2009, 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 had 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 by that subsidiary of its entire 70% equity interest in Maanshan Highway JV to the joint venture partner for a consideration of RMB122 million (equivalent to HK$139 million). The transaction was completed on 26 February 2010, resulting in a net gain on disposal attributable to equity shareholders of HIL of approximately HK$26 million which will be recognized in this group's accounts for the financial year ending 31 December 2010.

After completion of the disposal of the Maanshan City Ring Road, this group's core asset is its 60% interest in Hangzhou Qianjiang Third Bridge. During the eighteen months ended 31 December 2009, this group posted a turnover of HK$441 million compared to HK$272 million for the previous period of twelve months ended 30 June 2008. This increase in turnover was primarily attributable to the extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2008, the growth of traffic volume of the toll bridge in Hangzhou and the increase in exchange gain upon conversion of Renminbi to Hong Kong dollars during the period when compared with the financial year ended 30 June 2008.

Hangzhou Qianjiang Third Bridge

The Hong Kong and China Gas Company Limited

(39.88%-owned by the Company)

Stock code: 3 Website: www.towngas.com

Towngas China Company Limited

(45.61%-owned by The Hong Kong and China Gas Company Limited)

Stock code: 1083 Website: www.towngaschina.com

Background and Lines of Business

(I) Hong Kong Core Businesses

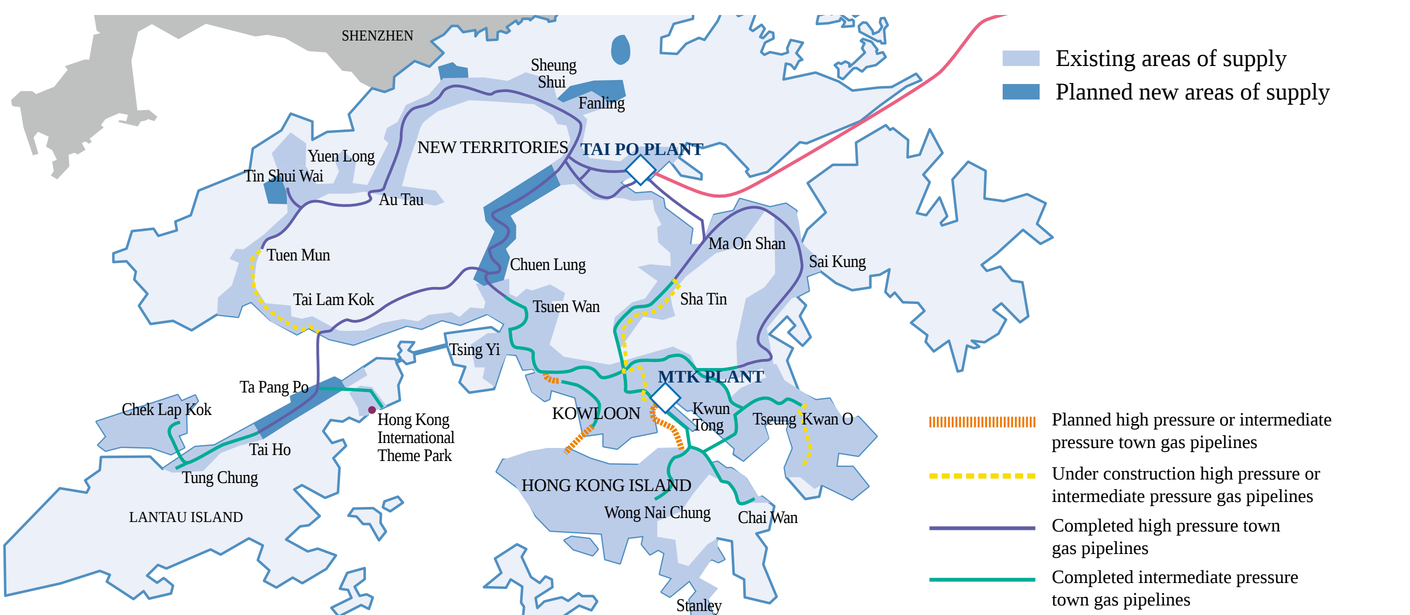
Founded in 1862 and listed in Hong Kong since 1960, The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas") was the first public utility in Hong Kong and today remains the sole supplier of piped gas in Hong Kong.

In Hong Kong, town gas is produced at two production plants. Major supplies of 97% come from the Tai Po Plant, with the Ma Tau Kok Plant making up the rest. With a pipeline network consisting of more than 3,400 km of gas pipes, Hong Kong and China Gas supplies town gas to over 1.6 million customers in Hong Kong. Its gas infrastructure has grown and improved over the years, such that the customers today enjoy a supply continuity rate of over 99.99%.

Starting from 2006, Hong Kong and China Gas uses naphtha and natural gas to produce town gas, with an increasing focus on natural gas. The signing of a 25-year agreement with Guangdong Dapeng in 2004 has ensured a stable price and reliable supply of natural gas to Hong Kong and China Gas.

(II) Mainland China Businesses

Hong Kong and China Gas first began its Mainland business with joint venture in the Guangdong province in 1994, at which time it served approximately 5,000 customers. A significant milestone was reached in December 2006 when it agreed to acquire an approximately 43.97% equity stake in Panva Gas Holdings Limited (currently known as Towngas China Company Limited, "Towngas China"), a well-established mainland China piped city-gas operator, in exchange for interests in ten Hong Kong and China Gas's piped city-gas projects in Shandong and Anhui provinces. On a combined basis, Hong Kong and China Gas and Towngas China maintained interests in 84 piped city-gas projects in



Hong Kong and China Gas's network in Hong Kong

Subsidiary & Associated Companies

16 provinces and municipalities and served, through the Towngas brand, over ten million commercial, industrial and residential customers as at 31 December 2009. In 2009, sales volumes were over 6.8 billion cubic metres.

In order to complement downstream piped city-gas joint venture projects, Hong Kong and China Gas has made investments in mid-stream transportation projects that connect the upstream supplier and the downstream piped city-gas provider, whilst some upstream projects including the exploitation and sale of petroleum and natural gas have also been participated. Meanwhile, Hong Kong and China Gas 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, Suzhou, Jiangsu province.

(III) Diversified Businesses

Through its wholly-owned subsidiary, ECO Environmental Investments Limited and its subsidiaries (collectively known as "ECO"), Hong Kong and China Gas has diversified into various alternative energy and environmentally-friendly businesses including Liquefied Petroleum Gas (LPG) vehicle filling stations and the utilization of landfill gas. To date, ECO is operating five dedicated LPG filling stations in Chai Wan, Mei Foo, Tuen Mun, West Kowloon and Wan Chai, providing 18,000 taxis and 2,300 LPG minibuses in Hong Kong with 24-hour gas filling services. ECO's landfill gas project began operations in May 2007, following several years of construction. Treated landfill gas is transported to its Tai Po plant, serving as a partial substitute for naphtha as a feedstock for town gas production. The use of landfill gas greatly reduces the amount of methane and carbon dioxide (both significant sources of global warming) released into the atmosphere, whilst the reduced use of naphtha, which comes from the cracking of fossil fuel, will also enable greater conservation of resources.

In the mid-1990s, Hong Kong and China Gas entered the local property development business in Hong Kong, with the aim of realizing the potential of its land resources and maximizing returns to its shareholders by deploying its excess cash. In 1995, Hong Kong and China Gas took a 45% equity interest in the King's Park Hill development project, which was completed in early 2000 with a mixture of luxury houses and apartments. In 1996, it participated in the development of International Finance Centre, a landmark project in the heart of Hong Kong, and it currently held 15.8% of its stake. Grand Promenade and Grand Waterfront, two successful luxury residential developments, were also co-developed by Hong Kong and China Gas and Henderson Land. It has a 50% interest in the Grand Promenade project at Sai Wan Ho, while for the Grand Waterfront at the former south plant site at Ma Tau Kok, it is entitled to 73% of the net sales proceeds of the residential portion. In addition, Hong Kong and China Gas has full interest in its commercial portion of 150,000 square feet and approximately 300 car parking spaces.

Hong Kong and China Gas's business in mainland China

Results for the Year Ended 31 December 2009

Profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK$5,175.0 million, an increase of HK$872.5 million compared to 2008 mainly due to growth in profits of Mainland businesses, one-off gains from investments in projects in mainland China, and an increase in financial investment income. During the year under review, this group invested HK$2,760.2 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various businesses in Hong Kong and the Mainland.

Subsidiary & Associated Companies

(I) Gas business in Hong Kong

Total volume of gas sales in Hong Kong decreased slightly by 1.1% compared to 2008, whilst the total number of appliances sold in 2009 was 219,896 units, an increase of 6.1% over 2008. As at the end of 2009, the number of customers was 1,698,723, an increase of 26,639 compared to 2008.

Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, is progressing well. Construction of a 9 km pipeline in the western New Territories to strengthen supply reliability is also in progress. In tandem with the development of West Kowloon, South East Kowloon and a cruise terminal, planning for the networks in these regions is underway, including a route diversion for the submarine pipeline from Ma Tau Kok to North Point. Meanwhile, Hong Kong and China Gas reached a 30-year agreement with Ocean Park Hong Kong in 2009 for gas supply and utilization and thus, a gas transportation system will be developed.

(II) Mainland utility businesses

In 2009, Hong Kong and China Gas successfully established new city-gas projects in Xinmi in Henan province, in Fengxian county Economic Development Zone and Suining county in Jiangsu province, and in Zhangshu, Fengcheng and Pingxiang in Jiangxi province.

Meanwhile, Hong Kong and China Gas currently had a 45.61% interest in Towngas China Company Limited ("Towngas China", stock code: 1083) which recorded a profit of HK$265 million in 2009, an increase of 31% over 2008. With an effective control over the majority of the board of directors of Towngas China, Towngas China was accounted for and consolidated into its consolidated accounts as a subsidiary commencing from 31 December 2009.

In 2009, Towngas China set up new city-gas project companies in Chiping county in Shandong province, in Xinjin county and the Xindu district of Chengdu in Sichuan province, in Huangshan in Anhui province, in Yangjiang in Guangdong province and in the Changjiu Industrial Corridor in Jiangxi province. Towngas China also signed agreements for the development of city-gas projects in Linqu in Shandong province and in the New Industrial District of Anshan in Liaoning province in November 2009 and February 2010 respectively. Inclusive of seven new projects established by Towngas China in 2009, this group had 84 city-gas projects in Mainland cities spread across 16 provinces/municipalities as at the end of 2009. With the total volume of gas sales for its 10,617,000 residential customers reaching 6,870 million cubic metres, this group has become the largest city-gas enterprise in the Mainland.

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. It 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.

Overall as at the end of 2009, inclusive of projects of its subsidiary company, Towngas China, this group had 103 projects spread across 19 provinces/municipalities/autonomous regions, encompassing upstream, midstream and downstream natural gas sectors, the water supply and wastewater treatment sector, natural gas filling stations and emerging environmentally-friendly energy projects.

(III) Environmentally-friendly energy businesses

This group developed emerging environmentally-friendly energy projects through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"). ECO's five dedicated liquefied petroleum gas filling stations and its 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 help reduce greenhouse gas emissions and depletion of fossil fuels, thus improving air quality in Hong Kong. Construction of ECO's phase-one 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 basically complete with commencement of operation scheduled for the first quarter of 2010. Construction of a neighbouring second tank farm is also progressing well and commissioning is expected before the end of 2010.

ECO has endeavoured to develop clean and emerging environmentally-friendly energy projects on the Mainland since early 2008 and in order to enhance its management effectiveness and financing flexibility, ECO established a

Chinese holding company in Erdos, Inner Mongolia at the end of 2009. Phase one of its coalbed methane liquefaction facility located in Jincheng, Shanxi province commissioned in the fourth quarter of 2008 produced approximately 100 million cubic metres of liquefied coalbed methane in 2009 for transportation by tankers to downstream markets. Construction of phase two of the facility is in progress. Once commissioned, which is expected to be in the fourth quarter of 2010, the annual production capacity will be increased to 300 million standard cubic metres. In 2009, ECO, in joint co-operation with Mainland scientific research institutes, successfully developed a technology to remove oxygen from coal-mine methane so as to produce liquefied methane which is compatible with liquefied natural gas. ECO has recently pinned down a project in Chongqing to utilize the abundant coal-mine methane there for production of liquefied methane. ECO is now constructing a methanol production plant and developing a coal mine in Junger, Erdos, Inner Mongolia; both are expected to be commissioned by the end of 2010. The annual production capacity of this methanol plant is 200,000 tonnes of methanol. For its coal mining and coking plant project in Fengcheng, Jiangxi province, the total amount of resources reserves of coal mine projects invested by ECO is approximately 180 million tonnes, including thermal coal and prime coking coal. ECO is also proactively developing and establishing vehicular clean fuel filling station businesses in places such as Shandong, Shanxi, Shaanxi, Henan and Liaoning provinces following the successful commissioning of a compressed natural gas filling station in Shaanxi province in 2008.

(IV) Property development

For the property development projects of Grand Promenade and Grand Waterfront, over 99% and over 98% of their total residential floor areas had been sold by the end of December 2009. For property leasing, this group has an 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 performance.

Hong Kong and China Gas anticipates steady growth and an increase of about 26,000 new customers in Hong Kong during 2010, whilst its city-gas and natural gas businesses in the Mainland are expected to continue to progress well. It is anticipated that the results of this group's emerging environmentally-friendly energy businesses and Mainland utility businesses will reach the same level as that of Hong Kong gas businesses in 2012, and will maintain growth momentum faster than Hong Kong businesses thereafter.

Notes 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. Credit rating of A1 (stable) was assigned to the Notes by international rating agency Moody's Investors Service and rating A+ (stable) by Standard and Poor's rating services.

In May 2009, this group further established a US$1 billion medium term note programme through HKCG (Finance) Limited and since then, this group has issued medium term notes with an aggregate amount of HK$3.01 billion at nominal interest rates ranging from 3.90% to 5.00% per annum with a maturity of 10 to 40 years. These included the first ever issue of 30-year notes and 40-year notes - the longest term corporate papers ever issued - in the Hong Kong dollar bond market.

Acquisition Of Interests In Certain Projects By Towngas China

On 17 March 2010, Towngas China entered into an agreement with a wholly-owned subsidiary of Hong Kong and China Gas pursuant to which Towngas China has conditionally agreed to purchase six piped gas projects from Hong Kong and China Gas in the Liaoning and Zhejiang province for a consideration of HK$1,721.75 million, which will be satisfied by issuing new shares of Towngas China to Hong Kong and China Gas. Following completion of the acquisition, Hong Kong and China Gas will be interested in approximately 56.40% of the enlarged issued share capital of Towngas China.

Towngas China currently has existing piped gas projects in Liaoning province. After completion of the acquisition, all of this group's piped gas businesses in the Liaoning and Zhejiang provinces will be held exclusively under Towngas China, which will have 53 piped gas projects in 43 cities serving around 5.5 million users in the Mainland with combined piped gas sales volume of 3.4 billion cubic metres.

Hong Kong Ferry (Holdings) Company Limited

(31.36%-owned by the Company)

Stock code: 50   Website: www.hkf.com

Background and Lines of Business

After running a passenger ferry operation in the territories for over 80 years since its establishment in 1923, Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry", formerly known as The Hongkong and Yaumati Ferry Company Limited prior to a corporate restructuring in 1989) currently focuses on business activities of property development and investment; ferry, shipyard and related operations; travel and hotel operations.

(I) Property Development and Investment

Metro Harbour View: Located at 8 Fuk Lee Street, Tai Kok Tsui, Kowloon, it consists of 10 blocks of residential buildings, divided into 3,520 residential units, plus a 2-storey commercial arcade and about 1,100 car parking spaces.

Shining Heights: Situated at 83 Sycamore Street, Tai Kok Tsui, Kowloon. It is a 60-storey building of 700 feet high with gross floor area of approximately 336,000 square feet. It is the highest building in the district.

The Spectacle: The project at 8 Cho Yuen Street, Yau Tong has a total gross floor area of approximately 165,000 square feet.

Metro Regalia: The project at 51 Tong Mi Road has a total gross floor area of approximately 53,000 square feet.

This group also has 3 houses in Cheung Sha, Lantau and a warehouse site in Yuen Long as investment properties.

(II) Ferry, Shipyard and Related Operations

Its passenger ferry operations ceased upon transfer of the local ferry licences in January 2000. The ferry operation is now confined to dangerous goods vehicular ferry service. Meanwhile, it also runs harbour cruise and restaurant service, and engages in trading of fuel oil. Its shipyard at North Tsing Yi provides ship repairing and maintenance services as well as certain civil engineering services. The shipyard, built on a site of about 200,000 square feet, is equipped with the largest and most advanced Syncrolift in Hong Kong. The Syncrolift has a lifting capacity up to 2,000 tonnes, and can lift up various types of ships including ferries, work boats, and pleasure crafts. Equipped with a flexible ship transfer system, the Shipyard can drydock ten vessels simultaneously.

The Spectacle offers panoramic views

(III) Travel and Hotel Operations

HYFCO Travel provides comprehensive travel services including local tours, China tours, overseas tours, ship & train ticketing, and hotel reservation. HYFCO Travel has a total of 9 agency offices located all over Hong Kong and Macau.

Silvermine Beach Hotel is a resort hotel located at Silvermine Beach, Mui Wo, Lantau Island with a total of 128 rooms.

The Spectacle's stylish clubhouse

Results for the Year Ended 31 December 2009

The consolidated profit after taxation of Hong Kong Ferry for the year ended 31 December 2009 amounted to approximately HK$1,099 million, compared with the consolidated loss after taxation in 2008 of HK$526 million.

During the year under review, Hong Kong Ferry sold more than 50% of the units of Shining Heights and more than one third of the units of The Spectacle. A total of 372 residential units were sold which accounted for a profit of approximately HK$770 million. Rental and other income from its commercial arcades amounted to approximately HK$32 million. At the end of the year, the occupancy rates of commercial arcade of Metro Harbour View and Shining Heights were 95% and 66% respectively. The commercial arcade of MetroRegalia was fully let.

Hong Kong Ferry acquired a property located at 52-56 Kwun Chung Street for leasing purpose and it might be redeveloped into a new building with a gross floor area of 14,000 square feet. It also acquired a great majority of the ownership of the property at 204-214 Tung Chau Street, which comprises six blocks of buildings with a site area of approximately 6,600 square feet. It will be re-developed into a commercial/residential building with a gross floor area of approximately 55,000 square feet upon consolidation of its entire ownership.

Its investments in available-for-sale securities and equity-link-notes recorded marked-to-market profits of HK$54 million and HK$257 million respectively.

The Ferry, Shipyard and Related Operations recorded a profit of approximately HK$3 million in total, a decrease of 17% as compared with last year. The Harbour Cruise operation achieved a profit of HK$2 million, whilst the Shipyard operation recorded a loss of approximately HK$3.1 million against a slide of 22% in its turnover.

The Travel operation recorded a profit of HK$0.7 million. After the completion of renovation of Silvermine Beach Hotel, its turnover rose 2.8%, reducing the loss to HK$2 million, a decrease of 11%.

The revenue from the sale of flats at Shining Heights and The Spectacle will be the major source of income of the year, whilst Hong Kong Ferry will continue to look for properties with re-development potential at reasonable prices.

Miramar Hotel and Investment Company, Limited

(44.21%-owned by the Company)

Stock code: 71 Website: www.miramar-group.com

Background and Lines of Business

Based in Hong Kong, Miramar Hotel and Investment Company, Limited ("Miramar") was established in 1957 and has been listed on the Hong Kong Stock Exchange since 1970. Miramar has a diversified business portfolio covering hotels and serviced apartments, property investment, food & beverage and travel services in Hong Kong, mainland China and the United States.

(I) Hotel ownership and hotel management business

Miramar owns and/or provides management services for a total of eight hotels and serviced apartment complexes. Miramar is the sole owner of The Mira Hong Kong ("The Mira") in Hong Kong and of Miramar Apartments in Shanghai, a block of serviced apartments, both of which properties it also manages. This group also partially owns two hotels in Shekou, and provides contract management services for both these and for another three independently owned hotels in Shanghai and Hong Kong, along with an independently owned service apartment complex in Hong Kong.

(II) Property business

Opposite The Mira are the Miramar Shopping Centre and Miramar Tower, Miramar's premier investment properties with a total gross rentable area of over 1.0 million square feet. For the Shopping Centre, Miramar has over recent years carried out an ongoing process of upgrading its tenant mix, recruiting tenants that best support an image of youth and trend-setting fashion, and moving the shopping centre more upscale to match its shift upwards in hotel style. Miramar Tower, the office tower above the Miramar Shopping Centre, comprises 18 storeys of Grade A office space. This modern and quality commercial property features a well-planned layout and the latest technological advancements in building management. In Placer County, California of the United States, Miramar owns approximately 80 acres of residential land and 70 acres of commercial land for sale.

(III) Travel business

Miramar Express, with more than two decades of experience, is the official Hong Kong general agent for Crystal Cruises, voted the World's Best Cruise by Conde Nast Traveller. This company also provides business and tourist shuttle services, airport transfers and even wedding rentals all the way to Guangdong Province. With branches across Hong Kong, Kowloon and the New Territories since its establishment in 2006, Miramar Travel is the trusted choice for providing worldwide tours, booking air tickets and hotels, cruise holidays, free and individual travel packages.

(IV) Food and beverage operations

Miramar operates three Tsui Hang Village restaurants: one located in the Miramar Shopping Centre, Tsim Sha Tsui; one in the New World Tower, Central; and one situated in Club Marina Cove, Sai Kung. This group also operates one Sichuan restaurant named Yunyan Szechuan Restaurant located in the Miramar Shopping Centre, and Two ifc venues: Cuisine Cuisine and a high-end French restaurant named "The French Window", which was converted from Lumiere in 2009.

Results for nine months ended 31 December 2009

Miramar's turnover amounted to approximately HK$1,303 million for the nine months ended 31 December 2009 (the "Reporting Period"), compared with HK$1,616 million for the twelve months ended 31 March 2009 due to the change of financial year end date. Profit attributable to shareholders amounted to approximately HK$243 million (for the twelve months ended 31 March 2009: HK$164 million). Excluding the net increase in the fair value of its investment properties, profit after tax from its core businesses for the nine months period was approximately HK$152 million (for the twelve months ended 31 March 2009: HK$276 million).

Subsidiary & Associated Companies

"The French Window" in the ifc mall was opened in December 20009

During the first six months of the Reporting Period, The Mira Hong Kong ("The Mira"), its flagship hotel, was still under renovation which led to a decline in its occupancy rate and operating profit. The average occupancy rate for the Reporting Period decreased by approximately 15 percentage points while the average room rate was kept at a constant level as compared to the previous period of twelve months ended 31 March 2009. Following its grand opening on 17 September 2009 with renovation substantially completed, occupancy rate surged with an increase of over 40% in room rate as compared to the pre-renovation period.

Miramar has launched a brand-new website for The Mira, designed to encourage direct online bookings for the hotel, whilst representative offices were also established in mainland China, Japan, the United States and Australia, strengthening the prospects of increased room sales for the hotel sector.

The property rental business registered a turnover of approximately HK$364 million during the Reporting Period with occupancy maintained at about 87%. The average unit rate of Miramar Shopping Centre for the Reporting Period increased by approximately 8% in comparison with that of the previous period of twelve months ended 31 March 2009, whilst its average occupancy rate decreased by approximately 9 percentage points mainly due to tenants who were located in Basement 1 being moved out for refurbishment work, which commenced in September 2009. This refurbishment work will be completed and new tenants will move in during the first quarter of 2010. Meanwhile, the average occupancy rate of Miramar Tower for the Reporting Period dropped by approximately 4 percentage points while the average unit rate increased by approximately 8% when compared to the previous period of twelve months ended 31 March 2009.

Within the Tsim Sha Tsui district two new shopping centres opened in 2009 while a shopping centre will open next to The Mira in 2010, adding a total gross floor area of approximately 1,300,000 square feet. The retail property leasing market will witness intense competition in the coming year, but at the same time, it will make the district more attractive for visitors. Miramar has thus commenced the renovation of the Miramar Tower's common area in the fourth quarter of 2009, with completion expected to be by early 2011. It has also decided to renovate the shopping centre within The Mira from basement 1 to 2/F of the hotel building in the middle of 2010 and the work will probably take about a year.

The closure for renovation of Lumiere in the ifc affected the patronage of the neighbouring Cuisine Cuisine. This, together with the global financial turmoil and Human Swine Flu Pandemic outbreak, resulted in a loss for the food and beverage division during the Reporting Period. To respond to these challenges, Yunyan Szechuan Restaurant is scheduled to be renovated in early 2010, and Lumiere re-opened after a complete transformation in December 2009 as an upscale French-style dining venue named "The French Window". They will also continue with their plans for gradual expansion in mainland China, with a Chinese restaurant planned to be set up in Beijing in the year 2010.

Total turnover for its travel business amounted to approximately HK$605 million during the Reporting Period, representing an increase of approximately 20% as compared to the same period last year, whilst the operating profit rose approximately two times. Such successful performance was largely due to a boost in travellers by its competitive differentiation strategy in long-haul tours, with an approximately 140% rise as compared to the previous whole-year period. Meanwhile, its travel arm continues to be the first and only accredited agent in Hong Kong of Richard Branson's Virgin Galactic enterprise, which offers the opportunity of space travel to wealthy individuals, further underlining its status for innovative and up-market travel.

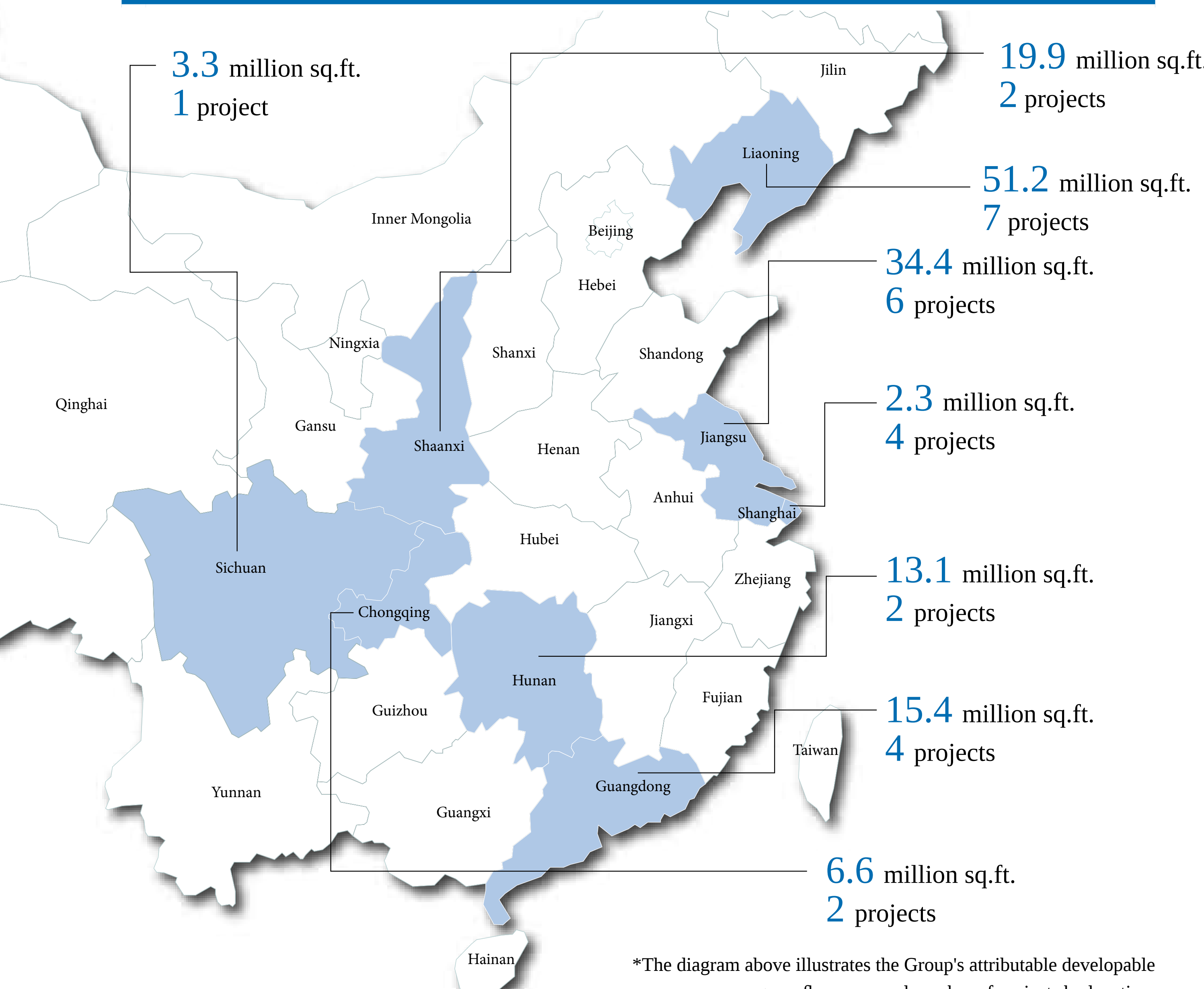
A TIMELESS MASTERPIECE

Inspired by the elegance of a simple crystal jewel box, the Cesar Pelli designed World Financial Centre stands as a defining icon in Beijing, at the centre of the world's cultural heritage and global business. wfc is a timeless masterpiece incorporating unique sparkling crystal walls, a contemporary artistic interpretation of the symbols of success and prosperity by the award winning Michael Hammers. Awarded "Intelligent Building of the Year 2009", as well as LEED and BEAM certifications for its environmental friendliness and energy efficiency, wfc provides a dazzling new headquarters for global corporations, including Standard Chartered Bank (China) Limited.

Land Bank

2009 HIGHLIGHTS

- Land bank in mainland China expanded with an attributable developable gross floor area of 146.2 million square feet plus 5.2 million square feet of completed properties for leasing
- Property sales attributable to the Group amounted to HK$330 million, mainly from the remaining stocks of Hengli Wanpan Huayuan in Guangzhou
- Encouraging response received from the pre-sales of the Arch of Triumph, the first of such projects by the Group in the Mainland's second-tier cities
- Attributable gross rental income grew by 84% to HK$497 million against an improved investment property mix and is set to increase with more completions in Shanghai



*The diagram above illustrates the Group's attributable developable gross floor area and number of projects by location.

Land Bank

For the eighteen months from July 2008 to December 2009, the real estate market in mainland China swiftly experienced a consolidation, contraction, revival and rejuvenation, followed by extensive and heated growth. With timely policy adjustments and effective measures decisively implemented by the Central Government, mainland China successfully navigated out of this recessionary crisis.

The onset of global financial turmoil in the second half of 2008 and the resultant wait-and-see attitude adopted by some homebuyers put the property market into the doldrums, with a general decline in both transaction volume and transacted prices. Even though fewer land auctions were held by the local governments, there were repeated incidents of auctions being called off for some residential land sites, whilst for those land lots successfully sold, transactions were mostly recorded at the reserve price levels. In the fourth quarter of 2008, the Central Government introduced a massive economic stimulus package of RMB4 trillion and adopted a moderately loose monetary policy. Meanwhile, austerity measures targeted at the property market were relaxed and a series of preferential housing policies were put forward instead. In order to promote home purchases by end-users and stabilize the property market, the Central Bank also cut the deposit and loan benchmark rates consecutively from September 2008 onwards.

In early 2009, the property market was still being driven by pessimistic sentiment and a wait-and-see attitude, leading to a further drop in the transaction volume. However, the combined effect of the launch of a series of home-ownership incentives by the Central Government, together with a relaxation of housing loans by banks, concerted efforts made by local governments through the introduction of various subsidies for home purchases, as well as a general price cut by developers to promote property sales, led to huge pent-up demand and a considerable amount of housing stocks being subsequently snapped up. Market conditions thus improved substantially and property prices stabilized.

Starting from the latter part of the second quarter of 2009, the minimum capital requirements for certain industries (including investment in commodity housing projects) were adjusted downwards so as to stimulate further growth of fixed asset investment and to stabilize the economy. From the third quarter of 2009 onwards, land auctions became increasingly competitive and record-breaking deals were commonly seen across different cities in the country. High auction prices, together with widespread participation by developers, reflected their optimism for the market outlook. Re-ignited speculation was seen in certain cities and the housing price rally aroused the concerns not only of the general public, but also of the Central Government. By the end of 2009, the Central Government called for strengthening of credit management and controls on risk exposure (including the tightening of individual housing credits and cancellation of preferential measures for second-home mortgages) in those regions where the property market has exhibited great volatility.

The Group is fully confident of the long-term prospects for the Mainland property market. Although a steady rise in housing price is always preferred, inevitably external economic factors, investment and speculative activities will cause some short-term ripples which the Group has been well adjusted to deal with over the years. It is an indisputable fact that mainland China is now an economic powerhouse that is fuelling global growth and its property market is set to expand even further in light of its huge and unfulfilled demand for better housing. As such, the Group will adhere to its long-term development strategy, focusing on the high-growth second-tier cities in addition to building commercial investment properties at prime sites in the prime cities. In these cities, the sales response for quality residences has been encouraging with a sustained growth in housing prices.

Backed by its rich experience in the property sector as well as its financial strength, the Group has successfully met the challenges posed by the prevailing market changes. In view of the continued economic growth in the Mainland as well as its increasing affordability, the Group will focus on developing medium to high-end residences. By employing world-renowned architects, and working with leading homegrown design houses, top-quality residences that offer the finest living conditions, design layout, complementary facilities and landscaping will be offered to prospective customers. This market positioning will also avoid competing with the low-cost economical housing. In order to ensure an overwhelming response for the presale of these quality properties, much time has been spent on designing the clubhouses, sales centres, show flats, landscape and the overall project planning. During the period, the Group has developed long-term strategic co-operation relationships with a number of leading and reputable contractors, international architects, domestic design houses and landscape planning consultants.

In the first half of 2009, many developers slashed their offer prices considerably in a bid to move their housing stocks and improve liquidity. With its solid financial strength as evidenced by its low gearing ratio, the Group was not under any pressure to deliberately lower prices. Instead, the Group capitalized on this opportunity to buy a number of sizeable land lots in scenic low-density residential areas right in the heart of the second-tier cities of Dalian, Anshan and Tieling.

As scheduled, the first phase of the “Arch of Triumph” project in Changsha was launched for pre-sale in October 2009 and all the available units were snapped up amid keen interest from homebuyers, with the achieved price setting a new record in the

Land Bank

area. Highly commended was the building layout, as well as the quality design and clubhouse facility, all of which will serve as a blueprint for the Group's planning and sale of future developments in the Mainland. This was the first time the Group had applied its Hong Kong marketing techniques and strategy in tandem with local practices and customs for the sales launch of a property project in a second-tier Mainland city. The response was so encouraging that the Group will speed up the construction of various premier development projects in the second-tier cities, whilst their marketing activities and brand promotion are also under active planning.

By the end of December 2009, the Group's Mainland land bank had an attributable developable gross floor area of 146.2 million square feet.

Land bank under development or held for future development

		Group's share of developable gross floor area* (million sq.ft.)
Prime cities		
Shanghai		2.3
Guangzhou		15.4
	Sub-Total:	**17.7**
Second-tier cities		
Anshan		18.0
Changsha		13.1
Chengdu		3.3
Chongqing		6.6
Dalian		1.6
Nanjing		2.4
Shenyang		17.2
Suzhou		17.0
Tieling		14.4
Xian		19.9
Xuzhou		5.3
Yixing		9.7
	Sub-Total:	**128.5**
	Total:	**146.2**

** Excluding basement areas and car parks*

Land Bank

Usage of development land bank

	Developable gross floor area (million sq.ft.)	Percentage
Residential	120.0	82%
Office	8.0	6%
Commercial	13.5	9%
Others (including clubhouses, schools and community facilities)	4.7	3%
Total:	**146.2**	**100%**

"Arch of Triumph" in Changsha was highly sought-after by the market and the launch of its first phase of development was greeted with an overwhelming response. In response, the Group prepared to launch more projects for sale, whilst a number of prime sites (such as those in Dalian, Anshan and Tieling in the province of Liaoning as mentioned below) were also added to the Group's development land bank in mainland China. Land lots newly acquired during the eighteen months ended 31 December 2009 are summarized below.

In Chengdu, the Group entered into a joint venture in July 2008 with Sun Hung Kai Properties Limited and The Wharf (Holdings) Limited 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. Upon completion, this high-end commercial-cum-residential development will comprise a premium office tower, a five-star hotel, a high-end shopping centre and luxury residences, providing a total gross floor area of over 11,200,000 square feet, of which about 3,360,000 square feet is attributable to the Group.

In Changsha, 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 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. 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 5,440,000 square feet is attributable to the Group.

After the Pearl River Delta and Yangtze River Delta, Pan Bohai Rim is expected to become another high growth region in mainland China. Therefore, the Group recently increased its investment in Liaoning Province following its previous successful bids for the land sites in Shenyang. In June 2009, the Group won the bids for two prime sites in Anshan, a famous industrial city in this province. An old stadium site in the city centre was acquired for about RMB462 million which will be developed into a high-end residential community with a total gross floor area of about 3,730,000 square feet against a site area of approximately 620,000 square feet. In another prestigious residential district, a land lot of approximately 5,490,000 square feet was purchased at about RMB765 million which will be built into a residential development offering a total developable gross floor area of about 14,260,000 square feet. In Dalian, a port city at the southern tip of the province, the Group acquired a land lot of approximately 3,200,000 square feet for a consideration of RMB320 million in October 2009 which will be developed into luxury, low-density residences with a total gross floor area of approximately 1,550,000 square feet. In Tieling, a neighbouring city of Shenyang, the Group also successfully bid for two sites for an aggregate consideration of approximately RMB800 million in late 2009. Of these two sites, a 2,800,000-square-foot land lot is earmarked for commercial development with an expected gross floor area of approximately 4,900,000 square feet, whilst the other land parcel is planned to be a low-density residential development with a gross floor area of approximately 9,500,000 square feet.

For the eighteen months ended 31 December 2009, property sales in mainland China attributable to the Group amounted to approximately HK$330 million, mainly relating to the remaining stocks of Hengli Wanpan Huayuan in Guangzhou which was already completed in early 2008. Meanwhile, the Group's attributable gross rental income grew by 84% to HK$497 million.

CENTRE STAGE FOR THE WORLD EXPO

The Group's substantial new commercial projects in the heart of Shanghai are capitalizing on opportunities arising from the World Expo in 2010. Among the spectacular new editions that Henderson Land is bringing to Shanghai's skyline are Centro and Henderson Metropolitan, with its outstanding Tange Associates designed facade. Combining prime Grade-A office premises with spacious retail facilities, both projects are located in the city's most popular commercial areas.

Progress of Major Development Projects

Anshan

City Centre Old Stadium Site (100% owned)

Adjacent to the scenic Yufoshan municipal park, an old stadium site of approximately 620,000 square feet in the city centre will be developed into a high-end residential community with a total gross floor area of approximately 3,730,000 square feet.

Project in Yingchengzi (100% owned)

In an upscale residential district, a land lot of approximately 5,490,000 square feet will be developed into a low-density residential neighbourhood with medium to high-rise luxury apartment blocks, providing a total developable gross floor area of 14,260,000 square feet.

Changsha

Arch of Triumph (99% owned)

Arch of Triumph is a comprehensive community development in the prime location of Xingsha Town. Situated on the city's main traffic artery of Kai Yuan Road, the whole project will be built in four phases, providing homes for over 4,000 families with an aggregate gross floor area of approximately 7,700,000 square feet. The first phase of its developments with a total residential gross floor area of about 1,300,000 square feet is set to be completed in July 2010, while the commercial area and clubhouse will be completed by the end of 2010. The first batch of apartments was launched for pre-sale in October 2009 and they were sold out amid positive market response.

Arch of Triumph, Changsha (artist's impression)

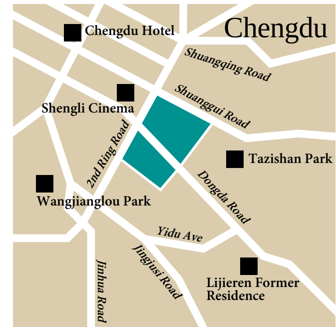
Project in Gaoling area (81% owned)

In the Gaoling area of the Kaifu District, a land lot of about 620,000 square feet, together with its adjacent land lot with a site area of approximately 3,900,000 square feet, will be jointly developed into a large-scale residential community with a total gross floor area of about 6,720,000 square feet, of which 81% or approximately 5,440,000 square feet is attributable to the Group.

Progress of Major Development Projects

Chengdu

Project in Dongda Avenue (30% owned)



The Group entered into a joint venture agreement in July 2008 with Sun Hung Kai Properties Limited and The Wharf (Holdings) Limited on a 30:40:30 ownership basis to jointly develop a composite development site of approximately 1,860,000 square feet on Dongda Avenue in this capital city of Sichuan Province. The development is located in Jinjiang District with easy access to two subway lines which are either under construction or under planning. The Dongda Avenue project is planned to provide a premium office tower, a five-star hotel, a high-end shopping centre offering international retailers and luxury residences. In line with the preliminary proposal, a total gross floor area of over 11,200,000 square feet will be provided upon completion, of which approximately 3,360,000 square feet is attributable to the Group.

Chongqing

Project in Chongqing Nan An District (100% owned)

Adjacent to a municipal park in the Nan An District, the project is earmarked for a luxury riverside residential development, complemented by a commercial area, 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, offering most of its 3,000 housing units a full southern view of the Yangtze River. 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 scheduled completion by the fourth quarter of 2011.

Project in Chongqing Nan An District, Chongqing (artist's impression)

Project in Chongqing Gaoxin District, Chongqing (artist's impression)

Project in Chongqing Gaoxin District (100% owned)

Located on a site next to the Chengdu-Chongqing Expressway with many scenic attractions such as Caiyun Lake and Jade Park in its proximity, this 2,800,000-square-foot development is planned to comprise residential apartments, a clubhouse, kindergarten and shopping facilities, providing 2,000 families with a quality residential environment. The first phase of its development, which provides a total gross floor area of about 280,000 square feet, is due for completion in the second quarter of 2011 and marketing will start in the third quarter of 2010.

Progress of Major Development Projects

Nanjing

Treasure Garden (90.1% owned)

In the downtown area of Qixia District, a site of about 600,000 square feet will be developed into a residential development with a total gross floor area of about 900,000 square feet. With Maigaoqiao subway station nearby, this project is situated close to plenty of lifestyle and daily amenities such as healthcare, cultural and sports facilities. Following the commissioning of its nearby road network, construction is scheduled to begin in the third quarter of 2010 and Phase 1 development is slated for completion by the third quarter of 2011. Pre-sale is expected to be launched in the first quarter of 2011.

Treasure Garden, Nanjing (artist's impression)

Emerald Valley (100% owned)

In Xianlin New District, a land lot of about 1,600,000 square feet is planned to be developed into a high-end residential project, complemented by a nursery, amenities, a community centre and other facilities, providing an aggregate gross floor area of about 1,700,000 square feet. With the relocation of universities and colleges into this new district and the completion of Xianlin subway station in the near future, this university town's community facilities and transportation network will be further enhanced. The master layout plan and unit types have been approved and construction for its Phase 1 development is scheduled to commence in the second quarter of 2010 with planned completion by the second quarter of 2011. Pre-sale is expected to be launched in the fourth quarter of 2010.

Emerald Valley, Nanjing (artist's impression)

Shanghai

Centro (100% owned)

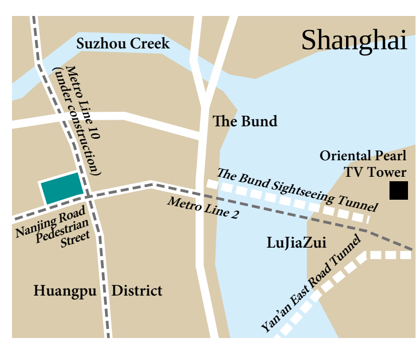
Located at the 130-2 Tianmu Road West of Zhabei District, Centro boasts approximately 370,000 square feet of office space and 60,000 square feet of retail area. It has just been completed in early 2010 and pre-leasing has been going well as the energy-efficiency features of this building are highly sought after by cost-conscious tenants.

Centro, Shanghai

Henderson Metropolitan (100% owned)

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. With a direct link to a subway station which will be the interchange for two major subway lines, as well as a distinctive design for its facade by the acclaimed architect, Tange Associates of Japan, this 730,000-square-foot development is attracting an array of the world's most respected brands, speciality restaurants and multinational corporations as its potential tenants. This complex is scheduled for completion in the first half of 2010, in time to benefit from the 2010 Shanghai World Expo.

Henderson Metropolitan, Shanghai (artist's impression)



Progress of Major Development Projects

Lot 147, Tianmu Road West (100% owned)

The project at Lot 147 Tianmu Road West of Zhabei District, which contains offices and retail space with a combined gross floor area of about 410,000 square feet, will be completed and held for leasing in 2011.

Lot 147 Tianmu Road West, Shanghai (artist's impression)

Lot 688, Nanjing Road West (100% owned)

The project at Lot 688 Nanjing Road West, which provides a total gross floor area of approximately 700,000 square feet comprising a 22-storey office tower plus a 2-level retail podium, is poised to be another landmark in Jingan District due to its innovative, quartz-like facade designed by Tange Associates. Construction is now under way and it will be held for leasing upon completion in the second quarter of 2012.

Lot 688, Nanjing Road West, Shanghai (artist's impression)

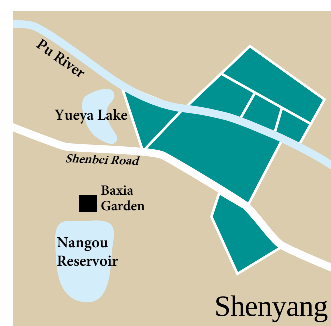
Shenyang

Shenyang International Finance Centre, Shenyang (artist's impression)

Shenyang International Finance Centre (100% owned)

The Shenyang International Financial Centre project is located at Youhao Main Street/Huigong Street, and is part of the Shenyang Finance & Trade Development Zone. To the north is the Shenyang North Railway Station, whilst the subway line 2, which is to be operated by Hong Kong's MTR Corporation, will commence its service in 2012 and connect different parts of the city with an underground station in the vicinity, bringing added convenience to this project. This project will comprise serviced apartment buildings, a suite hotel, an office tower and a shopping centre, providing a total gross floor area of about 5,700,000 square feet.

Puhe New District Development (100% owned)



Located in the scenic Puhe New District Development with Yueya Lake, Pu River, parks and hills within the vicinity, a site of around 7,000,000 square feet will be developed into a European-styled, low-rise and low-density residential development. The master layout plan has been approved and the construction for its first phase of development, with a total gross floor area of about 278,000 square feet, will begin in the second quarter of 2010. Pre-sale is expected to be launched in the fourth quarter of 2010, with scheduled completion in the second quarter of 2011.

Puhe New District Development, Shenyang (artist's impression)

Progress of Major Development Projects

Suzhou

Riverside Park (100% owned)

In Xiangcheng District, a 3,200,000-square-foot residential land lot 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. This project will enjoy convenient access to every corner of the city following the extension of the main north-south bound thoroughfare "Renmin Road North" to the site in late 2008, and connecting trunk roads and a subway system being now either under construction or planning. As Suzhou enjoys the reputation of the "Venice of the East", the whole project calls for a contemporary water-themed planning design. The world-renowned Aedas Limited has been appointed as the design architect for the residential development. With the approval of the master layout plan and the issuance of a Building Permit in December 2009, the construction for the first batch of about 500 luxury residences with a total gross floor area of about 670,000 square feet commenced in the fourth quarter of 2009. Pre-sale is planned to be launched in the third quarter of 2010, with scheduled completion in the third quarter of 2011.

Riverside Park, Suzhou (artist's impression)

Xian

La Botanica (50% owned)

La Botanica is a 50/50 joint venture formed by the Group and Temasek Holdings (Private) Limited of Singapore. Located within the scenic Chan Ba Ecological District, this riverside community development will have easy access to the city centre via the Third Ring Road East and subway system (which is under construction). The entire project will have a total gross floor area of about 33,000,000 square feet upon completion, of which 90% is designated for residential use providing homes to 30,000 families. Construction work for Phase 1A of the development commenced in July 2008 and upon completion in 2010, it will provide a total gross floor area of approximately 1,155,000 square feet for about 1,000 households. For the first batch of 585 units released for pre-sales, 94% had already been sold by end of 2009.

Phase 1A, La Botanica, Xian (artist's impression)

Progress of Major Development Projects

Xian

Project on Jin Hua North Road (100% owned)

Located at Jin Hua North Road on the main artery of Second Ring Road East in proximity to the planned subway station, high rise apartment towers will be built around its spacious green landscape and residents' clubhouse, offering open views to about 3,000 households. The entire project will have a total gross floor area of around 3,400,000 square feet. Following the foundation stone laying ceremony in March 2009, construction of its first phase of about 530,000 square feet commenced in the fourth quarter of 2009, and is expected to be completed in the fourth quarter of 2011. Pre-sale for this phase is scheduled to be launched in the third quarter of 2010.

Project on Jin Hua North Road, Xian (artist's impression)

Xuzhou

Xuzhou Lakeview Development (100% owned)

Located in the scenic Dalong Lake area in proximity to the new headquarters of the municipal government, the project is being developed in four phases, providing a total residential area of approximately 4,500,000 square feet and a commercial space of approximately 600,000 square feet. With the master layout plan prepared by Aedas Limited, construction has commenced in July 2009. The first phase of construction involving 660,000 square feet of residences is scheduled for sales launch in the third quarter of 2010, and is scheduled for completion in mid-2011.

Xuzhou Lakeview Development, Xuzhou (artist's impression)

Yixing

Island Palace (100% owned)

In the city centre, an island of about 400,000 square feet is being developed into a luxury residential community and upon its single-phased completion by August 2011, there will be townhouses, mid and high-rise apartments and a residents' clubhouse, providing a total gross floor area of about 700,000 square feet. Foundation work was completed in late 2009 and superstructure work is now underway. This project is planned to make its first foray into the market in the third quarter of 2010.

Island Palace, Yixing (artist's impression)

Grand Lakeview (100% owned)

In Dongjiu District, which is just a 5-minutes drive from the city centre, a lakefront site of about 5,600,000 square feet 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 second quarter of 2010 and the first phase of about 153,000 square feet of residences will be launched for sale in the first quarter of 2011 with the scheduled completion in the fourth quarter of 2011.

Grand Lakeview, Yixing (artist's impression)

Major Investment Properties

In the Mainland, the Group had another 5.2 million square feet of completed investment properties: mainly offices and shopping centres in the prime locations in Beijing, Shanghai and Guangzhou. Over the years, the Group has been optimizing its investment property mix in mainland China, gradually increasing the proportion of premier grade projects by building new landmark developments in prime locations.

Major Completed Mainland Investment Properties

Project name and location	Lease expiry	Group's interest (%)	Attributable gross floor area (million sq.ft.)			
			Commercial	Office	Carparks	Total
World Financial Centre, Beijing	2044	100	0.14	1.99	–	**2.13**
Henderson Centre, Beijing	2033	100	0.89	–	0.24	**1.13**
Office Tower II, Grand Gateway, Shanghai	2043	100	–	0.69	–	**0.69**
Skycity, Shanghai	2042	75	0.22	–	0.07	**0.29**
Hengbao Plaza, Guangzhou	2040	100	0.70	–	0.23	**0.93**
			1.95	2.68	0.54	**5.17**

Status of Major Completed Investment Properties

Beijing

World Financial Centre, Chaoyang District (100% owned)

Completed in January 2009, World Financial Centre in Beijing, together with other neighbouring architectural wonders, defines a new image for the Chao Yang Central Business District of Beijing. Designed by the world-renowned Cesar Pelli as twin "crystal jewel boxes" incorporating special effect facade lighting on the exterior, this development is equipped with advanced facilities and green spaces, making it an International Grade A office complex in Beijing. As testimony to the Group's efforts on sustainable development, these two 22-storey, 2.1 million-square-foot office buildings were accredited with "Platinum Rating" in the Building Environmental Assessment by HK-BEAM Society and awarded "Distinction" in the Certificate of Intelligent Building Index Assessment by the Asian Institute of Intelligent Buildings. Its list of tenants to date includes many renowned financial institutions and multinational corporations. Standard Chartered Bank, Mizuho Corporate Bank, International Air Transport Association, FAW Toyota and Novo Nordisk have all become anchor tenants.

World Financial Centre, Beijing

Beijing Henderson Centre, Dongcheng District (100% owned)

Completed in 1997, the shopping mall of the Beijing Henderson Centre is wholly-owned by the Group following the acquisition of the remaining 25% stake in August 2007. At the end of December 2009, its leasing rate was over 90%.

Major Investment Properties

Shanghai

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

Located directly above the Xujiahui subway station, the twin towers of The Grand Gateway emerge as the landmark in the Xujiahui commercial circle. As at 31 December 2009, its Office Tower II was over 90% let with many multinational corporations such as Microsoft, Adidas, Tesco and Yum! Brands Inc. remaining as its anchor tenants.

Skycity, Zhabei District (75% owned)

Completed in 1997, Skycity comprises a four-storey commercial podium and 272 basement car parking spaces. As the main Shanghai Railway station and two metro stations are all within walking distance, many Mainland enterprises and retailers expressed interest in being tenants.

Office Tower II, The Grand Gateway, Shanghai

Guangzhou

Hengbao Plaza, Liwan District (100% owned)

Hengbao Plaza, located above the Changshou Road subway station, offers a one-stop shopping experience to its captive customers from neighbouring residential developments as large-scale retailers, fast food chains and fashion boutiques are all located there. Hengbao Plaza recorded a 10% year-on-year growth in rental income with almost 90% leasing rate by the end of 2009.

Macau

Joint-Venture Development in Macau

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

Human Resources

Henderson Land's position as one of the most forward thinking and dynamic property development groups is in no small part a result of the personal commitment demonstrated by each employee, day after day, in the service of the Group's objectives. As at 31 December 2009, the Group had approximately 7,700 full-time staff. With human resources as the most valuable asset of the Group, Henderson Land is committed to exploiting individuals' talents while also encouraging staff to maintain an equitable work-life balance. To meet the challenges resulting from development of the business of the Group as well as the different workplace needs that emerge in a large organization, Henderson Land is committed to designing regular training courses for all staff. To nurture employee relationships, teamwork and communication, the Group regularly conducts activities that cultivate a sense of belonging among staff while also focusing on the continuous development of an outstanding team of individuals.

Staff Training and Development

To fully exploit the talent of its staff, the Group fosters a culture of continual learning by providing comprehensive study and training opportunities. Training supports each employee's ambitions to learn in order to achieve the professional objectives of their roles within the Group. In addition, training provides a means to become better acquainted with the Group and its culture, its environment, and its activities. During the year, a total of 43 internal training programmes and seminars were organized by the Group including "Orientation Programme", "Business Etiquette", "Light Pollution", "Putonghua Course", "Mental Health" and a series of seminars on China Business. These programmes were attended by 1,128 participants, accounting for a total of 254 training days. The Group's subsidiaries also organized various training activities for their staff. In addition to in-house training programmes, the Group also provided staff with an educational subsidy to encourage and support employees who wished to improve their professional knowledge and skills by enrolling in external courses. The Group has also established an internal e-Learning network to promote a culture of "continual learning" and to enhance the self-learning initiatives of its staff.

Understanding the Mainland's Business Dynamics

The economy of mainland China has advanced at a remarkable pace, resulting in significant sustained socio-economic interaction between the Mainland and Hong Kong. With its business activities expanding significantly in mainland China in recent years, the Group recognizes the need to equip its staff with the necessary knowledge and skills to support such developments and regularly conducts training courses and seminars for this purpose.

A series of seminars on China Business

During the year, the Group ran a series of China Business seminars to help staff appreciate the latest developments in the Mainland market. The seminars covered topics on issues relating to environmental protection and economic development.

Seminar on "China's Economic Development – Review of 2009 and Looking Forward to 2010"

Putonghua Courses

With the Group's steady expansions of its business activities in mainland China, Putonghua language capability of Mainland market-focused staff is becoming essential. During the year, regular Putonghua training courses were conducted for general staff. In addition, to address the individual requirements of certain departments, the Group also conducted a series of tailor-made Putonghua courses to further strengthen the language proficiency of executives in their daily work.

Orientation Programme

The Group provided an orientation programme for new employees every month. The programme was intended to help them quickly adapt to their working environment by enabling them to learn all about Henderson Land. It provided an occasion for them to foster their first acquaintances within the Group, while also helping to create a sense of belonging by offering shared terms of reference in respect of the Group's culture, values, business principles and methodologies.

Enhancing Personal Skills

Henderson Land commits substantial resources to organizing practical training courses. During the year these included a Business Etiquette programme, which provided employees with guidance on how to represent the Group in a professional manner and also on how to enhance their interpersonal skills. Other practical training included workshops on computer software applications, with the objective of enhancing employees' computer literacy and IT skills.

Enhancing Environmental Awareness

With the increasing prevalence of concerns about global warming and environmental issues, the Group has taken an active stand to promote awareness and action among Henderson Land staff. As one example of this during the year a series of seminars on light pollution were organized.

Work-life Balance

In its pursuits to encourage all staff to maintain a healthy work-life balance, the Group raises their awareness of physical and psychological workplace health issues. As one such initiative, during the year staff participated in seminars that helped them to understand mood disorders.

Staff Activities

Henderson Land places great emphasis on maintaining strong communication between departments both as a function of business, but also to ensure colleagues can socialize with each other outside the workplace. A variety of social activities and dinner gatherings were organized during the year for all staff.

In December 2009, the Group's annual Christmas party took place in the Ballroom of The Mira. During the evening, commemorative gold and silver plates were presented to colleagues who had served the Group for twenty and ten years respectively. All guests and staff had an enjoyable evening, with entertainment that included singing and African Drums performances, rounded off by a lucky draw featuring attractive prizes.

Among the various contests organized by the Group for its staff, the "Cooking Competition 2009" allowed employees to demonstrate their culinary skills and share their knowledge and experiences of cooking with their colleagues.

The Group invited Ms. Annie Wong, a famous chef and cookery instructor from Towngas Cooking Centre, to be the judge of the Competition.

As a responsible corporate citizen, the Group holds a Blood Donation Day every year in response to the ongoing appeal by the Hong Kong Red Cross for blood donations. In July 2009, the Human Resources Department arranged for a mobile donor team from the Red Cross to come to the Group's offices. 72 volunteers from among the Group's employees donated blood during the day.

In April, the Group sponsored and participated in the charity "MTR Hong Kong Race Walking 2009" event, with all funds raised going towards the health promotion activities of the Hospital Authority's Health InfoWorld campaign.

Other Group activities focused on the community during the year included "Green Power Hike", "Dress Special Day", "Love Teeth Day", "Oxfam Rice Sale" and "ORBIS Pin Day".

Dr. Lee and other members of the senior management toasted the Company's staff and wished everyone a merry Christmas and a happy new year.

SUPPORTING OUR COMMUNITY

Henderson Land is committed to a diverse range of corporate social responsibility activities every year. In partnership with government, community bodies, employees and society, the Group sponsors and supports major events that it believes contribute to and engage local communities.

Among these initiatives is its role as sponsor of Hong Kong's annual New Year's Eve countdown event when millions of spectators and television viewers enjoy the spectacular pyrotechnic displays that are launched from the roof of the Group's Two ifc building.

Corporate Social Responsibility

Henderson Land continues to adopt and integrate best practices of corporate social responsibility into its operations, reconciling its business objectives with sustainable growth and social prosperity. The Group recognizes its impact on the community at all levels and works to maximize the economic, social and environmental benefits it brings. During the year, the Group again made significant contributions to supporting meaningful causes and encouraged its employees to extend their help and support to the underprivileged and needy.

Major Community Events

The Group was honoured to support the Hong Kong 2009 East Asian Games as a Diamond Partner. This was the first time that this large-scale international multi-sport event had taken place in Hong Kong. Henderson Land's two year endorsement was tied into the HKSAR Government's promotional campaign to raise public awareness of the Games. The Group contributed HK$5 million in total to support a range of territory-wide activities in the run up to and during the Games. Key initiatives in which the Group participated included a two-phased city dress-up programme, large-scale outdoor billboard advertising and in-mall promotions, live broadcasts of the opening ceremony at the Group's Metro City Plaza and free tickets to the Games for purchasers of designated Henderson Land residential properties.

Ms Bonnie Ngan, General Manager of Corporate Communications Department, attended the Victory Ceremony of the 2009 East Asian Games swimming event at Kowloon Park on 8 December, and presented the medal to the winner.

For the third year in succession, the Group again sponsored the main Hong Kong New Year's Eve countdown event. Organized by the Hong Kong Tourism Board, this celebration have become a signature event for the territory, attracting over 400,000 local and overseas spectators, and receiving substantial coverage in both local and overseas media. The spectacular pyrotechnic display on Two ifc reinforced the ifc's role as the centerpiece of the Hong Kong cityscape.

Arts and Culture

The Venus de Milo sculpture, one of the famous replica pieces on display

The Group's support of interesting community arts and cultural activities was highlighted during the year by its sponsorship of a travelling exhibition from France's Musée du Louvre. The 'Sculptures in Movement – Asian Tour' 2009/2010 exhibition comprises eighteen replica sculptures from the Louvre's 'Touching Exhibition', which was originally conceived as a way to introduce art to the visually impaired. The works on show comprise copies of some of the Louvre's most famous pieces including the 'Venus de Milo', the 'Borghese Gladiator' and 'The Rebel Slave'. The Asian Tour started off in Taipei and Kaohsiung in early 2009 and travelled to Beijing, Fuzhou and Wuhan later in the year. It proved to be extremely popular among both the visually impaired and the 'seeing' public. It is planned that the next leg of the Asian Tour will take place at the Group's prestigious new landmark development in Beijing, the

World Financial Centre, to coincide with celebrations for its grand opening. The Tour will conclude after that in Hong Kong.

During the year the Group participated in Ta Kung Pao's photographic exhibition to celebrate the 60th Anniversary of the founding of the People's Republic of China. The Group sponsored a supplement in the newspaper and exhibition panels that illustrated Dr Lee's philanthropic contribution to mainland China. The photographic exhibition also highlighted Henderson Land's significant contributions to the economic development of mainland China through its business activities, knowledge transfer and job creation. The exhibition was held in Beijing, Hong Kong and Macau.

Mr Lee Ka Kit, Vice Chairman, attended the launch ceremony and received a souvenir from Mr Li Gang, Deputy Director of the Liaison Office of the Central People's Government in the HKSAR.

The Group's involvement in other arts and cultural activities during the year included sponsorship of the 2009/2010 Central & Western District Tourism Festival and the Chinese Opera District Competition 2009.

Education and Environmental Education

Since 2006, Henderson Land has been an active supporter of Summerbridge Hong Kong, a non-profit tuition-free, summer and after-school enrichment programme that helps financially disadvantaged young students strengthen their English and leadership skills, build their self-confidence and view learning as a life long process. The programme has been very successful, with Summerbridge students consistently attaining higher-than-average scores in English Language examinations. The number of beneficiaries has increased with 900 students and 360 teachers participating from 2009 – 2011.

Henderson Land understands the importance of environmental education and is involved in several ongoing initiatives to promote greater awareness of sustainability and related issues. Since 2006 the Group has been a title sponsor of the Green Power Hike, organized by Green Power, which has continuously raised awareness among the community for the need to be good environmental stewards. For this year's Hike, a team of over 100 participants and supporters of Henderson Land and its subsidiaries and associates participated in the event.

The Group's support of the Agriculture, Fisheries and Conservation Department Corporate Afforestation Scheme is in its third year. In partnership with Friends of the Earth, Henderson Land has been restoring two hectares of woodland at Ma On Kong in Tai Lam Country Park, after it was destroyed by hill fires. In May 2009, the Group arranged a staff activity at the site with around 70 staff and their family members helping to replant seedlings as well as to weed and fertilize the area. The seedlings have grown satisfactorily and have helped to achieve an overall growth rate of about 75%.

Henderson Land was a sponsor of another conservation initiative, the Power Smart Contest 2009, organized by Friends of the Earth. The event took place over the summer months and aimed to promote community energy conservation by reducing emissions

Summerbridge students participating in a group project

Henderson Land has been a title sponsor of Green Power Hike since 2006 of air pollution and carbon dioxide through the most direct and cost effective method – cutting down electricity consumption. The campaign aimed to accomplish 12,000,000 kWh in electricity savings, but actually achieved 20,172,248 kWh, more than 70% above the original target. Henderson Land supplemented its monetary support with the distribution of posters and leaflets at some of the Group's shopping malls and properties so as to raise public awareness. The Group's property management subsidiary, Hang Yick Properties Management Limited, achieved the award of 1st Runner-up of the "Biggest Unit Saver Award".

In another energy saving awareness initiative, the Group participated in the "Dim It, Brighten Up" Campaign. Co-organized by Friends of the Earth and The International Year of Astronomy 2009 Hong Kong League, the campaign aimed to mobilize public support for turning lights off and raising awareness of the issue of light pollution. Exterior lighting and neon signage at the Group's properties, including Two ifc, was turned off for two hours one night.

Henderson Land and its associated company, Hong Kong and China Gas, donated a total of HK$100,000 to sponsor Earth Hour 2009, a global climate change initiative that was first established in 2007 by World Wide Fund for Nature. In addition to its sponsorship, the Group demonstrated its support by extinguishing all lights at head office for one hour, and encouraging its business partners, tenants and staff to join the event. Other Group associates and subsidiaries and many of the properties under management also supported the initiative by turning off non-urgent lighting system and outdoor advertising billboards.

Community and Charitable Causes

As a dedicated corporate citizen Henderson Land was extremely active on many fronts to help community and charitable causes during the year.

The Group committed to be a Diamond Sponsor for two consecutive years for the Tsuen Wan Festival Lightings. Organized by Tsuen Wan District Office, the festival is a showcase for District's vibrancy and prosperity. The theme of 2009/2010 event was the Hong Kong 2009 East Asian Games.

Henderson Land's other community initiatives during the year included major donations to support Standard Chartered Bank's "Seeing is Believing" charity campaign, a charity movie premiere in support of Care for the Central & Western District Community, Rabobank Christmas Can Food Tree program to supply food to those less fortunate by St. James' Settlement. The Group also broadcast anti-drug videos at its shopping malls.

Mr Augustine Wong, General Manager, Property Development Department of Henderson Land, joined the Summit as a panel speaker, sharing his views on prospects for the property sector.

Industry Related Activities

For five consecutive years, the Group has acted as Venue Sponsor of the Hong Kong Economic Summit, a highly influential annual event in the finance sector. Jointly organized by Metro Finance and Hong Kong Exchanges and Clearing Limited, the event involved over 300 political and business leaders, financial professionals and economists who gathered at the Grand Ballroom, Four Seasons Hotel Hong Kong to exchange views and share their visions on the economic landscape in the wake of the global financial downturn.

As part of its commitment to the sharing best practice and promoting increased cooperation across the sector, Henderson Land actively supported a wide range of conferences and events during the year. These included the Hong Kong Institute of Planners' 30th Anniversary Conference, Hong Kong Institute of Surveyors' 25th Anniversary Celebrations, Hong Kong Institute of Surveyors' Building Surveyor Conference 2009, Hong Kong Institute of Surveyors' Young Surveyor Award, Council of Asian Shopping Centres Conference 2009, 2009 Flag Selling Day of the Association for the Rights of Industrial Accident Victims, Cross Strait Tax Conference, Hong Kong Institute of Surveyors' Building Surveyor Conference 2008, Hong Kong Institute of Architects - Conference & Annual Ball 2008, and the Young Surveyors Group Annual Dinner 2008.

Henderson Land again received a number of honours for its CSR activities this year. These included the "Caring Company" award from the Hong Kong Council of Social Service, "National Enterprise Environmental Achievement Award 2008 – 2009" presented by Hong Kong Environmental Protection Association, "Gold Award (Property Developer category)" in Reader's Digest Trusted Brands 2009, "Hong Kong Outstanding Enterprises (Blue Chip)" in Hong Kong Outstanding Enterprises Parade 2008 awarded by Economic Digest, and "2009 Top 20 Enterprises Award (Hong Kong Region)" awarded by Yazhou Zhoukan.

Management discussion and analysis

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated accounts for the eighteen months ended 31 December 2009.

Turnover and profit

	Turnover		Contribution from operations	
	Eighteen months ended 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million	**Eighteen months ended 31 December 2009 HK$ million**	Year ended 30 June 2008 (restated) HK$ million
Business segments				
— Property development	**8,673**	9,173	**3,171**	2,737
— Property leasing	**4,178**	2,625	**2,621**	1,741
— Construction	**400**	317	**(20)**	1
— Infrastructure	**441**	272	**335**	194
— Hotel operation	**248**	186	**32**	39
— Department store operation	**406**	257	**64**	42
— Other businesses	**884**	662	**394**	343
	15,230	13,492	**6,597**	5,097

	Eighteen months ended 31 December 2009 HK$ million	Year ended 30 June 2008 (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	**14,320**	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	**6,088**	5,708

Financial Review

The Group recorded an increase in turnover for the eighteen months ended 31 December 2009 of HK$1,738 million, or 13%, to HK$15,230 million (Year ended 30 June 2008: HK$13,492 million). The increase was mainly attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2008. Nevertheless, turnover in the Group's property development business segment during the period decreased by HK$500 million, or 5%, from that for the previous financial year for the reason that the Group's property sales during the first twelve months ended 30 June 2009 were 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 eighteen months ended 31 December 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$6,088 million (Year ended 30 June 2008 (restated): HK$5,708 million), representing an increase of HK$380 million, or 7%, over that for the previous financial year. Such increase was mainly attributable to the increase in profit contribution from the Group's business segments of property development, property leasing, infrastructure, department store operation and other businesses as referred to 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 eighteen months ended 31 December 2009 were HK$2.84 (Year ended 30 June 2008: HK$2.78).

Discussions on the major business segments are set out below.

Property development

Revenue from property development for the eighteen months ended 31 December 2009 amounted to HK$8,673 million (Year ended 30 June 2008: HK$9,173 million), representing a decrease of HK$500 million, or 5%, from that for the previous financial year. During the eighteen months ended 31 December 2009, the Group's sales of the major property projects included 39 Conduit Road, The Sparkle, 8 Royal Green, The Beverly Hills and Cité 33 in Hong Kong, as well as Hengli Wanpan Huayuan in Guangzhou and residential apartment units of Henderson Centre in Beijing, mainland China. Together with the sales of other completed properties, total profit contribution amounted to HK$3,171 million during the eighteen months ended 31 December 2009 (Year ended 30 June 2008: HK$2,737 million), representing an increase of HK$434 million, or 16%, over that for the previous financial year.

During the eighteen months ended 31 December 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$3,739 million (Year ended 30 June 2008: HK$4,385 million), comprising contribution from subsidiaries of HK$3,171 million (Year ended 30 June 2008: HK$2,737 million), contribution from associates of HK$280 million (Year ended 30 June 2008: HK$1,185 million) and contribution from jointly controlled entities of HK$288 million (Year ended 30 June 2008: HK$463 million). In respect of the foregoing, the contribution from associates during the eighteen months ended 31 December 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 and The Spectacle held by Hong Kong Ferry (Holdings) Company Limited ("HK Ferry", a listed associate of the Company).

Turnover for the eighteen months ended 31 December 2009 included an amount of HK$3,280 million (Year ended 30 June 2008: HK$Nil) relating to the sale of 25 units at 39 Conduit Road. At the recent requests of the buyers, the completion dates of the sale of 24 units have been extended by two to four months from February 2010. The turnover and profit after taxation arising from these 24 units attributable to the Group for the eighteen months ended 31 December 2009 amounted to HK$1,912 million and HK$973 million respectively. Currently, there are no reasons to believe that the sale of such 24 units would not proceed. However, in the event that the sale of such 24 units is not completed, and before taking into account any re-sale of such units, the Group shall recognise an attributable loss of approximately HK$780 million after forfeiture of deposits.

Property leasing

Revenue from property leasing for the eighteen months ended 31 December 2009 amounted to HK$4,178 million (Year ended 30 June 2008: HK$2,625 million), representing an increase of HK$1,553 million, or 59%, over that for the previous financial year. At 31 December 2009, the Group's major investment properties in Hong Kong (other than those investment properties which were completed after 1 January 2008) recorded an average occupancy rate of 97% (30 June 2008: 95%). The average occupancy rate of those investment properties which were completed after 1 January 2008, of which Manulife Financial Centre in Kwun Tong (formerly known as Kwun Tong 223) is the largest by measurement of gross floor area, increased to 60% as at 31 December 2009. During the period, there were increases in the new rents upon lease renewals and new lettings in a number of cases when compared with the corresponding passing rents. Profit contribution from property leasing for the eighteen months ended 31 December 2009 amounted to HK$2,621 million (Year ended 30 June 2008: HK$1,741 million), representing an increase of HK$880 million, or 51%, over 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 eighteen months ended 31 December 2009 amounted to HK$6,522 million (Year ended 30 June 2008: HK$3,872 million), representing an increase of HK$2,650 million, or 68%, over that for the previous financial year.

During the eighteen months ended 31 December 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$4,540 million which represents an increase of HK$1,812 million, or 66%, 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$2,621 million (Year ended 30 June 2008: HK$1,741 million), contribution from associates of HK$653 million (Year ended 30 June 2008: HK$346 million) and contribution from jointly controlled entities of HK$1,266 million (Year ended 30 June 2008: HK$641 million).

The abovementioned increases in the Group's revenue, net rental income and profit contribution from property leasing for the eighteen months ended 31 December 2009 were mainly attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2008, as well as the increases in the new rents upon lease renewals and new lettings in a number of cases when compared with the corresponding passing rents.

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 eighteen months ended 31 December 2009, turnover from construction activities increased by 26% to HK$400 million (Year ended 30 June 2008: HK$317 million) as a result of the Group's undertaking of construction contracts for two major projects, namely Shining Heights and The Spectacle held by HK Ferry, during the period. Nevertheless, the construction segment reported a loss from operations of HK$20 million during the eighteen months ended 31 December 2009 (Year ended 30 June 2008: profit contribution of HK$1 million), for the reasons that (i) the construction segment recorded depreciation charge of HK$7 million in relation to the construction plant and machinery which were acquired by the Group during the period to undertake the construction activities, whilst no similar depreciation charge was recorded for the previous financial year; (ii) there was a decrease in the gain on disposal of tower cranes by an amount of HK$4 million as less number of tower cranes were sold during the period when compared with the previous financial year; and (iii) there was an increase in administrative expenses for the construction segment of HK$6 million due to an extended accounting period of eighteen months being reported on when compared with the previous period of twelve months ended 30 June 2008.

Infrastructure

Infrastructure projects in mainland China reported a turnover of HK$441 million for the eighteen months ended 31 December 2009 (Year ended 30 June 2008: HK$272 million), representing an increase of HK$169 million, or 62%, over that for the previous financial year. The increase was primarily driven by an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2008, as well as the increase in traffic volume of the toll bridge in Hangzhou and the exchange gain upon conversion of Renminbi ("RMB") to Hong Kong dollars during the eighteen months ended 31 December 2009 when compared with the previous financial year. Profit contribution from this business segment for the eighteen months ended 31 December 2009 increased by HK$141 million, or 73%, to HK$335 million (Year ended 30 June 2008 (restated): HK$194 million).

Hotel operation

Turnover from hotel operation amounted to HK$248 million for the eighteen months ended 31 December 2009, representing an increase of HK$62 million, or 33%, over that for the previous financial year for the reason of an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2008. However, 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, profit contribution from this business segment for the eighteen months ended 31 December 2009 decreased by HK$7 million, or 18%, from that for the previous financial year to HK$32 million.

Department store operation

During the eighteen months ended 31 December 2009, the Group operated five department stores under the name of "Citistore" and three boutique stores in Hong Kong. Revenue from department store operation for the eighteen months ended 31 December 2009 amounted to HK$406 million (Year ended 30 June 2008: HK$257 million), which recorded an increase of HK$149 million, or 58%, over that for the previous financial year. Profit contribution from department store operation for the eighteen months ended 31 December 2009 amounted to HK$64 million (Year ended 30 June 2008: HK$42 million), representing an increase of HK$22 million, or 52%, over that for the previous financial year.

The abovementioned increases in the Group's revenue and profit contribution from department store operation for the eighteen months ended 31 December 2009 were mainly attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2008.

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$884 million for the eighteen months ended 31 December 2009 (Year ended 30 June 2008: HK$662 million), representing an increase of HK$222 million, or 34%, over that for the previous financial year. The increase in turnover during the eighteen months ended 31 December 2009 is mainly attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2008, the effect of which was partially offset by a decrease in turnover from project management and sale of leasehold land during the period when compared with that for the financial year ended 30 June 2008. Profit contribution from other businesses for the eighteen months ended 31 December 2009 increased by HK$51 million, or 15%, to HK$394 million (Year ended 30 June 2008: HK$343 million), for the same reason of an extended accounting period of eighteen months (as referred to above) but the effect of which was partially offset by the absence during the period of an exchange gain recognised during the financial year ended 30 June 2008 in the amount of HK$116 million.

Associates

The Group's share of post-tax profits less losses of associates during the eighteen months ended 31 December 2009 amounted to HK$3,074 million (Year ended 30 June 2008: HK$3,224 million), representing a decrease of HK$150 million, or 5%, 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$467 million during the eighteen months ended 31 December 2009 (Year ended 30 June 2008: HK$1,015 million), the Group's share of the underlying post-tax profits less losses of associates for the eighteen months ended 31 December 2009 amounted to HK$2,607 million (Year ended 30 June 2008: HK$2,209 million), representing an increase of HK$398 million, or 18%, over that for 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 eighteen months ended 31 December 2009 amounted to HK$3,014 million (Year ended 30 June 2008: HK$2,844 million), representing an increase of HK$170 million, or 6%, over 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$482 million during the eighteen months ended 31 December 2009 (Year ended 30 June 2008: HK$833 million), the Group's share of the underlying post-tax profits of these three listed associates amounted to HK$2,532 million for the eighteen months ended 31 December 2009 (Year ended 30 June 2008: HK$2,011 million), representing an increase of HK$521 million, or 26%, over that for the previous financial year. During the eighteen months ended 31 December 2009, the Group recorded (i) an increase in the share of profits from HKCG of HK$218 million, mainly for the reason of increased share of profit contribution from property leasing and gas operation businesses in the aggregate amount of HK$892 million due to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months, which is partially offset by the decrease in share of profit contribution from property sales of HK$707 million; (ii) a decrease in the share of profits from Miramar of HK$166 million, mainly for the reasons of the decrease in the Group's share of profit contribution from hotel operations of HK$54 million due to the phased closure of guestrooms for remodelling and refitting under The Mira Hong Kong's rebranding programme during the financial year ended 31 March 2009 and an increase in the Group's share of fair value loss (after deferred taxation) on Miramar's investment properties of HK$209 million during the financial period from 1 April 2008 to 31 December 2009 compared with the previous financial year ended 31 March 2008, which are partially offset by an increase in the Group's share of profit contribution from property leasing business in the amount of HK$123 million due to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months; and (iii) an increase in the share of profits from HK Ferry of HK$118 million, mainly for the reason of the increase in the Group's share of profit contribution from property sales of HK$141 million due to the sales launch of Shining Heights and The Spectacle during the period.

Jointly controlled entities

The Group's share of post-tax profits less losses of jointly controlled entities which are mainly engaged in property development and property investment activities amounted to HK$4,363 million (Year ended 30 June 2008: HK$3,938 million), representing an increase of HK$425 million, or 11%, over 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$3,000 million during the eighteen months ended 31 December 2009 (Year ended 30 June 2008: HK$2,976 million), the Group's share of the underlying post-tax profits less losses of jointly controlled entities for the eighteen months ended 31 December 2009 amounted to HK$1,363 million (Year ended 30 June 2008: HK$962 million), representing an increase of HK$401 million, or 42%, over that of the previous financial year. Such increase 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$518 million due to favourable rental reversions upon lease renewals as well as an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months; and (ii) the increase in the Group's share of profit contribution from department store operation in mainland China in the amount of HK$36 million due to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months, which are partially offset by the decrease in the Group's share of profit contribution from property sales of Grand Promenade of HK$128 million during the period.

Finance costs

Finance costs recognised as expenses for the eighteen months ended 31 December 2009 were HK$1,341 million (Year ended 30 June 2008: HK$576 million). Finance costs before interest capitalisation for the eighteen months ended 31 December 2009 were HK$1,912 million (Year ended 30 June 2008: HK$1,096 million). During the eighteen months ended 31 December 2009, the Group's effective borrowing rate was approximately 3.11% per annum (Year ended 30 June 2008: approximately 4.01% per annum).

Revaluation of investment properties

The Group recognised an increase in fair value on its investment properties (before deferred taxation and minority interests) of HK$7,156 million in the consolidated profit and loss account for the eighteen months ended 31 December 2009 (Year ended 30 June 2008: HK$6,706 million).

Financial resources and liquidity

Maturity profile and interest cover

At 31 December 2009, the aggregate amount of the Group's bank and other borrowings amounted to approximately HK$36,031 million (30 June 2008: HK$35,626 million), of which 99.9% (30 June 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 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Bank and other borrowings repayable:		
— Within 1 year	**4,869**	3,307
— After 1 year but within 2 years	**5,646**	9,093
— After 2 years but within 5 years	**19,502**	19,914
— After 5 years	**6,014**	3,312
Total bank and other borrowings	**36,031**	35,626
Less: Cash and bank balances	**(10,531)**	(15,675)
Net bank and other borrowings	**25,500**	19,951
Shareholders' funds *(2008 – restated)*	**133,127**	121,196
Gearing ratio (%)	**19.2%**	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 19.2% at 31 December 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:

	Eighteen months ended 31 December 2009 HK$ million	Year ended 30 June 2008 (restated) 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)*	**9,972**	8,168
Interest expense (before interest capitalisation)	**1,782**	1,055
Interest cover (times)	**6**	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 RMB, the guaranteed notes ("Notes") which are denominated in United States dollars and Sterling, as well as certain bank borrowings ("USD borrowings") and the fixed coupon rate bond ("Bond") which are denominated in United States dollars.

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, the Bond and the USD borrowings in the aggregate principal amounts of US$1,023,520,408 and £50,000,000 at 31 December 2009 (30 June 2008: US$325,000,000 and £50,000,000), there were interest rate swap contracts and cross currency swap contracts which were entered into between the Group and certain counterparty banks for hedging purpose as referred to below. Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars in the aggregate principal amount of HK$5,500,000,000 at 31 December 2009 (30 June 2008: HK$Nil) which bear floating interest rates ("HKD borrowings"), there were interest rate swap contracts which were entered into between the Group and certain counterparty banks for hedging purpose as referred to below.

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 the entire amount of the Bond 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$5,500,000,000 at 31 December 2009. As a result, the Group does not expect any significant interest rate risk and foreign exchange risk exposures in relation to the Notes, the Bond and the USD borrowings, and any significant interest rate risk exposure in relation to the Group's HKD borrowings to the extent of HK$5,500,000,000 at 31 December 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$139 million). At 31 December 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 33 to the Company's audited consolidated accounts for the eighteen months ended 31 December 2009.

On 26 February 2010, the transaction was completed. A net gain on disposal attributable to equity shareholders of the Company of approximately HK$18 million will be recognised in the Group's accounts for the year ending 31 December 2010.

Save as disclosed above, the Group did not undertake any significant acquisition or other significant disposals of subsidiaries or assets during the eighteen months ended 31 December 2009.

Charge on assets

Assets of the Group were not charged to any third parties at 31 December 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 31 December 2009, the outstanding balance of the Group's secured bank loans grouped under "Liabilities associated with assets classified as held for sale" was HK$22 million (30 June 2008: HK$40 million which was grouped under "Bank loans and overdrafts").

Capital commitments

At 31 December 2009, capital commitments of the Group amounted to HK$33,801 million (30 June 2008: HK$16,703 million).

Contingent liabilities

At 31 December 2009, the Group's contingent liabilities amounted to HK$90 million (30 June 2008: HK$124 million).

Employees and remuneration policy

At 31 December 2009, the Group had approximately 7,700 (30 June 2008: 7,300) full-time employees. The remuneration of the employees is in line with the market and commensurable with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the eighteen months ended 31 December 2009 amounted to HK$2,239 million (Year ended 30 June 2008: HK$1,355 million), which comprised (i) staff costs included under directors' remuneration of HK$235 million (Year ended 30 June 2008: HK$148 million); and (ii) staff costs (other than directors' remuneration) of HK$2,004 million (Year ended 30 June 2008: HK$1,207 million).

Five Year Financial Summary

	Note	Year ended 30 June 2005 HK$ million	2006 HK$ million	2007 HK$ million	2008 (restated) HK$ million	Period from 1 July 2008 to 31 December 2009 (note 1) HK$ million
Profit for the year/period	2	10,853	13,549	9,818	15,473	14,320
Underlying profit for the year/period	2&3	4,413	5,268	5,883	5,708	6,088
		HK$	HK$	HK$	HK$	HK$
Earnings per share	2	5.98	7.47	5.19	7.54	6.67
Underlying earnings per share	2&3	2.43	2.90	3.11	2.78	2.84
Dividends per share	2	1.00	1.05	1.10	1.10	1.30

	Note	At 30 June 2005 HK$ million	2006 HK$ million	2007 HK$ million	2008 (restated) HK$ million	At 31 December 2009 (note 1) HK$ million
Fixed assets	4	46,436	56,868	52,831	59,313	69,320
Interest in associates		14,701	16,963	20,536	33,993	35,569
Interest in jointly controlled entities		13,396	16,026	11,168	13,891	16,711
Inventories		19,090	21,036	29,383	37,624	41,541
Net debt	5	11,843	13,035	8,750	19,951	25,500
Net asset value	2	65,638	77,964	92,219	121,196	133,127
Net debt to net asset value	2	18.0%	16.7%	9.5%	16.5%	19.2%
		HK$	HK$	HK$	HK$	HK$
Net asset value per share	2	36.17	42.96	47.47	56.45	62.01

Notes:

1 *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 in order to align with that of its major listed associate, The Hong Kong and China Gas Company Limited, and of project companies established in mainland China.*

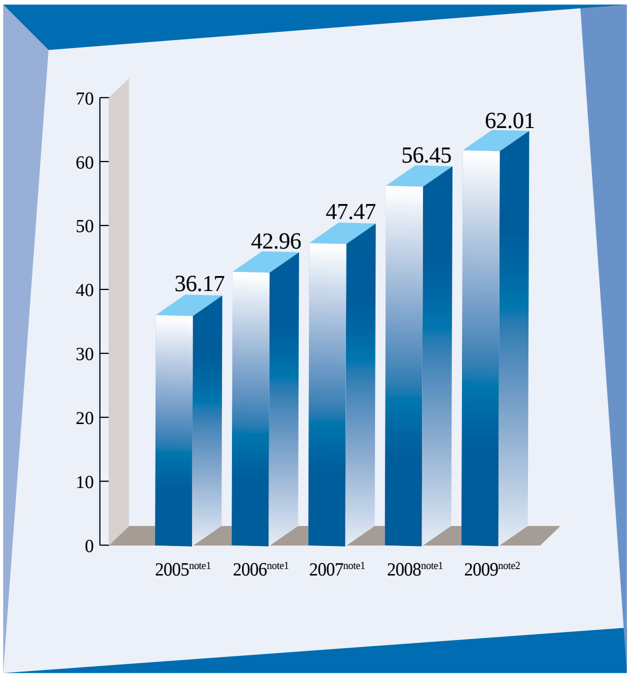
2 *The profits, earnings, dividends, and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

3 *These figures were calculated based on profit attributable to equity shareholders of the Company and adjusted by 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.*

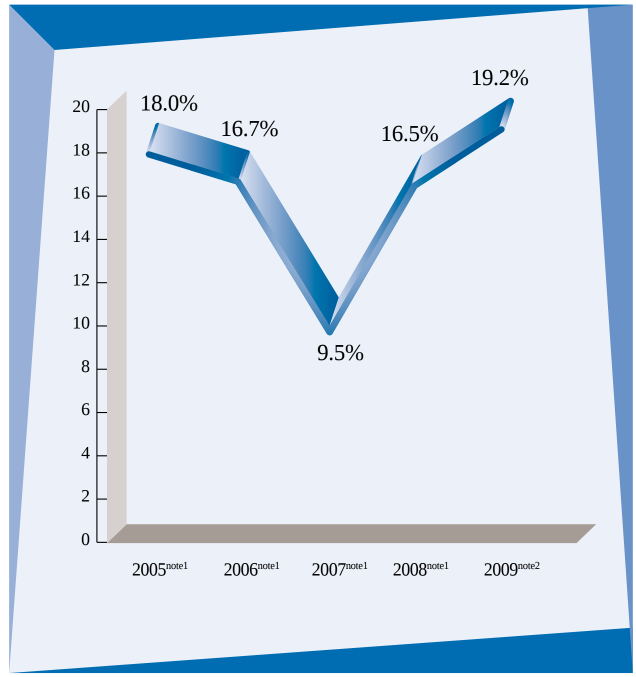
4 *In order to comply with HK(IFRIC)-Int 12 "Service concession arrangements", the Group changed its accounting policy relating to toll bridge under public-to-private service concession arrangement with effect from 1 July 2008. The new accounting policy was applied retrospectively with figures for the financial year ended 30 June 2008 restated. Figures in financial years before 1 July 2007 have not been restated as the management consider it would be impracticable to do so. At 30 June 2008 and 31 December 2009, fixed assets excluded intangible operating rights (which included toll highway operating right) and at 30 June 2005, 2006 and 2007, fixed assets excluded toll highway operating rights.*

5 *Net debt represents the total of bank loans and overdrafts, guaranteed notes and guaranteed convertible notes minus cash and bank balances.*

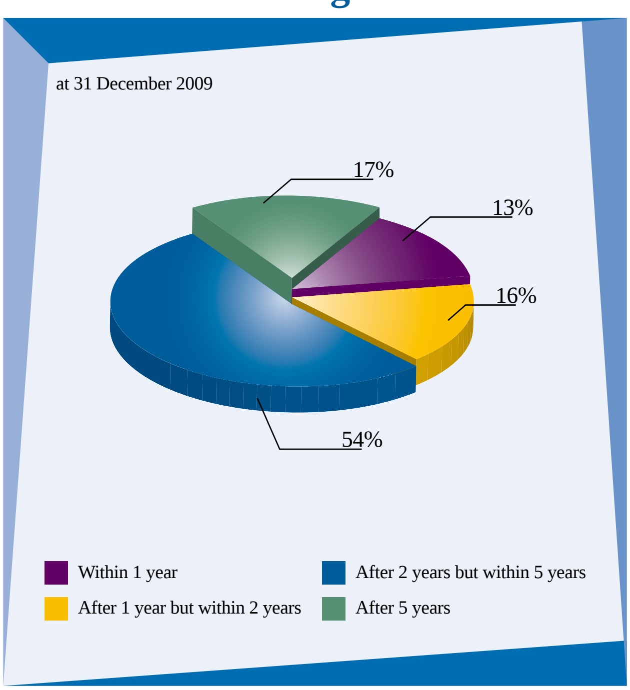
Net asset value per share (HK$)



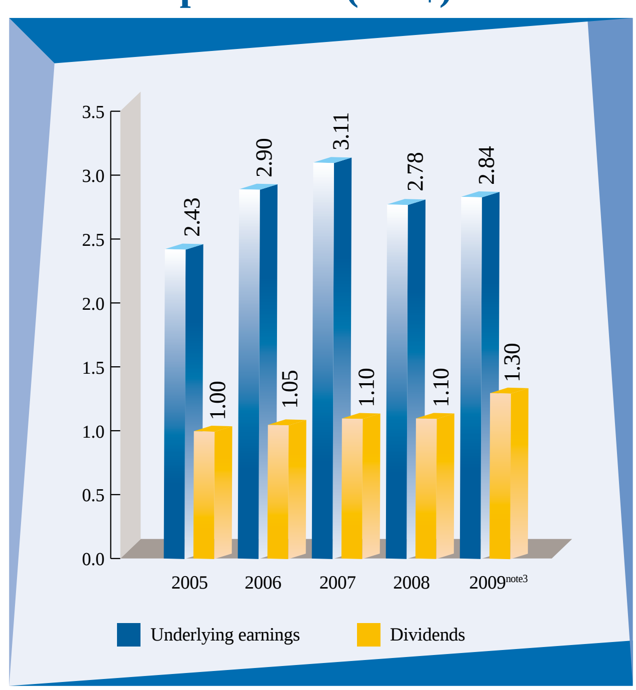
Net debt to net asset value



Maturity profile of the Group's bank and other borrowings



Underlying earnings / dividends per share (HK$)



Notes:

1 *At 30 June*

2 *At 31 December*

3 *In respect of the eighteen months ended 31 December 2009*

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the eighteen months ended 31 December 2009.

A) Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

B) Corporate Governance Practices

During the eighteen months ended 31 December 2009, the Company applied all those principles as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and complied with the relevant code provisions in the Code, with the exception of one deviation as set out under the paragraphs on "Board of Directors" below. The application of the relevant principles is stated in the following paragraphs.

C) Board of Directors

a) Responsibilities of and Support for Directors

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal or grant of options in respect of unissued new shares or debentures of the Company and reviewing the effectiveness of the internal control system which includes reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the standing committee of the Board (the "Standing Committee").

The day-to-day management, administration and operation of the Company are delegated to the management. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organizations and other significant commitment, with the identity of such listed companies or organizations. The Company also requires Directors to provide updates on such information twice a year.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of rule amendment updates in respect of corporate governance practices so as to keep them abreast of latest rule requirements and assist them in fulfilling their responsibilities. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

b) Board Composition

The Board currently comprises twenty members (including alternate director), as detailed below:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Lee Shau Kee *(Chairman and Managing Director)*	Woo Po Shing	Gordon Kwong Che Keung
Lee Ka Kit *(Vice Chairman)*	Leung Hay Man	Ko Ping Keung
Colin Lam Ko Yin *(Vice Chairman)*	Angelina Lee Pui Ling	Wu King Cheong
Lee Ka Shing *(Vice Chairman)*	Lee Tat Man	
John Yip Ying Chee	Jackson Woo Ka Biu *(as alternate to Woo Po Shing)*	
Alexander Au Siu Kee		
Suen Kwok Lam		
Lee King Yue		
Fung Lee Woon King		
Eddie Lau Yum Chuen		
Li Ning		
Patrick Kwok Ping Ho		

The biographical details of the Directors are set out on pages 134 to 138 of this Annual Report. In particular, Dr. Lee Shau Kee is the father of Lee Ka Kit and Lee Ka Shing, father-in-law of Li Ning, and the brother of Lee Tat Man and Fung Lee Woon King. Sir Po-shing Woo is the father of Jackson Woo Ka Biu. Save as aforesaid, none of the members of the Board is related to one another.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term for three years until 31 December 2010. They are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the eighteen months ended 31 December 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The appointment of Independent Non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received in writing confirmation of their independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment. The Board considers that each of the Non-executive Directors and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

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 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.

c) Appointment and Re-election of Directors

The Board is empowered under Articles to appoint any person as a Director to fill a casual vacancy on or as an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection.

In accordance with the Articles, new appointments to the Board are subject to re-election by shareholders at the next following AGM. Furthermore, the nearest one-third of the Directors will retire from office by rotation but are eligible for re-election by shareholders at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years.

d) Board Meetings

i) Number of Meetings and Directors' Attendance

The Board meets from time to time to discuss and exchange ideas on the affairs of the Company. During the eighteen months ended 31 December 2009, the Board held eight meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 111.

ii) Practices and Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is sent to all Directors for their records and open for Directors' inspection.

e) Conflict of Interest

If a director has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

f) Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

D) Board Committees

The Board has set up three main Board Committees, namely, the Standing Committee, the Audit Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board. The terms of reference of the Audit Committee and the Remuneration Committee are no less exacting than those set out in the Code.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors	**Non-executive Director**
Gordon Kwong Che Keung *(Chairman)*	Leung Hay Man
Ko Ping Keung	
Wu King Cheong	

The Chairman has the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditors within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. In regard to the financial reporting process, the Audit Committee would consider any significant items reflected in the reports and accounts, and any matters that have been raised by the Company's General Manager of the Accounts Department. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held five meetings during the eighteen months ended 31 December 2009. The major work performed by the Audit Committee in respect of the eighteen months ended 31 December 2009 included reviewing and recommending the re-appointment of external auditors, approving the terms of engagement (including the remuneration) of the external auditors, reviewing the unaudited interim report and interim results announcement for the six months ended 31 December 2008, reviewing the second unaudited interim report and interim results announcement for the twelve months ended 30 June 2009, reviewing the audited accounts and final results announcement for the eighteen months ended 31 December 2009, reviewing the work of the Group's internal audit department and assessing the effectiveness of the Group's systems of risk management and internal control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, and training programmes and budget. Additionally, the Independent Non-executive Directors of the Company conducted reviews of the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report.

b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors	Independent Non-executive Directors
Lee Shau Kee	Wu King Cheong *(Chairman)*
Colin Lam Ko Yin	Gordon Kwong Che Keung
	Ko Ping Keung

Each member is sufficiently experienced and is appropriately skilled in the issues of determining executive compensations in public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

The written terms of reference include the specific duties of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

The Remuneration Committee meets once at the beginning of every year to review the salary structure of the employees of the Company as well as the remuneration of senior management staff. The Committee also reviews the remuneration of the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 9 to the accounts on pages 180 to 182. The Directors' fee is fixed at the rate of HK$50,000 per annum for each Director and in case of each member of the Audit Committee an additional remuneration at the rate of HK$250,000 per annum until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

c) Attendance Record at Board, Audit and Remuneration Committees' Meetings

The attendance of the individual Directors at the meetings of the Board, the Audit Committee and the Remuneration Committee during the eighteen months ended 31 December 2009 is set out in the following table:

	No. of meetings attended / No. of meetings held		
	Board	Audit Committee	Remuneration Committee
Executive Directors:			
Lee Shau Kee *(Chairman)*	[1]8/8	N/A	1/1
Lee Ka Kit	[1]6/8	N/A	N/A
Colin Lam Ko Yin	8/8	N/A	1/1
Lee Ka Shing	[1]7/8	N/A	N/A
John Yip Ying Chee	8/8	N/A	N/A
Alexander Au Siu Kee	8/8	N/A	N/A
Suen Kwok Lam	8/8	N/A	N/A
Lee King Yue	8/8	N/A	N/A
Fung Lee Woon King	[1]7/8	N/A	N/A
Eddie Lau Yum Chuen	8/8	N/A	N/A
Li Ning	[1]7/8	N/A	N/A
Patrick Kwok Ping Ho	8/8	N/A	N/A
Non-executive Directors:			
Woo Po Shing	[2]6/8	N/A	N/A
Leung Hay Man	8/8	5/5	N/A
Angelina Lee Pui Ling	7/8	N/A	N/A
Lee Tat Man	[1]3/8	N/A	N/A
Independent Non-executive Directors:			
Gordon Kwong Che Keung	8/8	5/5	1/1
Ko Ping Keung	8/8	5/5	1/1
Wu King Cheong	8/8	5/5	1/1

Remarks:

1. *Out of the eight meetings of the Board, one Board meeting was to consider the continuing connected transactions with Sunlight Real Estate Investment Trust. Dr. Lee Shau Kee, despite his presence at such meeting, abstained from voting and was not counted in the quorum towards the meeting due to his deemed interests in the transactions discussed at such meeting. Absence of Mr. Lee Ka Kit, Mr. Lee Ka Shing, Madam Fung Lee Woon King, Mr. Li Ning and Mr. Lee Tat Man in such meeting was due to his/her deemed interests in the transactions discussed at the meeting.*

2. *These six meetings were attended by his alternate, Mr. Jackson Woo Ka Biu.*

E) Directors’ Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the eighteen months ended 31 December 2009, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group’s results and cash flows for the eighteen-month period then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Auditors’ Report on page 142.

F) Auditors’ Remuneration

For the eighteen months ended 31 December 2009, the Auditors of the Company and its subsidiaries received approximately HK$19.4 million for audit and audit related services (Twelve months for the financial year 2008: HK$14.0 million) as well as HK$2.6 million for non-audit services (Twelve months for the financial year 2008: HK$5.6 million). The significant non-audit services covered by these fees included the following:

Nature of service	Fees paid (HK$ million)
Tax services	0.7
Other services	1.9
	2.6

G) Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirms that all Directors have complied with the required standards as set out in the Model Code.

H) Internal Controls

The Board is responsible for ensuring sound and effective internal control systems to safeguard the shareholders’ investment and the Company’s assets.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company’s daily operations, is responsible for conducting regular audit on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. During the eighteen months ended 31 December 2009, the Board has reviewed through the Audit Committee the effectiveness of the Group’s internal control systems, and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function and their training programmes and budget in order to ensure that they meet with the dynamic and ever changing business environment.

I) Shareholder Rights and Investor Relations

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The annual general meetings of the Company provide a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The Chairman of the Board and the chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the annual shareholders' meetings. Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the commencement of the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of the Hong Kong Stock Exchange and the Company on the business day following the shareholders' meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at http://www.hld.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance practices and other information are posted.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the eighteen months ended 31 December 2009.

Change of Financial Year End Date

The accounts as audited covering a period of eighteen months from 1 July 2008 to 31 December 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. Pursuant to the direction granted by the Registrar of Companies under S. 127(2) of the Companies Ordinance (Chapter 32, the Laws of Hong Kong), the said accounts will be laid before the forthcoming annual general meeting of the Company.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the eighteen months ended 31 December 2009 were property development and investment, construction, infrastructure, hotel operation, finance, department store operation, project management, investment holding and property management.

An analysis of the Group's turnover and contribution from operations by business segments and geographical segments, is set out in note 15 to the accounts on pages 188 to 193.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2009 are set out on pages 226 to 231.

Group Profit

The profit of the Group for the eighteen months ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 143 to 233.

Dividends

The first interim dividend and the second interim dividend each of HK$0.30 per share were paid on 24 April 2009 and 4 December 2009 respectively. The Directors have recommended the payment of a final dividend of HK$0.70 per share to shareholders whose names appear on the Register of Members of the Company on 23 April 2010, and such final dividend will not be subject to any withholding tax in Hong Kong.

The proposed final dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to proposed final dividend and Bonus Warrants Issue (as defined in page 11), but will rank pari passu in all other respects with the existing shares.

The listing documents containing details of the Scrip Dividend Scheme and the relevant election form are sent to Shareholders.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the forthcoming annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent to Shareholders on Wednesday, 2 June 2010.

Charitable Donations

Charitable donations made by the Group during the eighteen months ended 31 December 2009 amounted to HK$24,800,000 (Twelve months for the financial year 2008: HK$15,400,000).

Fixed Assets

Particulars of the movements in fixed assets during the eighteen months ended 31 December 2009 are set out in note 16 to the accounts on pages 194 to 198.

Bank Loans and Overdrafts, and Guaranteed Notes

Particulars of bank loans and overdrafts, and Guaranteed Notes of the Company and the Group as at 31 December 2009 are set out in notes 30 and 31 to the accounts on pages 211 and 212.

Interest Capitalised

The amount of interest capitalised by the Group during the eighteen months ended 31 December 2009 is set out in note 8 to the accounts on page 178.

Reserves

Particulars of the movements in reserves during the eighteen months ended 31 December 2009 are set out in note 34 to the accounts on pages 214 to 218.

Share Capital

Details of the Company's share capital are set out in note 34 to the accounts on page 216.

Group Financial Summary

The results, assets and liabilities of the Group for the last four years ended 30 June and the eighteen months ended 31 December 2009 are summarised on pages 104 and 105.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 39 to 53 and on pages 77 to 87.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 9 to the accounts on pages 180 to 182.

Directors

The Directors of the Company during the eighteen months ended 31 December 2009 and up to the date of this report are:

Executive Directors

Dr. the Hon. Lee Shau Kee
(Chairman and Managing Director)
Lee Ka Kit
(Vice Chairman)
Colin Lam Ko Yin
(Vice Chairman)
Lee Ka Shing
(Vice Chairman)
John Yip Ying Chee
Alexander Au Siu Kee
Suen Kwok Lam
Lee King Yue
Fung Lee Woon King
Eddie Lau Yum Chuen
Li Ning
Patrick Kwok Ping Ho

Non-executive Directors

Sir Po-shing Woo
Leung Hay Man
Angelina Lee Pui Ling
Lee Tat Man
Jackson Woo Ka Biu
(Alternate Director to Sir Po-shing Woo)

Independent Non-executive Directors

Gordon Kwong Che Keung
Professor Ko Ping Keung
Wu King Cheong

Mr. Lee King Yue, Mr. Li Ning, Mr. Lee Tat Man, Sir Po-shing Woo, Mr. Gordon Kwong Che Keung and Professor Ko Ping Keung will retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and Code on Corporate Governance Practices and, being eligible, offer themselves for re-election.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 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	Lee Shau Kee	1	7,269,006		1,149,305,866		1,156,574,872	53.88
Development	Lee Ka Kit	1				1,149,305,866	1,149,305,866	53.54
Company	Lee Ka Shing	1				1,149,305,866	1,149,305,866	53.54
Limited	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	Lee Shau Kee	7	34,779,936		2,076,089,007		2,110,868,943	69.27
Investment	Lee Ka Kit	7				2,076,089,007	2,076,089,007	68.13
Limited	Lee Ka Shing	7				2,076,089,007	2,076,089,007	68.13
	Li Ning	7		2,076,089,007			2,076,089,007	68.13
	Lee Tat Man	8	6,666				6,666	0.00
	Lee King Yue	9	1,001,739				1,001,739	0.03
The Hong Kong	Lee Shau Kee	10	3,903,670		2,705,807,442		2,709,711,112	41.50
and China Gas	Lee Ka Kit	10				2,705,807,442	2,705,807,442	41.44
Company Limited	Lee Ka Shing	10				2,705,807,442	2,705,807,442	41.44
	Li Ning	10		2,705,807,442			2,705,807,442	41.44
	Au Siu Kee, Alexander	11		60,500			60,500	0.00
Hong Kong	Lee Shau Kee	12	7,799,220		111,732,090		119,531,310	33.55
Ferry (Holdings)	Lee Ka Kit	12				111,732,090	111,732,090	31.36
Company	Lee Ka Shing	12				111,732,090	111,732,090	31.36
Limited	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

(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
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	45.61
	Lee Ka Kit	18				893,172,901	893,172,901	45.61
	Lee Ka Shing	18				893,172,901	893,172,901	45.61
	Li Ning	18		893,172,901			893,172,901	45.61
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

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

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

Long Positions

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

(B) Debentures

Issuer and type of debentures	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
HKCG (Finance) Limited – 6.25% Guaranteed Notes due 2018	Au Siu Kee, Alexander	35				US$500,000	US$500,000
Henson Finance Limited – 5.50% Guaranteed Notes due 2019	Au Siu Kee, Alexander	36				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.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the eighteen months ended 31 December 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 31 December 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 37)	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 39.88% 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. *Henson Finance Limited was a wholly-owned subsidiary of HL. These debentures were owned by Mr. Au Siu Kee, Alexander and his wife jointly.*

37. *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.*

Interests in Contracts and Connected Transactions

During the period of eighteen months under review, the Group entered into the following transactions and arrangements (except for item (5) which was entered into after the period end date) as described below with persons who are "connected persons" for the purposes of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"):

(1) (i) Henderson Real Estate Agency Limited, a wholly-owned subsidiary of the Company made advances from time to time to Henderson Investment Finance Limited, a wholly-owned subsidiary of Henderson Investment Limited ("Henderson Investment"), with interest chargeable on the balances outstanding from time to time based on Hong Kong Inter-bank Offered Rate ("HIBOR") quoted by banks. As at 31 December 2009, an amount of approximately HK$55 million was due by Henderson Investment Finance Limited to Henderson Real Estate Agency Limited.

(ii) Henderson Finance Company Limited made advances from time to time to Henderson Real Estate Agency Limited, Choiform Limited, Jetkey Development Limited and Perfect Grand Development Limited, subsidiaries of the Company, with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 31 December 2009, the amounts of approximately HK$2,018 million, HK$41 million, HK$26 million and HK$125 million were due by Henderson Real Estate Agency Limited, Choiform Limited, Jetkey Development Limited and Perfect Grand Development Limited respectively to Henderson Finance Company Limited, which have been included in the accounts under "Amount due to a fellow subsidiary".

(iii) Agreements for the management and construction of the properties of certain owner companies (the "Owner Companies") indirectly controlled by the private trust of the family of Dr. Lee Shau Kee entered into by the Owner Companies (including the Henderson Development Limited group) with each of Henderson Real Estate Agency Limited and the subsidiaries of E Man Construction Company Limited, two wholly-owned subsidiaries of the Company, still subsisted at the period end date.

Dr. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the transactions and contracts referred to in the above as a director (and as more particularly described in the section "Disclosure of Interests" above) of the Company's subsidiary, Henderson Investment and the Company's ultimate holding company, Henderson Development Limited. Mr. Li Ning was taken to be interested in the transactions and contracts referred to in the above as a director (and as more particularly described in the section "Disclosure of Interests" above) of the Company's subsidiary, Henderson Investment.

(2) As at 31 December 2009, Mr. Lee Ka Kit, through companies owned or controlled by him, had interests in two companies in which Henderson China Holdings Limited ("Henderson China") was interested and through which Henderson China held interests in projects. Mr. Lee had 50 per cent interest in Feswin Investment Limited holding Lot 470 of Wanping Road South and 40 per cent interest in Henfield Properties Limited (certain its properties had been disposed of), with the remaining interests owned by members of the Henderson China Group. Mr. Lee Ka Kit is a Director of the Company.

Mr. Lee Ka Kit agreed to provide and had provided finance in the form of advances to these companies in proportion to his equity interests in these companies. An agreement entered into between Henderson China and Mr. Lee Ka Kit on 15 March 1996 provided that all existing and future advances made by Henderson China and Mr. Lee Ka Kit to these companies would be unsecured, on the same basis and at the same interest rate or without interest. As at 31 December 2009, such advances made by Mr. Lee Ka Kit to the Henderson China Group's associate amounted to approximately HK$80 million and from 1 January 2003 to 31 December 2009, no interest on the advances made by Mr. Lee Ka Kit was charged.

(3) During the eighteen months ended 31 December 2009, the Group made advances to the following non wholly-owned subsidiaries and associates as unsecured working capital repayable on demand:

Best Homes Limited
Choiform Limited
Crown Truth Limited
Feswin Investment Limited
Gain Base Development Limited
Hang Seng Quarry Company Limited
Harvest Development Limited
Henfield Properties Limited
Lane Success Development Limited
Pettystar Investment Limited

Certain Directors of the Company or its subsidiaries have interests in the above companies. Both the Group and such Directors' associates made advances in proportion to their equity interests in the companies. The advances made by the Group and the Directors' associates to the individual companies listed above were either both interest-bearing on identical normal commercial terms or both without interest.

(4) The Company had the following connected / continuing connected transactions, each of which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules since each of the applicable percentage ratios was less than 2.5%:

(i) As disclosed in the announcement dated 16 February 2009, the Group through its subsidiaries, Harvest Development Limited, Carley Limited, Perfect Success Development Limited, Onfine Development Limited and Rich Silver Development Limited and New World Development Company Limited's ("NWD") subsidiary, Regent Star Investment Limited ("Regent Star") entered into two deeds of exchange on 9 February 2009 for the purpose of exchanging shares in their respective interests in (a) various lots (total 446) with the total site areas of approximately 850,700 square feet and (b) various lots (total 107) with the total site areas of approximately 146,900 square feet all in Demarcation District No. 206, Lok Wo Sha, Wu Kai Sha, New Territories, Hong Kong to the effect that such lands be vested in such subsidiaries of the Group and Regent Star as tenants in common in the proportion of 68% and 32% respectively for the surrender to, and re-grant of such lands by the government. There was no equality money paid by either party to the said deeds of exchange.

As NWD was a substantial shareholder of certain subsidiaries of the Group, Regent Star was a connected person of the Company under the Listing Rules. Accordingly, the transactions mentioned above constituted connected transactions of the Company under the Listing Rules.

(ii) As disclosed in the joint announcement with the Group's subsidiary, Henderson Investment dated 12 March 2009, Hong Kong Vigorous Limited ("Vigorous"), a subsidiary of the Company and Henderson Investment, and 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 PRC Partner") entered into an agreement on 12 March 2009 for the purpose of disposing of 70% equity interest, representing its entire interest in 馬鞍山環通公路發展有限公司 (Maanshan Huan Tong Highway Development Limited) ("Maanshan Highway JV") to Maanshan Highway PRC Partner as purchaser at a consideration of RMB122 million. The covenants included, amongst other things, the undertaking by the Maanshan Highway PRC Partner to procure Maanshan Highway JV to pay to Vigorous the 2007 distribution and the 2008 distribution (as more particularly described in the said announcement).

As Maanshan Highway PRC Partner had a 30% interest in the Maanshan Highway JV, Maanshan Highway PRC Partner was a connected person of the Company and Henderson Investment under the Listing Rules. Accordingly, the aforesaid disposal constituted a connected transaction of the Company and Henderson Investment under the Listing Rules. In addition, the aforesaid disposal constituted a discloseable transaction of Henderson Investment. A written independent shareholders' approval to approve the subject disposal in lieu of holding a general meeting had been obtained by Henderson Investment from certain wholly-owned subsidiaries of the Company, which in aggregate held approximately 67.94% of the total issued share capital of Henderson Investment under Rule 14A.43 of the Listing Rules.

(iii) As disclosed in the announcement dated 15 June 2009, Sunlight Real Estate Investment Trust ("Sunlight REIT") might be deemed by the Hong Kong Stock Exchange as a connected person of the Company under the Listing Rules as a result of the aggregate percentage unitholdings in Sunlight REIT of the Group and the Shau Kee Financial Enterprises Limited group ("SKFE Group") (controlled by a family trust of Dr. Lee Shau Kee, the Chairman and Managing Director of the Company) being marginally above 30% since 30 April 2009. Accordingly, the transactions between the Group and Sunlight REIT group contemplated under the following previous agreements/deeds became continuing connected transactions of the Company under the Listing Rules:

(a) a property management agreement dated 29 November 2006 (as supplemented by a supplemental agreement dated 28 April 2009) was entered into between Henderson Sunlight Asset Management Limited ("HSAM") and Henderson Sunlight Property Management Limited ("Property Manager") as property manager (and property holding companies under the Sunlight REIT group have also subsequently acceded to the said agreement) relating to the provision of certain property management and lease management as well as marketing services in respect of the properties of Sunlight REIT up to 30 June 2012 at a fee of 3% per annum of the gross property revenue of the relevant properties of Sunlight REIT for property and lease management services and a commission as calculated on the base rent or licence fee for a tenancy or a licence secured ("Property Management Transactions");

(b) a trust deed dated 26 May 2006 (as supplemented by three supplemental deeds dated 1 June 2006, 28 November 2006 and 28 April 2009 respectively) was entered into between Uplite Limited as settlor, a subsidiary of SKFE Group, HSAM as manager and HSBC Institutional Trust Services (Asia) Limited as trustee in respect of, among other things, the appointment of HSAM as the manager of Sunlight REIT for the management and operation of Sunlight REIT at a base fee not exceeding 0.4% per annum of the property values of Sunlight REIT for the relevant financial year and a variable fee of 3% per annum of the relevant net property income of Sunlight REIT payable in the form of Sunlight REIT units and/or cash. HSAM is also entitled to an acquisition fee in respect of acquisition of real estate by Sunlight REIT, and a divestment fee in respect of any real estate sold or divested by Sunlight REIT (where applicable) and certain reimbursement ("Asset Management Transactions");

(c) agreements of various dates between January 2008 and March 2009 were entered into between the Property Manager and Megastrength Security Services Company Limited ("Megastrength"), the Group's subsidiary in respect of the provision of security and related services for a number of properties owned by the Sunlight REIT at a typical fixed monthly or yearly service fee payable to Megastrength ("Security Services Transactions"); and

(d) agreements or arrangements to be entered into from time to time between members of the Group and members of Sunlight REIT group for the provision of other ancillary property services, including but not limited to cleaning services for the properties of Sunlight REIT ("Other Ancillary Property Services Transactions").

The maximum aggregate sums to be paid by the Sunlight REIT group to the Group under the Property Management Transactions, the Asset Management Transactions, the Security Services Transactions and the Other Ancillary Property Services Transactions would not exceed the following:

Period from 30 April 2009 to 31 December 2009 (HK$ million)	Financial year ending 31 December 2010 (HK$ million)	Financial year ending 31 December 2011 (HK$ million)	Financial year ending 31 December 2012 (HK$ million)
80	120	130	140

During the period from 30 April 2009 (date of Sunlight REIT being deemed as connected person of the Company) to 31 December 2009, the Group received HK$14.4 million for the Property Management Transactions, HK$46.8 million for the Asset Management Transactions, HK$2.8 million for the Security Services Transactions and HK$9.2 million for the Other Ancillary Property Services Transactions, which in aggregate amounted to HK$73.2 million.

A Committee of Independent Non-executive Directors of the Company has reviewed and confirmed that all the above transactions are (a) in accordance with the terms of the relevant agreements/deeds relating to the transactions in question; (b) in the ordinary and usual course of business of the Group; (c) on normal commercial terms or on terms no less favourable than terms available to (or from, as appropriate) independent third parties; and (d) fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditors of the Company have also confirmed that all the above transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Group; (c) have been entered into in accordance with the relevant agreements/deeds governing the continuing connected transactions; and (d) have not exceeded the aforesaid caps.

(iv) As disclosed in the announcement dated 20 July 2009, the Group through its subsidiaries, Onfine Development Limited ("Onfine") and Gainbo Limited and NWD's subsidiaries, Waygent Investment Limited ("Waygent") and Magic Sign Limited ("Magic Sign") entered into a deed of exchange on 20 July 2009 for the purpose of exchanging shares in their respective interests in various lots (total 112) all in Demarcation District No. 116 and Demarcation District No. 120, Yuen Long, New Territories, Hong Kong with a total site area of approximately 478,900 square feet to the effect that such lands be vested in such subsidiaries of the Group and such subsidiaries of NWD as tenants in common in the proportion of 79.03% and 20.97% respectively for the surrender to, and re-grant of such lands by the government. There was a equality money of approximately HK$13.4 million paid by NWD's subsidiaries to Onfine under the said deed of exchange.

As NWD was a substantial shareholder of certain subsidiaries of the Group, Wagent and Magic Sign were connected persons of the Company under the Listing Rules. Accordingly, the transactions mentioned above constituted connected transactions of the Company under the Listing Rules.

(v) As disclosed in the announcement dated 11 November 2009, due to the change of the financial year end date of the Company from 30 June to 31 December, the periods to which the respective previous annual caps for the continuing connected transactions of the Company in relation to the provision of project management services, leasing agency services, sales agency services and main contractor services in respect of a residential development at 39 Conduit Road, Hong Kong (the "Conduit Road Development") related (as previously disclosed in the announcement dated 6 June 2008 and the annual report for the year ended 30 June 2008) were revised. Furthermore, owing to the surge in market price for luxurious residential properties in Hong Kong, the sales agency fee exceeded the relevant previous annual caps of sales agency fee under the deed of appointment of sales agent, and accordingly were revised as well. The revised annual caps in respect of the following deeds/arrangement made between certain subsidiaries of the Group and Nation Sheen Limited ("Nation Sheen") and/or Carry Express Investment Limited ("Carry Express") as owners of the Conduit Road Development were set out below:

	For the financial period of 18 months ended 31 December 2009 (HK$ million)	For the financial year ending 31 December 2010 (HK$ million)	For the 6 months ending 30 June 2011 (HK$ million)
Project management fee under the novated project management deed dated 13 June 2008 ("PM Fee")	15.0	10.0	5.0
Leasing agency fee under the novated leasing agent deed dated 13 June 2008 ("Leasing Agency Fee")	22.5	15.0	7.5
Sales agency fee under the novated sales agent deed dated 13 June 2008 ("Sales Agency Fee")	45.0	45.0	22.5
Main contractor fee (exclusive of direct payment by the landlords to the nominated sub-contractors) under the main contractor arrangement ("Main Contractor Fee")	180.0	120.0	60.0

On 11 November 2009, Carry Express and Henderson Real Estate Agency Limited ("HREAL") as sales and marketing agent entered into a deed ("Carry Express Sales Agent Deed") for the purpose of appointing HREAL as the sales and marketing agent of Carry Express for the disposal of such parts of the units of the Conduit Road Development designated for disposal. HREAL would be entitled to a sales agency fee ("Carry Express Sales Agency Fee") of 1% of the gross proceeds of disposal for such units of the Conduit Road Development under Carry Express Sales Agent Deed and the relevant annual caps were set out below:

	For the period from the date of the first initial disposal to 31 December 2009 (HK$ million)	For the financial year ending 31 December 2010 (HK$ million)	For the financial year ending 31 December 2011 (HK$ million)	For the 11 months ending 30 November 2012 (HK$ million)
Annual caps for the Carry Express Sales Agency Fee under Carry Express Sales Agent Deed	33	33	33	33

Each of Nation Sheen and Carry Express, being a non-wholly owned subsidiary of the Group, was an associate of Mr. Yeung Sai Hong who was a substantial shareholder (as defined under the Listing Rules) of certain subsidiaries of the Group. Nation Sheen and Carry Express were therefore connected persons of the Company under the Listing Rules and the above transactions constituted continuing connected transactions of the Company.

During the financial period of 18 months ended 31 December 2009, the Group received HK$9.1 million as PM Fee, HK$30.6 million as Sales Agency Fee and HK$90.2 million as Main Contractor Fee. No Leasing Agency Fee was received by the Group during such period. In addition, during the period from the first initial disposal (i.e. October 2009) to 31 December 2009, the Group received HK$2.2 million as Carry Express Sales Agency Fee.

A Committee of Independent Non-executive Directors of the Company has reviewed and confirmed that all the above transaction are (a) in accordance with the terms of the relevant agreements/deeds relating to the transactions in question; (b) in the ordinary and usual course of business of the Group; (c) on normal commercial terms or on terms no less favourable than terms available to (or from, as appropriate) independent third parties; and (d) fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditors of the Company have also confirmed that all the above transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Group; (c) have been entered into in accordance with the relevant agreements/deeds governing the continuing connected transactions; and (d) have not exceeded the aforesaid caps.

(5) As disclosed in the announcement dated 15 January 2010, the following agreements relating to the development at Demarcation District No. 206, Lok Wo Sha, Wu Kai Sha, New Territories, Hong Kong (the "Development") were entered into on 14 January 2010:

(i) a letter of award between HREAL (on behalf of the Group and Regent Star as landlords) and Vibro (H.K.) Limited ("Vibro"), a non-wholly owned subsidiary of NWD in respect of the appointment of Vibro as the contractor to construct, complete and procure the construction and completion of the foundation and sub-structure works of the Development at a contract sum of HK$227,500,000; and

(ii) a letter of intent between Vibro as contractor and Granbo Construction Company Limited ("Granbo"), a wholly-owned subsidiary of the Group as sub-contractor in respect of the appointment of Granbo the as sub-contractor to construct, complete and procure the construction and completion of part of the bored piling works of the Development at a lump sum fixed price of HK$16,800,000.

For each of the three years commencing from 20 January 2010, (a) the annual aggregate amount payable by the Group to Vibro under the said letter of award would not exceed HK$136 million, according to the Group's 68% interest in the Development; and (b) the annual aggregate amount receivable by Granbo under the said letter of intent would not exceed HK$17 million.

As NWD was a substantial shareholder of certain subsidiaries of the Group, Vibro was a connected person of the Company under the Listing Rules. Accordingly, the transactions mentioned above constituted continuing connected transactions of the Company under the Listing Rules.

(6) The material related party transactions set out in note 39 to the accounts on pages 223 and 224 include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the period end or at any time during the period under review.

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the eighteen months ended 31 December 2009 and as at 31 December 2009 were as follows:

Dr. Lee Shau Kee, the Chairman of the Company, and Mr. Lee Ka Kit, Mr. Lee Ka Shing and Mr. Li Ning, Directors of the Company, have deemed interests and/or held directorships in companies engaged in the same businesses of property investment, development and management in Hong Kong and mainland China as the Group. As those companies which engage in the same businesses as the Group were involved in the investment, development and management of properties of different types and/or in different locations, and the Group, has been operating independently of, and at arm's length from, the businesses of those companies, no competition is considered to exist.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the eighteen months ended 31 December 2009.

Major Customers and Suppliers

For the eighteen months ended 31 December 2009:

(1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30 per cent of the Group's total purchases.

(2) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30 per cent of the Group's total turnover.

Management Discussion and Analysis

A management discussion and analysis of the Group's results for the eighteen months ended 31 December 2009 is shown on pages 94 to 103.

Retirement Benefits Scheme

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Scheme Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. The amount of forfeited contributions of the Scheme utilised during the eighteen months ended 31 December 2009 was HK$1,972,000 (Twelve months for the financial year 2008: HK$2,393,000). As at 31 December 2009, there were no forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme (30 June 2008: Nil).

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised in the eighteen months ended 31 December 2009 was HK$2,598,000 (Twelve months for the financial year 2008: HK$566,000) and the balance available to be utilised as at 31 December 2009 was HK$42,000 (30 June 2008: HK$203,700).

The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The Group's retirement costs charged to the profit and loss account for the eighteen months ended 31 December 2009 were HK$80,949,000 (Twelve months for the financial year 2008: HK$48,212,000).

Revolving Credit Agreement with Covenants of the Controlling Shareholders

A wholly-owned subsidiary of the Company has continuously acted as borrower for a HK$10,000,000,000 revolving credit facility (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 separate guarantees 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.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditors

A resolution for the re-appointment of KPMG as Auditors of the Company is to be proposed at the forthcoming annual general meeting.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 106 to 113.

On behalf of the Board

Lee Shau Kee

Chairman

Hong Kong, 30 March 2010

Biographical Details of Directors and Senior Management

Executive Directors

Dr. the Hon. LEE Shau Kee *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 81, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1976 and has been engaged in property development in Hong Kong for more than 50 years. He is also a member of the Remuneration Committee of the Company. He is the founder and the chairman and managing director of Henderson Investment Limited, the chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, the vice chairman of Sun Hung Kai Properties Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited and The Bank of East Asia, Limited, all of which are listed companies. Dr. Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr. Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Believegood Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Mr. Lee Tat Man and Madam Fung Lee Woon King, the father of Ms. Lee Pui Man, Margaret, Mr. Lee Ka Kit and Mr. Lee Ka Shing and the father-in-law of Mr. Li Ning.

LEE Ka Kit *JP*, aged 46, National Committee Member of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1985 and Vice Chairman since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the PRC business of Henderson Land Group since he joined the Company in 1985. Mr. Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited as well as a director of The Hong Kong and China Gas Company Limited, both of which are listed companies. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong in 2009 respectively. Mr. Lee is a director of Henderson Development which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr. Lee Shau Kee, the brother of Ms. Lee Pui Man, Margaret and Mr. Lee Ka Shing and the brother-in-law of Mr. Li Ning.

LAM Ko Yin, Colin *FCILT, FHKIoD*, aged 58, joined the Company in 1982 and has been an Executive Director since 1985 and Vice Chairman since 1993. He is also a member of the Remuneration Committee of the Company. He holds a B.Sc. (Honours) degree from the University of Hong Kong and has over 36 years' experience in banking and property development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited as well as a director of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is a member of the Court of The University of Hong Kong, a Director of The University of Hong Kong Foundation for Educational Development and Research Limited, and a Director of Fudan University Education Development Foundation. Mr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Mr. Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE Ka Shing aged 38, a Committee Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1993 and Vice Chairman since 2005. He was educated in Canada. Mr. Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited, managing director of Miramar Hotel and Investment Company, Limited as well as a director of The Hong Kong and China Gas Company Limited, all of which are listed companies. Mr. Lee is a director of Henderson Development and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr. Lee Shau Kee, the brother of Ms. Lee Pui Man, Margaret and Mr. Lee Ka Kit and the brother-in-law of Mr. Li Ning.

YIP Ying Chee, John *LLB*, *FCIS*, aged 61, has been an Executive Director of the Company since 1997. He graduated from the University of Hong Kong and the London School of Economics and is a solicitor and a certified public accountant. He has over 30 years' experience in corporate finance, and corporate and investment management.

AU Siu Kee, Alexander *OBE*, *ACA*, *FCCA*, *FCPA*, *AAIA*, *FCIB*, *FHKIB*, aged 63. Mr. Au has been an Executive Director and the Chief Financial Officer of the Company since 2005. A banker by profession, he was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Currently Mr. Au is an independent non-executive director of Wheelock and Company Limited, a listed company. Within the Henderson Land Group, he is a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both of which are listed companies. An accountant by training, Mr. Au is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Au is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

SUEN Kwok Lam *MH*, *FHIREA*, aged 63, joined the Company in 1997 and has been an Executive Director of the Company since January 2002. He is also an executive director of Henderson Investment Limited, a listed company. He is the Vice President of Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He was the President of Hong Kong Association of Property Management Companies from 2003 to 2007. He has over 35 years' experience in property management. He was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region in 2005.

Biographical Details of Directors and Senior Management

LEE King Yue aged 83, has been an Executive Director of the Company since 1976. He joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged with Chairman in property development for over 50 years. He is also an executive director of Henderson Investment Limited, a listed company. Mr. Lee is a director of Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc. and South Base Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

FUNG LEE Woon King aged 71, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited ("Henderson Development"), the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the treasurer of Henderson Development Group, Henderson Land Group and Henderson Investment Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc. and South Base Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr. Lee Shau Kee and Mr. Lee Tat Man.

LAU Yum Chuen, Eddie aged 63, has been an Executive Director of the Company since 1987. He has over 40 years' experience in banking, finance and investment. Mr. Lau is also an executive director of Henderson Investment Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies.

LI Ning *BSc*, *MBA*, aged 53, has been an Executive Director of the Company since 1992. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr. Li is also an executive director of Henderson Investment Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited, both of which are listed companies. He is the son-in-law of Dr. Lee Shau Kee, the spouse of Ms. Lee Pui Man, Margaret and the brother-in-law of Mr. Lee Ka Kit and Mr. Lee Ka Shing.

KWOK Ping Ho, Patrick *BSc*, *MSc*, *Post-Graduate Diploma in Surveying*, *ACIB*, aged 57, joined the Company in 1987 and has been an Executive Director since 1993. He holds a B.Sc. (Engineering) degree, an M.Sc. (Administrative Sciences) degree and a Post-Graduate Diploma in Surveying (Real Estate Development). Mr. Kwok is an Associate Member of The Chartered Institute of Bankers of the United Kingdom and he had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company. He is also an executive director of Henderson Investment Limited, a listed company and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust.

Non-executive Directors

Sir Po-shing WOO *Hon LLD, FCIArb, FIMgt, FInstD, FHKMA*, aged 81, has been a Director of the Company since 1981 and was re-designated as Non-executive Director in 2004. He is a solicitor and a Consultant of Jackson Woo & Associates in association with Ashurst Hong Kong. He is also a director of Henderson Investment Limited and Sun Hung Kai Properties Limited, both of which are listed companies. He was admitted to practice as solicitor in England and Hong Kong and is also a Fellow of The Chartered Institute of Arbitrators, The Institute of Management and The Institute of Directors of England. He was awarded Hon. LL.D. by the City University of Hong Kong and is a Fellow of the King's College of London as well as Honorary Professor of Nankai University of Tianjin. Sir Po-shing Woo became Fellow of The Hong Kong Management Association in 2000. He is also the founder of Woo Po Shing Medal in Law and Woo Po Shing Overseas Summer School Travelling Scholarship, both at the University of Hong Kong. Sir Po-shing Woo is also the founder of the Woo Po Shing Professor (Chair) of Chinese and Comparative Law in City University. Sir Po-shing Woo is a director of Henderson Development Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the father of Mr. Woo Ka Biu, Jackson.

LEUNG Hay Man *FRICS, FCIArb, FHKIS*, aged 75, has been a Director of the Company since 1981 and was re-designated as Non-executive Director in 2004. He is also a member of the Audit Committee of the Company. Mr. Leung is a Chartered Surveyor. He is also a director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and The Hong Kong and China Gas Company Limited, all of which are listed companies.

LEE Pui Ling, Angelina *JP, LLB, FCA*, aged 61, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs. Lee is a Partner of the firm of solicitors, Woo, Kwan, Lee & Lo, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs. Lee is active in public service and is currently a Non-executive Director of the Securities and Futures Commission and a member of its Takeover and Mergers Panel and Takeovers Appeal Committee, and a Non-executive Director of the Mandatory Provident Fund Schemes Authority. She is also a non-executive director of Cheung Kong Infrastructure Holdings Limited and Tom Group Limited as well as an independent non-executive director of Great Eagle Holdings Limited, all of which are listed companies.

LEE Tat Man aged 72, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 30 years and is also an executive director of Henderson Investment Limited, a listed company. Mr. Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr. Lee Shau Kee and Madam Fung Lee Woon King.

WOO Ka Biu, Jackson *MA (Oxon)*, aged 47, has been the Alternate Director to Sir Po-shing Woo, Director of the Company since July 2000 and was re-designated as Non-executive Director in 2004, following the re-designation of Sir Po-shing Woo as Non-executive Director. He is a director of Kailey Group of Companies. He is also an alternate director to Sir Po-shing Woo, a non-executive director of Henderson Investment Limited and Sun Hung Kai Properties Limited, both of which are listed public companies. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. Mr. Woo is currently a partner of Jackson Woo & Associates in association with Ashurst Hong Kong and was a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). Prior to joining Rothschild, Mr. Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. He is the son of Sir Po-shing Woo.

Independent Non-executive Directors

KWONG Che Keung, Gordon *FCA*, aged 60, has been an Independent Non-executive Director of the Company since 2004. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Investment Limited, Agile Property Holdings Limited, Beijing Capital International Airport Company Limited, China Chengtong Development Group Limited, China Oilfield Services Limited, China Power International Development Limited, CITIC 1616 Holdings Limited, COSCO International Holdings Limited, Frasers Property (China) Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited, OP Financial Investments Limited, Quam Limited and Tianjin Development Holdings Limited, all of which are listed companies. Mr. Kwong previously served as an independent non-executive director of Tom Online Inc. (listed in Hong Kong) until its privatisation on 3 September 2007 and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (listed in Hong Kong and Shanghai) for two terms of three years to June 2009.

Professor KO Ping Keung *PhD, FIEEE, JP*, aged 59, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee and Remuneration Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Beijing and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 – 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 – 1984. Professor Ko is an independent non-executive director of Henderson Investment Limited and China Resources Microelectronics Limited, both of which are listed companies. He also served as an independent non-executive director of China Resources Logic Limited, being a listed company, until his resignation in March 2008.

WU King Cheong *BBS, JP*, aged 59, has been an Independent Non-executive Director of the Company since 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Wu is a Member of Hong Kong Housing Authority, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Chevalier Pacific Holdings Limited, Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies.

Senior Management

David Francis DUMIGAN *BSc, C Eng, FICE, FHKIE, RPE*, aged 52, joined the Company in 1995 and is presently the General Manager of Project Management (1) Department. He is a Fellow Member of the Hong Kong Institution of Engineers and Institution of Civil Engineers. Mr. Dumigan has over 28 years' experience in the design and construction of major development projects in Hong Kong and mainland China.

KWOK Man Cheung, Victor *BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorised Person (Architect), Registered Architect (HK), PRC Class 1 Registered Architect Qualification*, aged 56, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from the University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 31 years of professional experience in the property and construction industry of Hong Kong and mainland China.

WONG Ho Ming, Augustine *JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)*, aged 49, joined the Company in 1996 and is presently the General Manager of Property Development Department. He is a registered professional surveyor and has over 25 years' experience in property appraisal, dealing and development. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2008.

LEUNG Kam Leung *MSc, PGDMS, FHKIS, FRICS, RPS (GP)*, aged 56, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He holds a Master of Science degree in International Real Estate and a Postgraduate Diploma in Management Studies. He is a Fellow Member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and is also a Registered Professional Surveyor. He has over 30 years' experience in land and property development. Prior to joining the Company, Mr. Leung held a Chief Estate Surveyor post in the Lands Department of the Hong Kong Government and had over 20 years' experience in government land disposal, land exchange, lease modification and premium assessment. He is currently serving on several government advisory committees.

WONG Wing Hoo, Billy *JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE*, aged 52, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. Mr. Wong was appointed as a Justice of the Peace in 2005. He served as President of Hong Kong Construction Association and Chairman of Construction Industry Training Authority, and is currently a member of Construction Industry Council, Chairman of Construction Industry Training Board, and Permanent Supervisor of Hong Kong Construction Association.

LAM Tat Man, Thomas *MEM(UTS), DMS, EHKIM, MHIREA*, aged 50, joined the Company in 1983 and is presently the General Manager of Sales Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney and a Diploma in Management Studies from the Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administration and an Executive Member of Hong Kong Institute of Marketing. He has over 26 years' experience in property sales and marketing.

LEE Pui Man, Margaret *BHum (Hons)*, aged 49, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B. Hum. (Honours) degree from the University of London and has over 25 years' experience in marketing development. She is the eldest daughter of Dr. Lee Shau Kee, the spouse of Mr. Li Ning and the sister of Mr. Lee Ka Kit and Mr. Lee Ka Shing.

SIT Pak Wing *ACIS, FHIREA*, aged 62, joined the Company in 1991 and is presently the General Manager of Portfolio Leasing Department. He is a Member of The Institute of Chartered Secretaries and Administrators, a Fellow Member of the Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He has over 30 years' experience in marketing development, leasing and property management.

LIU Cheung Yuen, Timon *BEc, FCPA, CA (Aust), FCS, FCIS*, aged 52, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr. Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher *BSc (Econ), ACA*, aged 47, joined the Company in June 2007 and is presently the General Manager of Accounts Department. Mr. Wong graduated from The London School of Economics and Political Science, University of London and is an associate member of the Institute of Chartered Accountants in England & Wales. He has over 20 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr. Wong was the Chief Financial Officer of Kerry Properties Limited between December 2004 and May 2007.

Accounts

Report of the Independent Auditor

To the shareholders of Henderson Land Development Company Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Henderson Land Development Company Limited ("the Company") set out on pages 143 to 233, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

The directors of the Company are responsible for the preparation and the true and fair presentation of these accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these accounts based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

30 March 2010

Consolidated Profit and Loss Account

For the period from 1 July 2008 to 31 December 2009

	Note	**Period from 1 July 2008 to 31 December 2009 HK$ million**	Year ended 30 June 2008 (restated) HK$ million
Turnover	5	**15,230**	13,492
Direct costs		**(7,264)**	(7,343)
		7,966	6,149
Other revenue	6	**368**	326
Other net income	6	**56**	297
Other operating (expenses)/income, net	7	**(283)**	(197)
Selling and marketing expenses		**(870)**	(886)
Administrative expenses		**(2,033)**	(1,249)
Profit from operations before changes in fair value of investment properties		**5,204**	4,440
Increase in fair value of investment properties	16(a)	**7,156**	6,706
Profit from operations after changes in fair value of investment properties		**12,360**	11,146
Finance costs	8(a)	**(1,341)**	(576)
		11,019	10,570
Share of profits less losses of associates		**3,074**	3,224
Share of profits less losses of jointly controlled entities		**4,363**	3,938
Profit before taxation	8	**18,456**	17,732
Income tax	11(a)	**(2,356)**	(1,410)
Profit for the period/year		**16,100**	16,322
Attributable to:			
Equity shareholders of the Company	12 & 34	**14,320**	15,473
Minority interests	34	**1,780**	849
Profit for the period/year	34	**16,100**	16,322
Dividends payable to equity shareholders of the Company attributable to the period/year:	13		
Interim dividends declared during the period/year		**1,288**	859
Final dividend proposed after the balance sheet date		**1,503**	1,503
		2,791	2,362
Earnings per share – basic and diluted	14(a)	**HK$6.67**	HK$7.54
Adjusted earnings per share	*14(b)*	***HK$2.84***	*HK$2.78*

The notes on pages 151 to 233 form part of these accounts.

Balance Sheets

At 31 December 2009

		The Group		The Company	
	Note	**At 31 December 2009**	At 30 June 2008 (restated)	**At 31 December 2009**	At 30 June 2008
		HK$ million	HK$ million	**HK$ million**	HK$ million
Non-current assets					
Fixed assets	16	**69,320**	59,313	**—**	—
Intangible operating rights	17	**508**	749	**—**	—
Interests in leasehold land held for own use under operating leases	18	**976**	1,006	**—**	—
Interest in subsidiaries	19	**—**	—	**100,822**	97,000
Interest in associates	20	**35,569**	33,993	**420**	297
Interest in jointly controlled entities	21	**16,711**	13,891	**126**	126
Derivative financial instruments	22	**516**	268	**—**	—
Other financial assets	23	**1,919**	2,164	**—**	—
Deferred tax assets	11(c)	**156**	129	**—**	—
		125,675	111,513	**101,368**	97,423
Current assets					
Deposits for acquisition of properties	24	**5,894**	4,840	**—**	—
Inventories	25	**41,541**	37,624	**—**	—
Trade and other receivables	26	**7,365**	5,072	**27**	55
Cash held by stakeholders		**46**	154	**—**	—
Cash and cash equivalents	28	**10,525**	15,675	**1**	1
		65,371	63,365	**28**	56
Assets classified as held for sale	33	**196**	—	**—**	—
		65,567	63,365	**28**	56
Current liabilities					
Trade and other payables	29	**5,359**	4,589	**49**	28
Bank loans and overdrafts	30	**4,858**	3,307	**—**	—
Current taxation		**713**	879	**—**	—
		10,930	8,775	**49**	28
Liabilities associated with assets classified as held for sale	33	**39**	—	**—**	—
		10,969	8,775	**49**	28
Net current assets/(liabilities)		**54,598**	54,590	**(21)**	28
Total assets less current liabilities		**180,273**	166,103	**101,347**	97,451

Balance Sheets

At 31 December 2009

	Note	The Group		The Company	
		At 31 December 2009	At 30 June 2008 (restated)	**At 31 December 2009**	At 30 June 2008
		HK$ million	HK$ million	**HK$ million**	HK$ million
Non-current liabilities					
Bank loans	30	**24,157**	29,007	**—**	—
Guaranteed notes	31	**6,994**	3,312	**—**	—
Amount due to a fellow subsidiary	32	**2,210**	1,872	**—**	—
Derivative financial instruments	22	**557**	309	**—**	—
Deferred tax liabilities	11(c)	**8,845**	7,441	**—**	—
		42,763	41,941	**—**	—
NET ASSETS		**137,510**	124,162	**101,347**	97,451
CAPITAL AND RESERVES	34				
Share capital		**4,294**	4,294	**4,294**	4,294
Reserves		**128,833**	116,902	**97,053**	93,157
Total equity attributable to equity shareholders of the Company		**133,127**	121,196	**101,347**	97,451
Minority interests		**4,383**	2,966	**—**	—
TOTAL EQUITY		**137,510**	124,162	**101,347**	97,451

Approved and authorised for issue by the Board of Directors on 30 March 2010.

Lee Shau Kee
Lee Tat Man
Directors

The notes on pages 151 to 233 form part of these accounts.

Consolidated Statement of Changes in Equity

For the period from 1 July 2008 to 31 December 2009

	Note	**Period from 1 July 2008 to 31 December 2009**		Year ended 30 June 2008 (restated)	
		HK$ million	**HK$ million**	HK$ million	HK$ million
Total equity at 1 July 2008/2007					
— as previously reported			**124,198**		100,744
— effect of adoption of HK(IFRIC)-Int 12	2(a)		**(36)**		(38)
— as restated			**124,162**		100,706
Net income for the period/year recognised directly in equity:	34(a)				
Exchange difference on translation of accounts of foreign entities			**(83)**		2,096
Cash flow hedges: effective portion of changes in fair value, net of deferred tax			**71**		(32)
Revaluation surpluses, net of deferred tax			**—**		64
Changes in fair value of available-for-sale equity securities			**256**		(80)
Share of capital reserve of associates			**6**		—
			250		2,048
Transfers from equity:	34(a)				
Cash flow hedges: reclassification from equity to profit or loss, net of deferred tax			**146**		1
Reclassification from equity to profit or loss on					
— impairment of available-for-sale equity securities			**73**		—
— disposal of available-for-sale equity securities			**(16)**		—
Realisation of property revaluation reserve on					
— disposal of a subsidiary			**(39)**		—
— disposal of fixed assets			**(19)**		—
Realisation of exchange reserve on disposal of subsidiaries			**—**		(14)
			145		(13)

Consolidated Statement of Changes in Equity

For the period from 1 July 2008 to 31 December 2009

	Note	Period from 1 July 2008 to 31 December 2009		Year ended 30 June 2008 (restated)	
		HK$ million	**HK$ million**	HK$ million	HK$ million
Net profit for the period/year					
— as previously reported				16,320	
— effect of adoption of HK(IFRIC)-Int 12	2(a)			2	
— net profit for the period/year (2008 – as restated)			**16,100**		16,322
Total recognised income and expenses for the period/year			**16,495**		18,357
Attributable to:					
— Equity shareholders of the Company		**14,722**		17,440	
— Minority interests		**1,773**		917	
		16,495		18,357	
Dividends declared and approved during the period/year			**(2,791)**		(2,219)
Dividends paid to minority shareholders			**(276)**		(275)
Distribution to minority shareholders			**(33)**		(16,112)
Increase in shareholdings in subsidiaries			**—**		10,125
Acquisition of subsidiaries			**—**		470
Disposal of subsidiaries			**—**		(367)
Repayment to minority shareholders, net			**(47)**		(304)
Movements in equity arising from capital transactions:					
— issue of shares		**—**		408	
— net share premium received		**—**		13,373	
			—		13,781
Total equity at 31 December 2009/ 30 June 2008	34(a)		**137,510**		124,162

The notes on pages 151 to 233 form part of these accounts.

Consolidated Cash Flow Statement

For the period from 1 July 2008 to 31 December 2009

	Note	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 (restated) HK$ million
Operating activities			
Profit before taxation		**18,456**	17,732
Adjustments for:			
— Interest income		**(319)**	(309)
— Dividend income from investments in available-for-sale equity securities		**(49)**	(44)
— Net profit on disposal of fixed assets		**(69)**	(71)
— Impairment of goodwill on acquisition		**3**	—
— Excess of interest in fair values of the acquirees' identifiable assets over cost of business combination		**—**	(10)
— Provision on inventories		**34**	27
— Impairment loss for trade and other receivables, net		**56**	203
— Net fair value loss on derivative financial instruments		**—**	3
— Net gain on disposal of subsidiaries	7 & 35(b)	**(48)**	(150)
— Gain on sale of listed investments		**(37)**	(1)
— Impairment loss on available-for-sale equity securities		**73**	—
— Increase in fair value of investment properties		**(7,156)**	(6,706)
— Finance costs		**1,341**	576
— Amortisation and depreciation		**281**	171
— Share of profits less losses of associates		**(3,074)**	(3,224)
— Share of profits less losses of jointly controlled entities		**(4,363)**	(3,938)
— Net foreign exchange gain		**(5)**	(232)
Operating profit before changes in working capital		**5,124**	4,027
Increase in instalments receivable		**(2,625)**	(388)
Decrease in long term receivable		**33**	22
Increase in deposits for acquisition of properties		**(1,157)**	(2,417)
Increase in inventories (other than those acquired through purchase of subsidiaries and transfers to/from investment properties)		**(6,181)**	(332)
Decrease/(increase) in debtors, prepayments and deposits		**206**	(308)
Decrease/(increase) in gross amount due from customers for contract work		**38**	(8)
Decrease/(increase) in cash held by stakeholders		**108**	(87)
Increase in creditors and accrued expenses		**1,477**	129
Increase in rental and other deposits		**174**	51
Decrease in forward sales deposits		**(771)**	(590)
Cash (used in)/generated from operations		**(3,574)**	99

Consolidated Cash Flow Statement

For the period from 1 July 2008 to 31 December 2009

	Note	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 (restated) HK$ million
Interest received		**51**	51
Tax paid			
— Hong Kong		**(927)**	(379)
— Outside Hong Kong		**(290)**	(213)
Net cash used in operating activities		**(4,740)**	(442)
Investing activities			
Additions to fixed assets		**(736)**	(994)
Additions to intangible operating rights		**(7)**	—
Proceeds from disposal of fixed assets		**787**	1,229
Additional investments in associates		**—**	(608)
(Advances to)/repayment from associates		**(53)**	299
Advances to jointly controlled entities		**(763)**	(180)
Additional investments in jointly controlled entities		**(13)**	—
Payment for purchase of available-for-sale equity securities		**(20)**	(64)
Proceeds from sale of available-for-sale equity securities		**170**	34
Acquisition of subsidiaries	35(a)	**1**	(3,656)
Proceeds from disposal of subsidiaries	35(b)	**18**	440
Additional investments in subsidiaries		**(24)**	(760)
Interest received		**278**	242
Dividends received from associates		**1,795**	1,272
Dividends received from jointly controlled entities		**2,345**	1,371
Distribution from available-for-sale equity securities		**6**	8
Dividends received from available-for-sale equity securities		**49**	44
Net cash generated from/(used in) investing activities		**3,833**	(1,323)

Consolidated Cash Flow Statement

For the period from 1 July 2008 to 31 December 2009

	Note	**Period from 1 July 2008 to 31 December 2009 HK$ million**	Year ended 30 June 2008 (restated) HK$ million
Financing activities			
Repayment to minority shareholders, net		**(47)**	(315)
Proceeds from new bank loans		**20,040**	13,031
Repayment of bank loans		**(23,135)**	(2,244)
Proceeds from issuance of guaranteed notes		**3,846**	3,309
Increase/(decrease) in amount due to a fellow subsidiary		**338**	(661)
Interest and other borrowing costs paid		**(2,051)**	(1,095)
Dividends paid to equity shareholders of the Company		**(2,791)**	(2,219)
Distribution to minority shareholders		**(33)**	(2,331)
Dividends paid to minority shareholders		**(276)**	(275)
Net cash (used in)/generated from financing activities		**(4,109)**	7,200
Net (decrease)/increase in cash and cash equivalents		**(5,016)**	5,435
Cash and cash equivalents at 1 July 2008/2007		**15,583**	9,427
Effect of foreign exchange rate changes		**(72)**	721
Cash and cash equivalents at 31 December 2009/30 June 2008	28	**10,495**	15,583

The notes on pages 151 to 233 form part of these accounts.

Notes to the Accounts

For the period from 1 July 2008 to 31 December 2009

1 General information

Henderson Land Development Company Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, construction, infrastructure, hotel operation and management, department store operation and management, finance, project management, investment holding and property management.

2 Significant accounting policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "the Group") is set out below.

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these accounts 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 accounts.

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.

2 Significant accounting policies (continued)

(a) Statement of compliance (continued)

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

	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Balance sheet		
Increase in intangible operating rights	**508**	563
Decrease in fixed assets	**(541)**	(599)
Decrease in retained profits	**(22)**	(24)
Decrease in minority interests	**(11)**	(12)

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Profit and loss account		
Increase in amortisation charge for the period/year	**61**	38
Decrease in depreciation charge for the period/year	**(64)**	(40)

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments, new standards and new interpretations which are not yet effective for the period ended 31 December 2009 and which have not been adopted in these accounts.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations 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 explained 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 are 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.

2 Significant accounting policies (continued)

(b) Change of financial year end date

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 in order to align with that of its major listed associate, The Hong Kong and China Gas Company Limited, and of project companies established in mainland China through which the Company invests in property portfolios and infrastructure projects in mainland China. The consolidated accounts now presented cover a period of eighteen months from 1 July 2008 to 31 December 2009. Accordingly, the comparative figures (which cover a period of twelve months from 1 July 2007 to 30 June 2008) for the consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement and related notes are not comparable with those of the current period.

(c) Basis of preparation of the accounts

The consolidated accounts for the eighteen months ended 31 December 2009 comprise the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities.

The measurement basis used in the preparation of the accounts is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale equity securities (see note 2(g));

— derivative financial instruments (see note 2(h)); and

— investment properties (see note 2(j)(i)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(aa)).

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and major sources of estimation uncertainty are discussed in note 3.

2 Significant accounting policies (continued)

(d) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(aa)).

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or the Company and other parties, where the contractual arrangement establishes that the Group or the Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated accounts under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale (see note 2(aa)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss (including any impairment loss on goodwill relating to the investment) (see notes 2(f) and 2(n)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment for the period are recognised in the consolidated profit and loss account, whereas the Group's share of the post-acquisition post-tax items of the investees recorded directly in equity are recognised in the consolidated statement of changes in equity.

2 Significant accounting policies (continued)

(e) Associates and jointly controlled entities (continued)

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investees. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(aa)).

(f) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, that is expected to benefit from the synergies of the combination, and is tested annually for impairment (see note 2(n)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(n)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(n)).

2 Significant accounting policies (continued)

(g) Other investments in equity securities (continued)

Investments in equity securities which do not fall into the above category are classified as available-for-sale equity securities. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(x)(viii). When these investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective portion of any gains or losses on re-measurement of the derivative financial instrument to fair value are recognised directly in the hedging reserve in equity. The ineffective portion of any gain or loss is recognised immediately in profit or loss. The change in fair value of the hedging instrument that is recognised directly in equity is reclassified from equity to profit or loss when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point in time remains in equity until the transaction occurs and it is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(j) Fixed assets

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(m)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(x)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(m)(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(m).

2 Significant accounting policies (continued)

(j) Fixed assets (continued)

(i) Investment properties (continued)

Property that is being constructed or developed for future use as investment property is classified as investment properties under development and stated at cost, including borrowing costs capitalised (see note 2(z)), aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses (see note 2(n)). Upon the completion of the construction or development, it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(ii) Other property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see note 2(k)) and impairment losses (see note 2(n)):

— hotel properties;

— other land and buildings; and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the aggregate cost of development, materials and supplies, wages, the initial estimate (where relevant) of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs capitalised (see note 2(z)) and other direct expenses capitalised.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

(k) Depreciation of fixed assets

(i) Investment properties and investment properties under development

No depreciation is provided on investment properties and investment properties under development.

(ii) Hotel properties and other land and buildings

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Costs of buildings thereon are depreciated on a straight-line basis over the unexpired terms of the respective leases or 40 years if shorter.

(iii) Properties under development for own use

No depreciation is provided until such time the relevant assets are completed and ready for use.

2 Significant accounting policies (continued)

(k) Depreciation of fixed assets (continued)

(iv) Other property, plant and equipment

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value (if any), using the straight-line method over their estimated useful lives as follows:

Leasehold improvements, furniture and fixtures	5 years
Others	2 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(l) Intangible operating rights

Intangible operating rights are stated at cost less accumulated amortisation and impairment losses (see note 2(n)).

Amortisation is provided to write off the cost of intangible operating rights using the straight-line method over their operating periods as follows:

Toll bridge operating right	29 years
Toll highway operating right	25 years

Intangible operating rights are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Gains or losses arising from derecognition of an intangible operating right are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 2(j)(i)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

2 Significant accounting policies (continued)

(m) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(j)(i)) or is held for development for sale (see note 2(o)(ii)).

(n) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 2(n)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale equity securities, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— fixed assets (other than properties carried at revalued amounts);

— intangible operating rights;

— pre-paid interests in leasehold land classified as being held for own use under an operating lease;

— investments in subsidiaries, associates and jointly controlled entities (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(aa)); and

— goodwill.

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently.

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34 "*Interim financial reporting*", in respect of the first six months and the subsequent six months of the financial period. At the end of each of the aforementioned interim periods, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial period (see notes 2(n)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial period to which such interim period relates. Consequently, if the value of an available-for-sale equity security increases in the remainder of the financial period, or in any other period subsequently, the increase is recognised in equity and not profit or loss.

2 Significant accounting policies (continued)

(o) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Leasehold land

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) Property held for and under development for sale

The cost of properties held for and under development for sale comprises specifically identified cost, including borrowing costs capitalised (see note 2(z)), aggregate cost of development, materials and supplies, wages and other direct expenses capitalised. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(iii) Completed properties for sale

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

(iv) Retail, catering stocks and trading goods

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(p) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structured elements of the design. The accounting policy for contract revenue is set out in note 2(x)(iv). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customers are included in the balance sheet under "Debtors, prepayments and deposits".

2 Significant accounting policies (continued)

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(n)).

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(v) Income tax

(i) Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2 Significant accounting policies (continued)

(v) Income tax (continued)

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (continued)

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit/a completion certificate by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits received.

2 Significant accounting policies (continued)

(x) Revenue recognition (continued)

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Contract revenue

When the outcome of a construction contract can be estimated reliably:

— revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and

— revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that the costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred where it is probable that such costs will be recoverable.

(v) Toll fee income

Toll fee income is recognised when services are provided.

(vi) Hotel operation

Income from hotel operation is recognised when services are provided.

(vii) Sale of goods

Sale of goods from department store operations is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(viii) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2 Significant accounting policies (continued)

(y) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in the exchange reserve in equity. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 Significant accounting policies (continued)

(aa) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until the completion of the disposal, the non-current assets (except for certain assets as explained below) or disposal group are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy, so far as the accounts of the Group are concerned, are deferred tax assets, financial assets (other than investments in subsidiaries, associates and jointly controlled entities) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent re-measurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ab) Related parties

For the purposes of these accounts, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2 Significant accounting policies (continued)

(ac) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of components operating in other economic environments (geographical segment).

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these accounts.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

As described in note 16, investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market condition.

3 Accounting estimates and judgements (continued)

(b) Impairment of non-current assets

If circumstances indicate that the carrying amounts of fixed assets (other than investment properties), intangible operating rights and interests in leasehold land held for own use under operating leases may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(c) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of leasehold land held for future development and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

(d) Recognition of deferred tax assets

At 31 December 2009, the Group has recognised deferred tax assets in relation to the unused tax losses as set out in note 11(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

4 Financial risk management

Exposure to credit, liquidity, interest rate, foreign currency and equity price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, derivative financial instruments entered into for hedging purposes, instalments receivable, rental and other trade receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties, which enable management to assess their recoverability and to minimise exposure to credit risk. Regarding toll income receivable, the amount 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, mainland China (the "Hangzhou Government Body") in accordance with the terms of an agreement entered into between the Group and the Hangzhou Government Body. 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.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the guarantees given by the Group as disclosed in note 38, the Group does not provide any other guarantees which expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

4 Financial risk management (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the balance sheet date) and the earliest date on which the Group and the Company can be required to pay:

The Group

	At 31 December 2009 Contractual undiscounted cash outflow						At 30 June 2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Balance sheet carrying amount HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Balance sheet carrying amount HK$ million
Bank loans and overdrafts	5,272	5,985	18,563	299	30,119	29,037	4,050	9,736	20,632	–	34,418	32,314
Guaranteed notes	404	404	2,443	7,282	10,533	6,994	203	203	610	4,154	5,170	3,312
Amount due to a fellow subsidiary	9	2,210	–	–	2,219	2,210	26	1,872	–	–	1,898	1,872
Creditors and accrued expenses	4,331	64	–	–	4,395	4,395	2,833	79	–	–	2,912	2,912
Rental and other deposits	384	255	86	5	730	730	295	186	72	3	556	556
Amounts due to associates	46	–	–	–	46	46	177	–	–	–	177	177
Amounts due to jointly controlled entities	126	–	–	–	126	126	123	–	–	–	123	123
	10,572	8,918	21,092	7,586	48,168	43,538	7,707	12,076	21,314	4,157	45,254	41,266

	At 31 December 2009 Contractual undiscounted cash inflow/(outflow)					At 30 June 2008 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Derivative settled net:										
Interest rate swap contracts held as cash flow hedging instruments	(121)	(118)	(363)	(823)	(1,425)	–	–	–	–	–
Derivative settled gross:										
Cross currency interest rate swap contracts held as cash flow hedging instruments:										
– outflow	(852)	(443)	(3,662)	(8,181)	(13,138)	(292)	(292)	(877)	(5,298)	(6,759)
– inflow	837	440	3,676	8,129	13,082	314	314	941	5,387	6,956

4 Financial risk management (continued)

(b) Liquidity risk (continued)

The Company

	At 31 December 2009		At 30 June 2008	
	Contractual undiscounted cash outflow		Contractual undiscounted cash outflow	
	Within 1 year or on demand HK$ million	**Balance sheet carrying amount HK$ million**	Within 1 year or on demand HK$ million	Balance sheet carrying amount HK$ million
Creditors and accrued expenses	**12**	**12**	9	9
Amounts due to associates	**10**	**10**	10	10
Amounts due to jointly controlled entities	**27**	**27**	9	9

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates. The Group monitors closely its interest rate exposure and the level of fixed rate and floating rate borrowings and considers hedging significant interest rate exposure should the need arise.

(i) Hedging

Cross currency interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk and foreign currency risk which may arise during the periods (i) between the issuance date and the maturity date in respect of the entire amount of each tranche of the guaranteed notes due 2014-2022 denominated in United States dollars ("US$") and Pound Sterling ("£") with aggregate principal amounts of US$325 million (30 June 2008: US$325 million) and £50 million (30 June 2008: £50 million) (see note 31) at 31 December 2009; (ii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes due 2019 denominated in United States dollars with aggregate principal amount of US$500 million (30 June 2008: US$Nil) (see note 31) at 31 December 2009; and (iii) between the drawdown dates and repayment dates in respect of the entire amounts of the bank borrowings denominated in United States dollars with an aggregate amount of US$199 million (30 June 2008: US$Nil) at 31 December 2009. Interest rate swap contracts have also been entered into with certain counterparty banks to hedge against the interest rate risk which may arise during the periods between the drawdown dates and the repayment dates in respect of certain bank borrowings denominated in Hong Kong dollars with an aggregate amount of HK$5,500 million (30 June 2008: HK$Nil) at 31 December 2009. These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to these guaranteed notes and bank borrowings.

The swap contracts will mature between 8 September 2010 and 13 June 2024 matching the maturity of the related guaranteed notes and the repayment dates of the bank borrowings and have fixed swap interest rates ranging from 0.435% to 5.735% (30 June 2008: 5.241% to 5.735%) per annum. The fair value of such swap contracts entered into by the Group at 31 December 2009 amounted to HK$516 million (30 June 2008: HK$268 million) (derivative financial assets) and HK$569 million (30 June 2008: HK$309 million) (derivative financial liabilities), respectively. These amounts are recognised as derivative financial instruments at 31 December 2009 and at 30 June 2008 (see note 22).

4 Financial risk management (continued)

(c) Interest rate risk (continued)

(ii) Interest rate profile

The following table details the interest rate profile of the Group's bank loans and overdrafts, and guaranteed notes at the balance sheet date, after taking into account the effect of swap contracts designated as cash flow hedging instruments (see (i) above).

	At 31 December 2009		
	Fixed/ floating	**Effective interest rate**	**Amount HK$ million**
Bank loans and overdrafts	**Floating**	**1.78%**	**20,919**
Bank loans	**Fixed**	**3.90%**	**8,118**
Guaranteed notes	**Fixed**	**5.21%**	**6,994**

	At 30 June 2008		
	Fixed/ floating	Effective interest rate	Amount HK$ million
Bank loans and overdrafts	Floating	2.66%	31,177
Bank loans	Fixed	7.05%	1,137
Guaranteed notes	Fixed	5.50%	3,312

(iii) Sensitivity analysis

Assuming that the interest rates had increased/decreased by not more than 100 basis points (30 June 2008: 100 basis points) at 31 December 2009 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date, with all other variables held constant, the impact on the Group's profit after tax and total equity attributable to equity shareholders of the Company is not expected to be material. The exposure to interest rate risk as referred to above represents management's assessment of a reasonably possible change in interest rates during the period from the balance sheet date until the next annual balance sheet date.

(d) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars. The Group reports its results in Hong Kong dollars.

The Group's primary foreign currency exposure arises from its property development and investment activities in mainland China, as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investments and related returns.

4 Financial risk management (continued)

(d) Foreign currency risk (continued)

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars, Euros and Japanese Yen. At 31 December 2009, cash deposits denominated in United States dollars amounted to US$594 million (30 June 2008: US$505 million). The Group does not expect that there will be any significant currency risk associated with such cash deposits given that the Hong Kong dollar is pegged to the United States dollar. For cash deposits denominated in Euros and Japanese Yen, since the balances are insignificant, the Group considers the exposure to currency risk to be low.

(i) Hedging

The foreign currency risk attributable to the guaranteed notes and foreign currency denominated bank borrowings are being hedged by way of the cross currency interest rate swap contracts which were entered into between the Group and certain counterparty banks, details of which are set out in note 4(c)(i) above.

(ii) Sensitivity analysis

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (30 June 2008: 5%) at 31 December 2009 and the changes had been applied to each of the Group entities' exposure to foreign exchange risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the impact on the Group's profit after tax and total equity attributable to equity shareholders of the Company is not expected to be material.

The Group entities' exposures to foreign currency risk, as stated above, represent management's assessment of a reasonably possible change in foreign exchange rates during the period from the balance sheet date until the next annual balance sheet date.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities.

Listed investments held in the available-for-sale equity securities portfolio have been chosen taking reference to their long term growth potential and returns and are monitored regularly for performance. Assuming that the market value of the Group's listed available-for-sale equity securities had increased/decreased by not more than 10% (30 June 2008: 10%) at 31 December 2009, with all other variables held constant, the impact on the total equity attributable to equity shareholders of the Company is not expected to be material. Any increase or decrease in the market value of the Group's listed available-for-sale equity securities would not affect the Group's profit after tax unless they are impaired.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2009 and 30 June 2008 except as follows:

(i) Amounts due from/to subsidiaries, associates and jointly controlled entities

All the amounts due from/to subsidiaries of the Company and certain amounts due from associates and jointly controlled entities of the Group are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

(ii) Unlisted investments

Equity securities of HK$125 million at 31 December 2009 (30 June 2008: HK$111 million) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are recognised at cost less impairment losses at the balance sheet date (see note 23).

4 Financial risk management (continued)

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Equity securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Derivative financial instruments

The fair value of cross currency interest rate swap contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, discounted at current market interest rates for a similar financial instrument at the measurement date.

(iii) Interest-bearing borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments at the measurement date.

5 Turnover

Turnover of the Group represents proceeds from the sale of properties, rental income, income from construction, infrastructure business, hotel operation and management, department store operation and management, and others mainly including income from provision of finance, investment holding, project management, property management, agency services, provision of cleaning and security guard services.

The major items are analysed as follows:

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Sale of properties (note)	**8,673**	9,173
Rental income	**4,178**	2,625
Construction	**400**	317
Infrastructure	**441**	272
Hotel operation	**248**	186
Department store operation	**406**	257
Others	**884**	662
	15,230	13,492

Note: Sale of properties for the eighteen months ended 31 December 2009 includes an amount of HK$144 million (Year ended 30 June 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.

6 Other revenue and other net income

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Other revenue		
Bank interest income	**250**	243
Other interest income	**17**	13
Others	**101**	70
	368	326
Other net income		
Net foreign exchange (loss)/gain	**(54)**	227
Net profit on disposal of fixed assets	**69**	71
Gain on sale of listed investments	**37**	1
Net fair value loss on derivative financial instruments	**—**	(3)
Others	**4**	1
	56	297

7 Other operating (expenses)/income, net

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Net gain on disposal of subsidiaries (note (i) and note 35(b))	**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 (note 26(c))	**(56)**	63
— others (note (ii))	**—**	(266)
Provision on inventories	**(34)**	(27)
Impairment loss on available-for-sale equity securities (note 23)	**(73)**	—
Others	**(168)**	(127)
	(283)	(197)

Notes:

(i) During the eighteen months ended 31 December 2009, the Group sold a subsidiary which was engaged in property leasing business for an aggregate consideration of HK$60 million. During the year ended 30 June 2008, the Group sold certain subsidiaries which were engaged in property leasing and infrastructure businesses for an aggregate consideration of HK$470 million. This resulted in a net gain on disposal of HK$48 million (Year ended 30 June 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.

8 Profit before taxation

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

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
(a) Finance costs:		
Bank interest	**1,343**	807
Interest on loans wholly repayable within five years	**212**	82
Interest on loans repayable after five years	**227**	166
Other borrowing costs	**130**	41
	1,912	1,096
Less: Amount capitalised *	**(571)**	(520)
	1,341	576

* *The borrowing costs have been capitalised at rates ranging from 1.87% to 6.55% (Year ended 30 June 2008: 1.82% to 6.37%) per annum.*

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
(b) Directors' remuneration:		
— For the six months from 1 July 2008 to 31 December 2008	**103**	—
— For the twelve months from 1 January 2009 to 31 December 2009	**156**	—
— For the year ended 30 June 2008	**—**	162
	259	162

Details of the directors' remuneration are set out in note 9.

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
(c) Staff costs (other than directors' remuneration):		
Salaries, wages and other benefits	**1,927**	1,161
Contributions to defined contribution retirement plans	**77**	46
	2,004	1,207

8 Profit before taxation (continued)

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

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 (restated) HK$ million
(d) Other items:		
Depreciation	**185**	104
Less: Amount capitalised	**(3)**	(2)
	182	102
Net foreign exchange gains	**(92)**	(228)
Cash flow hedges: net foreign exchange losses reclassified from equity	**146**	1
	54	(227)
Amortisation of land lease premium	**30**	20
Amortisation of intangible operating rights	**69**	49
Cost of sales		
— completed properties for sale (note (i))	**4,566**	5,606
— trading stocks	**379**	213
Auditors' remuneration	**22**	20
Rentals receivable from investment properties net of direct outgoings of HK$1,301 million (Year ended 30 June 2008: HK$714 million) (note (ii))	**(2,216)**	(1,464)
Other rental income less direct outgoings	**(405)**	(278)
Dividend income from investments in available-for-sale equity securities		
— listed	**(26)**	(28)
— unlisted	**(23)**	(16)

Notes:

(i) Included in the cost of sales for the eighteen months ended 31 December 2009 in respect of completed properties for sale is an amount of HK$36 million (Year ended 30 June 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 5.

(ii) Included contingent rental income of HK$208 million for the eighteen months ended 31 December 2009 (Year ended 30 June 2008: HK$141 million).

9 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Period from 1 July 2008 to 31 December 2008				
	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	35	6,900	—	—	6,935
Lee Ka Kit	35	7,529	—	6	7,570
Colin Lam Ko Yin	35	3,600	25,600	216	29,451
Lee Ka Shing	35	5,917	—	227	6,179
John Yip Ying Chee	25	2,874	22,000	172	25,071
Alexander Au Siu Kee	25	3,540	4,350	177	8,092
Suen Kwok Lam	35	2,178	5,000	131	7,344
Lee King Yue	35	1,824	—	82	1,941
Fung Lee Woon King	25	2,115	1,450	109	3,699
Eddie Lau Yum Chuen	35	—	—	—	35
Li Ning	35	2,315	—	77	2,427
Patrick Kwok Ping Ho	60	2,702	—	105	2,867
Non-executive Directors					
Sir Po-shing Woo	35	—	—	—	35
Leung Hay Man	35	215	—	—	250
Angelina Lee Pui Ling	25	—	—	—	25
Lee Tat Man	35	—	—	—	35
Jackson Woo Ka Biu	—	—	—	—	—
Independent non-executive Directors					
Gordon Kwong Che Keung	35	215	—	—	250
Professor Ko Ping Keung	35	215	—	—	250
Wu King Cheong	35	215	—	—	250
Sub-total	650	42,354	58,400	1,302	102,706

* *These discretionary bonuses were paid in respect of the Directors' performance for the period from 1 January 2008 to 31 December 2008.*

9 Directors' remuneration (continued)

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows: (continued)

	Period from 1 January 2009 to 31 December 2009				
	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	12,780	—	—	12,850
Lee Ka Kit	70	13,112	1,620	12	14,814
Colin Lam Ko Yin	70	7,200	28,800	432	36,502
Lee Ka Shing	70	10,054	2,140	454	12,718
John Yip Ying Chee	50	5,748	26,252	345	32,395
Alexander Au Siu Kee	50	7,080	5,220	354	12,704
Suen Kwok Lam	70	4,356	6,144	261	10,831
Lee King Yue	70	2,736	614	164	3,584
Fung Lee Woon King	50	3,626	4,672	218	8,566
Eddie Lau Yum Chuen	70	—	—	—	70
Li Ning	70	2,550	1,330	153	4,103
Patrick Kwok Ping Ho	120	3,504	1,396	210	5,230
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
Sub-total	1,300	74,466	78,188	2,603	156,557
Total for the eighteen months ended 31 December 2009	1,950	116,820	136,588	3,905	259,263

9 Directors' remuneration (continued)

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows: (continued)

	Year ended 30 June 2008				
	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 for the year ended 30 June 2008	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 any of above mentioned periods and prior year.

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, all (Year ended 30 June 2008: four) of them are directors whose emoluments are disclosed in note 9. For the year ended 30 June 2008, the emoluments in respect of the remaining one individual are as follows:

	The Group Year ended 30 June 2008 HK$'000
Salaries, emoluments, other allowances and benefits	5,092
Discretionary bonuses	7,000
Retirement scheme contributions	281
	12,373

11 Income tax

(a) Income tax in the consolidated profit and loss account represents:

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the period/year	**774**	467
(Over)/under-provision in respect of prior years	**(4)**	3
	770	470
Current tax – Provision for taxation outside Hong Kong		
Provision for the period/year	**129**	171
Under-provision in respect of prior years	**26**	40
	155	211
Current tax – Provision for Land Appreciation Tax		
Provision for the period/year	**78**	50
Deferred taxation		
Origination and reversal of temporary differences	**1,346**	981
Effect of change in tax rate	**7**	(302)
	1,353	679
	2,356	1,410

11 Income tax (continued)

(a) Income tax in the consolidated profit and loss account represents: (continued)

Provision for Hong Kong Profits Tax has been made at 16.5% (Year ended 30 June 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 foreign 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.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 (restated) HK$ million
Profit before taxation	**18,456**	17,732
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**3,296**	2,957
Tax effect of share of profits less losses of associates and jointly controlled entities	**(1,227)**	(1,182)
Tax effect of non-deductible expenses	**128**	34
Tax effect of non-taxable revenue	**(80)**	(123)
Tax effect of current period's/year's tax losses not recognised	**264**	121
Tax effect of prior year's tax losses utilised	**(26)**	(29)
Tax effect of unused tax losses not recognised in prior years now recognised	**(21)**	(7)
Tax effect of property revaluation surplus released upon disposal of properties	**(80)**	(138)
Effect of opening deferred tax balances resulting from change in tax rate	**7**	(302)
One-off rebate of profits tax	**—**	(2)
Land Appreciation Tax	**59**	38
Withholding tax	**14**	—
Under-provision in respect of prior years	**22**	43
Actual tax expense	**2,356**	1,410

11 Income tax (continued)

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the period/year are as follows:

	The Group							
Deferred taxation arising from:	Depreciation allowances in excess of related depreciation HK$ million	Revaluation of properties HK$ million	Elimination and capitalisation of expenses HK$ million	Fair value adjustment on business combination HK$ million	Consideration receivable on disposal of toll collection right of toll bridges HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
At 1 July 2007	619	5,093	318	506	14	(358)	—	6,192
Exchange adjustments	12	3	—	—	2	—	—	17
Charged/(credited) to profit or loss	61	570	(66)	(6)	(2)	122	—	679
Charged/(credited) to reserves	—	13	—	—	—	—	(6)	7
Acquisition of subsidiaries	—	—	—	420	—	—	—	420
Disposal of subsidiaries	(8)	(4)	—	—	—	9	—	(3)
At 30 June 2008	684	5,675	252	920	14	(227)	(6)	7,312
At 1 July 2008	**684**	**5,675**	**252**	**920**	**14**	**(227)**	**(6)**	**7,312**
Charged/(credited) to profit or loss	**68**	**1,374**	**4**	**(20)**	**6**	**(83)**	**4**	**1,353**
Charged to reserves	**—**	**—**	**—**	**—**	**—**	**—**	**27**	**27**
Acquisition of a subsidiary	**—**	**—**	**—**	**6**	**—**	**—**	**—**	**6**
Disposal of a subsidiary	**—**	**(9)**	**—**	**—**	**—**	**—**	**—**	**(9)**
At 31 December 2009	**752**	**7,040**	**256**	**906**	**20**	**(310)**	**25**	**8,689**

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Net deferred tax assets recognised in the consolidated balance sheet	**(156)**	(129)
Net deferred tax liabilities recognised in the consolidated balance sheet	**8,845**	7,441
	8,689	7,312

11 Income tax (continued)

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	The Group			
	At 31 December 2009		At 30 June 2008	
	Deductible temporary differences/ tax losses HK$ million	Deferred tax assets HK$ million	Deductible temporary differences/ tax losses HK$ million	Deferred tax assets HK$ million
Deductible temporary differences	**134**	**22**	36	6
Future benefits of tax losses				
Hong Kong (note (a))				
— Assessed by the Inland Revenue Department	**1,233**	**203**	744	123
— Not yet assessed by the Inland Revenue Department	**2,165**	**357**	2,376	392
Outside Hong Kong (note (b))	**484**	**120**	125	30
	3,882	**680**	3,245	545
	4,016	**702**	3,281	551

Notes:

(a) The tax losses do not expire under current tax legislation.

(b) The tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$6,687 million (Year ended 30 June 2008: HK$31,495 million) which has been dealt with in the accounts of the Company.

13 Dividends

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

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Interim dividend declared and paid for 2007/2008 of HK$0.4 per share	**—**	859
First interim dividend declared and paid for 2008/2009 of HK$0.3 per share	**644**	—
Second interim dividend declared and paid for 2008/2009 of HK$0.3 per share	**644**	—
Final dividend proposed after the balance sheet date of HK$0.7 (Year ended 30 June 2008: HK$0.7) per share	**1,503**	1,503
	2,791	2,362

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the period/year

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the period/year, of HK$0.7 (Year ended 30 June 2008: HK$0.7) per share	**1,503**	1,360

14 Earnings per share

(a) The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$14,320 million (Year ended 30 June 2008 (restated): HK$15,473 million) and on the weighted average number of 2,147 million ordinary shares (Year ended 30 June 2008: 2,052 million ordinary shares) in issue during the period/year.

There were no dilutive potential shares in existence during the year ended 30 June 2008 and the eighteen months ended 31 December 2009, therefore diluted earnings per share are the same as basic earnings per share for both the current period and prior year.

14 Earnings per share (continued)

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

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 (restated) HK$ million
Profit attributable to equity shareholders of the Company	**14,320**	15,473
Effect of changes in fair value of investment properties	**(7,156)**	(6,706)
Effect of deferred taxation on changes in fair value of investment properties	**1,455**	732
Effect of share of changes in fair value of investment properties (net of deferred taxation) of:		
— associates	**(467)**	(1,015)
— jointly controlled entities	**(3,000)**	(2,976)
Effect of share of minority interests	**936**	200
Adjusted earnings for calculation of earnings per share	**6,088**	5,708
Adjusted earnings per share	**HK$2.84**	HK$2.78

15 Segmental information

Segmental information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

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

15 Segmental information (continued)

Business segments (continued)

	Property development HK$ million	Property leasing HK$ million	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Period from 1 July 2008 to 31 December 2009									
Income and results									
Turnover	8,673	4,178	400	441	248	406	884	—	15,230
Other revenue (excluding bank interest income)	4	13	2	—	17	3	79	—	118
External revenue	8,677	4,191	402	441	265	409	963	—	15,348
Inter-segment revenue	—	294	2,125	—	1	—	79	(2,499)	—
Total revenue	8,677	4,485	2,527	441	266	409	1,042	(2,499)	15,348
Segment results	3,155	2,696	86	335	33	7	460		6,772
Inter-segment transactions	16	(75)	(106)	—	(1)	57	(66)		(175)
Contribution from operations	3,171	2,621	(20)	335	32	64	394		6,597
Bank interest income									250
Provision on inventories	(34)	—	—	—	—	—	—		(34)
Impairment loss on available-for-sale equity securities	—	—	—	—	—	—	(73)		(73)
Unallocated operating expenses net of income									(1,536)
Profit from operations									5,204
Increase in fair value of investment properties									7,156
Finance costs									(1,341)
									11,019
Share of profits less losses of associates (note (i))									3,074
Share of profits less losses of jointly controlled entities (note (ii))									4,363
Profit before taxation									18,456
Income tax									(2,356)
Profit for the period									16,100

15 Segmental information (continued)

Business segments (continued)

	Property development HK$ million	Property leasing HK$ million	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Period from 1 July 2008 to 31 December 2009 (continued)									
Balance sheet									
Segment assets	55,554	65,925	277	551	1,801	74	2,882	(173)	126,891
Interest in associates									35,569
Interest in jointly controlled entities									16,711
Unallocated assets									12,071
Total assets									191,242
Segment liabilities	1,189	1,575	1,285	37	14	135	778	(173)	4,840
Unallocated liabilities									48,892
Total liabilities									53,732
Other information									
Depreciation and amortisation for the period	9	20	10	70	85	6	81		
Capital expenditure incurred during the period	11,524	117	59	9	12	6	8		

15 Segmental information (continued)

Business segments (continued)

	Property development HK$ million	Property leasing HK$ million	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Year ended 30 June 2008 (restated)									
Income and results									
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 (i))									3,224
Share of profits less losses of jointly controlled entities (note (ii))									3,938
Profit before taxation									17,732
Income tax									(1,410)
Profit for the year									16,322

15 Segmental information (continued)

Business segments (continued)

	Property development HK$ million	Property leasing HK$ million	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Year ended 30 June 2008 (restated) (continued)									
Balance sheet									
Segment assets	48,899	54,762	287	1,428	1,855	44	2,697	(198)	109,774
Interest in associates									33,993
Interest in jointly controlled entities									13,891
Unallocated assets									17,220
Total assets									174,878
Segment liabilities	2,017	788	827	56	15	93	507	(198)	4,105
Unallocated liabilities									46,611
Total liabilities									50,716
Other information									
Depreciation and amortisation for the year	4	10	2	50	54	4	47		
Capital expenditure incurred during the year	10,769	115	—	1	52	3	3		

15 Segmental information (continued)

Geographical segments

	Hong Kong HK$ million	Mainland China HK$ million	Consolidated HK$ million
Period from 1 July 2008 to 31 December 2009			
Turnover	**13,832**	**1,398**	**15,230**
Other revenue (excluding bank interest income)	**100**	**18**	**118**
External revenue	**13,932**	**1,416**	**15,348**
Segment assets	**93,250**	**33,814**	
Capital expenditure incurred during the period	**6,811**	**4,924**	
Year ended 30 June 2008			
Turnover	11,302	2,190	13,492
Other revenue (excluding bank interest income)	69	14	83
External revenue	11,371	2,204	13,575
Segment assets	84,085	25,887	
Capital expenditure incurred during the year	6,833	4,110	

Notes:

(i) *Included in the Group's share of profits less losses of associates during the period is a profit of HK$261 million (Year ended 30 June 2008: HK$983 million) contributed from the property development segment, and a profit of HK$959 million (Year ended 30 June 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$467 million (Year ended 30 June 2008: HK$1,015 million)).*

(ii) *Included in the Group's share of profits less losses of jointly controlled entities during the period is a profit of HK$251 million (Year ended 30 June 2008: HK$390 million) contributed from the property development segment, and a profit of HK$3,916 million (Year ended 30 June 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$3,000 million (Year ended 30 June 2008: HK$2,976 million)).*

16 Fixed assets

(a) The Group

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Bridge HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:								
At 1 July 2007								
— as previously reported	50,179	852	956	302	—	792	762	53,843
— effect of adoption of HK(IFRIC)-Int 12	—	—	—	—	—	(792)	—	(792)
— as restated	50,179	852	956	302	—	—	762	53,051
Exchange adjustments	568	—	—	—	—	—	11	579
Additions								
— through acquisition of subsidiaries	1,665	—	—	—	—	—	65	1,730
— others	223	1,074	—	—	—	—	135	1,432
Cost adjustment	—	—	(12)	—	—	—	—	(12)
Disposals								
— through disposal of subsidiaries	(244)	—	—	(32)	—	—	—	(276)
— others	(1,522)	—	—	—	—	—	(70)	(1,592)
Surplus on revaluation	6,706	—	—	77	—	—	—	6,783
Written off	—	—	—	—	—	—	(8)	(8)
Transfer to inventories, net	(1,170)	(324)	—	—	—	—	—	(1,494)
Transfer to investment properties	1,668	(1,498)	—	(183)	—	—	—	(13)
At 30 June 2008 (restated)	58,073	104	944	164	—	—	895	60,180
Representing: (restated)								
Cost	—	104	944	164	—	—	895	2,107
Valuation	58,073	—	—	—	—	—	—	58,073
	58,073	104	944	164	—	—	895	60,180

16 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Bridge HK$ million	Others HK$ million	Total HK$ million
Accumulated depreciation and impairment losses:								
At 1 July 2007								
— as previously reported	—	—	167	54	—	200	591	1,012
— effect of adoption of HK(IFRIC)-Int 12	—	—	—	—	—	(200)	—	(200)
— as restated	—	—	167	54	—	—	591	812
Exchange adjustments	—	—	—	—	—	—	7	7
Charge for the year	—	—	23	4	—	—	77	104
Acquisition of subsidiaries	—	—	—	—	—	—	46	46
Written back on disposal								
— through disposal of subsidiaries	—	—	—	(5)	—	—	—	(5)
— others	—	—	—	—	—	—	(68)	(68)
Written off	—	—	—	—	—	—	(8)	(8)
Transfer to investment properties	—	—	—	(21)	—	—	—	(21)
At 30 June 2008 (restated)	—	—	190	32	—	—	645	867
Net book value:								
At 30 June 2008 (restated)	58,073	104	754	132	—	—	250	59,313

16 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Bridge HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:								
At 1 July 2008								
— as previously reported	58,073	104	944	164	—	861	895	61,041
— effect of adoption of HK(IFRIC)-Int 12 (note 2(a))	—	—	—	—	—	(861)	—	(861)
— as restated	58,073	104	944	164	—	—	895	60,180
Exchange adjustments	(4)	—	—	—	—	—	—	(4)
Additions								
— through acquisition of a subsidiary	99	—	—	—	—	—	1	100
— others	277	430	—	—	6	—	165	878
Disposals								
— through disposal of a subsidiary	(60)	—	—	—	—	—	(1)	(61)
— others	(761)	—	—	(2)	—	—	(22)	(785)
Surplus on revaluation	7,156	—	—	—	—	—	—	7,156
Written off	—	—	—	—	—	—	(7)	(7)
Transfer from inventories, net	1,760	821	—	—	309	—	—	2,890
Transfer to investment properties	503	(503)	—	—	—	—	—	—
Transfer to assets classified as held for sale (note 33)	—	—	—	—	—	—	(6)	(6)
At 31 December 2009	67,043	852	944	162	315	—	1,025	70,341
Representing:								
Cost	—	852	944	162	315	—	1,025	3,298
Valuation	67,043	—	—	—	—	—	—	67,043
	67,043	852	944	162	315	—	1,025	70,341

16 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Bridge HK$ million	Others HK$ million	Total HK$ million
Accumulated depreciation and impairment losses:								
At 1 July 2008								
— as previously reported	—	—	190	32	—	262	645	1,129
— effect of adoption of HK(IFRIC)-Int 12 (note 2(a))	—	—	—	—	—	(262)	—	(262)
— as restated	—	—	190	32	—	—	645	867
Charge for the period	—	—	35	3	—	—	147	185
Acquisition of a subsidiary	—	—	—	—	—	—	1	1
Written back on disposal								
— through disposal of a subsidiary	—	—	—	—	—	—	(1)	(1)
— others	—	—	—	(1)	—	—	(21)	(22)
Written off	—	—	—	—	—	—	(6)	(6)
Elimination upon transfer to assets classified as held for sale (note 33)	—	—	—	—	—	—	(3)	(3)
At 31 December 2009	—	—	225	34	—	—	762	1,021
Net book value:								
At 31 December 2009	67,043	852	719	128	315	—	263	69,320

16 Fixed assets (continued)

(b) The analysis of net book value of properties is as follows:

	The Group	
	At 31 December 2009	At 30 June 2008 (restated)
	HK$ million	HK$ million
In Hong Kong		
— under long leases	**9,034**	8,487
— under medium-term leases	**46,268**	44,271
	55,302	52,758
Outside Hong Kong		
— under medium-term leases	**13,755**	6,305
	69,057	59,063

(c) The Group's investment properties were revalued at 31 December 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 rental income allowing for reversionary income potential.

(d) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

17 Intangible operating rights

	The Group		
	Toll bridge operating right HK$ million	Toll highway operating right HK$ million	Total HK$ million
Cost:			
At 1 July 2007			
— as previously reported	—	256	256
— effect of adoption of HK(IFRIC)-Int 12	792	—	792
— as restated	792	256	1,048
Exchange adjustments	69	27	96
At 30 June 2008 (restated)	861	283	1,144
Accumulated amortisation:			
At 1 July 2007			
— as previously reported	—	77	77
— effect of adoption of HK(IFRIC)-Int 12	238	—	238
— as restated	238	77	315
Exchange adjustments	22	9	31
Amortisation for the year	38	11	49
At 30 June 2008 (restated)	298	97	395
Carrying amount:			
At 30 June 2008 (restated)	563	186	749

17 Intangible operating rights (continued)

	The Group		
	Toll bridge operating right HK$ million	Toll highway operating right HK$ million	Total HK$ million
Cost:			
At 1 July 2008			
— as previously reported	**—**	**283**	**283**
— effect of adoption of HK(IFRIC)-Int 12 (note 2(a))	**861**	**—**	**861**
— as restated	**861**	**283**	**1,144**
Exchange adjustments	**(1)**	**(1)**	**(2)**
Additions	**7**	**—**	**7**
Transfer to assets classified as held for sale (note 33)	**—**	**(282)**	**(282)**
At 31 December 2009	**867**	**—**	**867**
Accumulated amortisation:			
At 1 July 2008			
— as previously reported	**—**	**97**	**97**
— effect of adoption of HK(IFRIC)-Int 12 (note 2(a))	**298**	**—**	**298**
— as restated	**298**	**97**	**395**
Amortisation for the period	**61**	**8**	**69**
Elimination upon transfer to assets classified as held for sale (note 33)	**—**	**(105)**	**(105)**
At 31 December 2009	**359**	**—**	**359**
Carrying amount:			
At 31 December 2009	**508**	**—**	**508**

17 Intangible operating rights (continued)

The toll bridge and the toll highway represent Hangzhou Qianjiang Third Bridge (the "Bridge") located in Zhejiang Province, mainland China, and Maanshan City Ring Road (the "Highway") located in Anhui Province, mainland China, respectively. The Group has the right to operate the Bridge and the Highway for a period of 29 years and 25 years, respectively, during which the Group has (i) the rights of management and maintenance of the Bridge; and (ii) the rights of management and maintenance of the Highway and the toll-collection right thereof.

During the period, the toll highway operating right was transferred to assets classified as held for sale, further details of which are set out in note 33.

At 31 December 2009 and 30 June 2008, the toll highway operating right was pledged to secure the Group's certain bank loans (see note 30).

The amortisation charge for the period/year is included in "Direct costs" in the consolidated profit and loss account.

18 Interests in leasehold land held for own use under operating leases

The analysis of net book value of interests in leasehold land held for own use under operating leases is as follows:

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
In Hong Kong		
— under long leases	**226**	231
— under medium-term leases	**748**	773
	974	1,004
Outside Hong Kong		
— under short leases	**2**	2
	976	1,006

19 Interest in subsidiaries

	The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Unlisted shares, at cost	**2,493**	2,493
Less: Impairment loss	**(93)**	(93)
	2,400	2,400
Amounts due from subsidiaries	**110,670**	106,398
Amounts due to subsidiaries	**(12,248)**	(11,798)
	100,822	97,000

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered/settled within one year.

Details of the principal subsidiaries at 31 December 2009 are shown on pages 226 to 231.

20 Interest in associates

	The Group		The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
Unlisted				
Shares, at cost	**—**	—	**161**	161
Share of net assets	**851**	1,109	**—**	—
Amounts due from associates	**1,214**	1,242	**308**	185
	2,065	2,351	**469**	346
Less: Impairment loss	**—**	—	**(49)**	(49)
	2,065	2,351	**420**	297
Listed in Hong Kong				
Share of net assets, including goodwill on acquisition	**33,504**	31,642	**—**	—
	35,569	33,993	**420**	297
Market value of listed shares	**53,625**	51,905	**—**	—

Included in interest in associates at 31 December 2009 and at 30 June 2008 was a goodwill of HK$10,727 million arising from the Company's acquisition of the entire interest in The Hong Kong and China Gas Company Limited ("HKCG") during the year ended 30 June 2008 from Henderson Investment Limited ("HIL"), a listed subsidiary of the Group, details of which are referred to in note 34(c).

20 Interest in associates (continued)

Except for the amounts due from associates of HK$71 million (30 June 2008: HK$131 million) and HK$60 million (30 June 2008: HK$54 million) which are interest-bearing at Hong Kong dollar prime rate less 3% (30 June 2008: Hong Kong dollar prime rate less 3%) and Hong Kong dollar prime rate plus 2% (30 June 2008: Hong Kong dollar prime rate plus 2%) per annum, respectively, all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year and are neither past due nor impaired.

Details of the principal associates at 31 December 2009 are set out on page 232.

Summary financial information on associates:

	Assets HK$ million	Liabilities HK$ million	Equity HK$ million	Revenues HK$ million	Profit HK$ million
Period from 1 July 2008 to 31 December 2009	**85,772**	**(35,784)**	**49,988**	**24,034**	**8,270**
Year ended 30 June 2008	64,265	(20,455)	43,810	19,165	7,938

21 Interest in jointly controlled entities

	The Group		The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
Unlisted shares, at cost	**—**	—	**—**	—
Share of net assets	**12,759**	10,712	**—**	—
Amounts due from jointly controlled entities	**3,952**	3,179	**126**	126
	16,711	13,891	**126**	126

The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment except for the amounts of HK$13 million (30 June 2008: HK$15 million) and HK$133 million (30 June 2008: HK$175 million) which are interest-bearing at Hong Kong dollar prime rate (30 June 2008: Hong Kong dollar prime rate) and Hong Kong Interbank Offered Rate plus 0.5% (30 June 2008: Hong Kong Interbank Offered Rate plus 0.5%) per annum, respectively. The balances are not expected to be recovered within one year and are neither past due nor impaired.

Details of the principal jointly controlled entities at 31 December 2009 are set out on page 233.

21 Interest in jointly controlled entities (continued)

Summary financial information on jointly controlled entities – Group's effective interest:

	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Non-current assets	**23,365**	19,931
Current assets	**3,400**	2,958
Non-current liabilities	**(10,837)**	(10,849)
Current liabilities	**(3,169)**	(1,328)
Net assets	**12,759**	10,712

	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Income	**9,346**	7,535
Expenses	**(4,983)**	(3,597)
Profit for the period/year	**4,363**	3,938

22 Derivative financial instruments

	The Group			
	At 31 December 2009		At 30 June 2008	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
— cross currency interest rate swap contracts	**331**	**568**	268	309
— interest rate swap contracts	**185**	**1**	—	—
	516	**569**	268	309
Representing:				
— non-current portion	**516**	**557**	268	309
— current portion (note 29)	**—**	**12**	—	—
	516	**569**	268	309

As detailed in note 4(c), the 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 (see note 31) and certain bank borrowings. These swap contracts will mature between 8 September 2010 and 13 June 2024.

23 Other financial assets

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Available-for-sale equity securities		
Unlisted	**125**	111
Listed:		
— in Hong Kong	**855**	866
— outside Hong Kong	**47**	85
	1,027	1,062
Instalments receivable	**826**	1,003
Long term receivable	**66**	99
	1,919	2,164
Market value of listed securities	**902**	951

Available-for-sale equity securities

During the eighteen months ended 31 December 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 value below cost. Accordingly, impairment loss of HK$73 million (Year ended 30 June 2008: HK$Nil) has been recognised in the consolidated profit and loss account in accordance with the accounting policies set out in notes 2(n)(i) and (iii).

At 31 December 2009, the fair value of available-for-sale equity securities which individually remained impaired amounted to HK$33 million (30 June 2008: HK$9 million).

Instalments receivable

Instalments receivable represents the proceeds receivable from the sale of properties due after twelve months from the balance sheet date. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within twelve months from the balance sheet date is included in "Trade and other receivables" under current assets (see note 26).

Long term receivable

Long term receivable represents the non-current portion of the discounted value of the instalments receivable in the future arising from the disposal of toll collection right of certain toll bridges. The current portion of HK$51 million (30 June 2008: HK$32 million) which is expected to be recovered within one year is included in "Trade and other receivables" under current assets (see note 26).

24 Deposits for acquisition of properties

Deposits for acquisition of properties mainly include HK$4,633 million (30 June 2008: HK$3,953 million) and HK$561 million (30 June 2008: HK$561 million) paid for the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

25 Inventories

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Property development		
Leasehold land held for development for sale	**7,972**	8,007
Properties held for/under development for sale	**19,186**	24,638
Completed properties for sale	**14,292**	4,900
	41,450	37,545
Other operations		
Trading stocks	**91**	79
	41,541	37,624

The analysis of carrying value of inventories for property development is as follows:

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
In Hong Kong		
— under long leases	**6,175**	2,619
— under medium-term leases	**21,644**	21,558
	27,819	24,177
In mainland China		
— under long leases	**7,407**	3,534
— under medium-term leases	**6,224**	9,371
— under short leases	**—**	463
	13,631	13,368
	41,450	37,545
Including:		
— Properties expected to be completed after more than one year	**16,503**	19,619

26 Trade and other receivables

	The Group		The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
Instalments receivable (note 23)	**4,709**	2,078	**—**	—
Debtors, prepayments and deposits	**2,389**	2,540	**27**	55
Gross amount due from customers for contract work (note 27)	**10**	48	**—**	—
Amounts due from associates	**250**	393	**—**	—
Amounts due from jointly controlled entities	**7**	13	**—**	—
	7,365	5,072	**27**	55

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits and other receivables of HK$440 million (30 June 2008: HK$413 million) which are expected to be recovered after more than one year.

The amounts due from associates and jointly controlled entities are unsecured and interest-free, have no fixed terms of repayment and are neither past due nor impaired.

(a) Ageing analysis

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:

	The Group		The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
Current or under 1 month overdue	**4,572**	1,594	**—**	—
More than 1 month overdue and up to 3 months overdue	**78**	792	**—**	—
More than 3 months overdue and up to 6 months overdue	**42**	147	**—**	—
More than 6 months overdue	**601**	492	**—**	—
	5,293	3,025	**—**	—

(b) The Group's credit policy is set out in note 4(a).

26 Trade and other receivables (continued)

(c) Impairment of trade debtors

The movement in the allowance for doubtful debts during the period/year is as follows:

	The Group		The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
At 1 July 2008/2007	**158**	223	**—**	—
Exchange differences	**—**	4	**—**	—
Impairment loss recognised/ (reversed) (note 7)	**56**	(63)	**—**	—
Uncollectible amounts written off	**(1)**	(6)	**—**	—
At 31 December 2009/ 30 June 2008	**213**	158	**—**	—

The individually impaired receivables related to customers who were in financial difficulties and the management assessed that only a portion of those receivables is expected to be recoverable. Accordingly, the Group has made impairment losses during the period/year in relation to the amounts which are considered to be irrecoverable.

(d) Trade debtors that are not impaired

At 31 December 2009, 96% (30 June 2008: 95%) of the Group's trade debtors was not impaired, of which 88% (30 June 2008: 79%) was not past due or less than 3 months past due.

Included in trade debtors at 31 December 2009 was an amount of RMB33 million (equivalent to approximately HK$37 million) (30 June 2008: RMB474 million (equivalent to approximately HK$539 million)) which relates to toll income receivable of Hangzhou Henderson Qianjiang Third Bridge Company, Limited, a 60% owned subsidiary of HIL, which is engaged in the operation of a toll bridge in Hangzhou, mainland China. As disclosed in note 4(a), the toll income is collected on behalf of the Group by the Hangzhou Government Body. During the period, the toll income receivable at 30 June 2008 was fully recovered.

Receivables which were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables which were past due but not impaired relate to customers who have a good track record of trading with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

27 Gross amount due from customers for contract work

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	**46**	426
Progress billings	**(36)**	(378)
Net contract work	**10**	48
Represented by:		
Gross amount due from customers for contract work (note 26)	**10**	48

28 Cash and cash equivalents

	The Group		The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
Deposits with banks and other financial institutions	**5,058**	8,114	**—**	—
Cash at bank and in hand	**5,467**	7,561	**1**	1
Cash and cash equivalents in the balance sheets	**10,525**	15,675	**1**	1
Cash and cash equivalents classified as held for sale (note 33)	**6**	—		
Bank overdrafts (note 30)	**(36)**	(92)		
Cash and cash equivalents in the consolidated cash flow statement	**10,495**	15,583		

29 Trade and other payables

	The Group		The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
Creditors and accrued expenses	**4,395**	2,912	**12**	9
Rental and other deposits	**730**	556	**—**	—
Forward sales deposits received	**50**	821	**—**	—
Derivative financial instruments (note 22)	**12**	—	**—**	—
Amounts due to associates	**46**	177	**10**	10
Amounts due to jointly controlled entities	**126**	123	**27**	9
	5,359	4,589	**49**	28

(i) All of the trade and other payables are expected to be settled within one year except for an amount of HK$410 million (30 June 2008: HK$340 million) which is expected to be settled after more than one year.

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

	The Group		The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
Due within 1 month or on demand	**816**	683	**—**	—
Due after 1 month but within 3 months	**446**	290	**—**	—
Due after 3 months but within 6 months	**287**	183	**—**	—
Due after 6 months	**1,417**	877	**—**	—
	2,966	2,033	**—**	—

(iii) The amounts due to associates and jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

30 Bank loans and overdrafts

At 31 December 2009, bank loans and overdrafts were repayable as follows:

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Within 1 year and included in current liabilities	**4,858**	3,307
After 1 year and included in non-current liabilities		
— After 1 year but within 2 years	**5,635**	9,093
— After 2 years but within 5 years	**18,238**	19,914
— After 5 years	**284**	—
	24,157	29,007
	29,015	32,314
Bank loans associated with assets classified as held for sale (note 33)		
— Within 1 year	**11**	—
— After 1 years but within 2 years	**11**	—
	22	—
	29,037	32,314

At 31 December 2009, the amounts of secured and unsecured bank loans and overdrafts were as follows:

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Unsecured bank overdrafts (note 28)	**36**	92
Bank loans		
— Secured	**22**	40
— Unsecured	**28,979**	32,182
	29,037	32,314

At 31 December 2009, the Group's bank loans of HK$22 million (30 June 2008: HK$40 million) were secured by the Group's toll highway operating right (see notes 17 and 33).

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. At 30 June 2008 and 31 December 2009, none of the covenants relating to the drawdown facilities had been breached.

31 Guaranteed notes

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Guaranteed notes due 2014-2022	**3,145**	3,312
Guaranteed notes due 2019	**3,849**	—
	6,994	3,312

At 31 December 2009, the guaranteed notes were repayable as follows:

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
After 2 years but within 5 years	**1,264**	—
After 5 years	**5,730**	3,312
	6,994	3,312

Guaranteed notes due 2014-2022

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the “2007 Notes”) with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe. The 2007 Notes with principal amounts of US$315 million and £50 million bear fixed interest rates ranging from 6.06% to 6.38% per annum payable semi-annually in arrears and the remaining 2007 Notes with principal amount of US$10 million bear floating rate by reference to 3-month London Interbank Offered Rate payable quarterly in arrears. The 2007 Notes are guaranteed by the Company and will mature between 25 July 2014 and 25 July 2022.

Guaranteed notes due 2019

On 17 September 2009, the Company through a wholly-owned subsidiary issued guaranteed notes (the “2009 Notes”) with an aggregate principal amount of US$500 million at an issue price equal to 99.795% of the principal amount of the 2009 Notes. The 2009 Notes bear fixed interest rate at 5.50% per annum, payable semi-annually in arrears. The 2009 Notes are guaranteed by the Company and will mature on 17 September 2019.

32 Amount due to a fellow subsidiary

The amount due to a fellow subsidiary is unsecured, interest-bearing by reference to Hong Kong Interbank Offered Rate and has no fixed terms of repayment. The balance is not expected to be settled within one year.

33 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 cash consideration of RMB122 million (equivalent to HK$139 million). At 31 December 2009, the transaction had yet to be completed.

The major classes of assets and liabilities classified as held for sale at 31 December 2009 were as follows:

	The Group At 31 December 2009 HK$ million
Assets	
Fixed assets (note 16(a))	**3**
Toll highway operating right (note 17)	**177**
Trade and other receivables	**10**
Cash and cash equivalents (note 28)	**6**
Assets classified as held for sale	**196**
Liabilities	
Bank loans, secured (note 30)	**(22)**
Trade and other payables	**(15)**
Current taxation	**(2)**
Liabilities associated with assets classified as held for sale	**(39)**
Net assets classified as held for sale	**157**

34 Capital and reserves

(a) The Group

	Attributable to equity shareholders of the Company											
	Share capital HK$ million	Share premium HK$ million	Property revaluation reserve HK$ million	Capital redemption reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Minority interests HK$ million	Total equity HK$ million
At 1 July 2007												
– as previously reported	3,886	16,409	8	20	921	409	–	25	70,541	92,219	8,525	100,744
– effect of adoption of HK(IFRIC)-Int 12	–	–	–	–	–	–	–	–	(25)	(25)	(13)	(38)
– as restated	3,886	16,409	8	20	921	409	–	25	70,516	92,194	8,512	100,706
Exchange difference on translation of accounts of foreign entities	–	–	–	–	2,019	–	–	–	–	2,019	77	2,096
Shares issued	408	13,373	–	–	–	–	–	–	–	13,781	–	13,781
Revaluation surpluses, net of deferred tax	–	–	64	–	–	–	–	–	–	64	–	64
Changes in fair value of available-for-sale equity securities	–	–	–	–	–	(80)	–	–	–	(80)	–	(80)
Cash flow hedges: effective portion of changes in fair value, net of deferred tax	–	–	–	–	–	–	(32)	–	–	(32)	–	(32)
Cash flow hedges: reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	–	–	1	–	–	1	–	1
Realisation of exchange reserve on disposal of subsidiaries	–	–	–	–	(5)	–	–	–	–	(5)	(9)	(14)
Profit for the year (restated)	–	–	–	–	–	–	–	–	15,473	15,473	849	16,322
Transfer to other reserves	–	–	–	–	–	–	–	20	(20)	–	–	–
Increase in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	–	–	10,125	10,125
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	470	470
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(367)	(367)
Dividends approved in respect of the previous financial year (note 13(b))	–	–	–	–	–	–	–	–	(1,360)	(1,360)	–	(1,360)
Dividends declared and paid in respect of the current year (note 13(a))	–	–	–	–	–	–	–	–	(859)	(859)	–	(859)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(275)	(275)
Distribution to minority shareholders	–	–	–	–	–	–	–	–	–	–	(16,112)	(16,112)
Repayment to minority shareholders, net	–	–	–	–	–	–	–	–	–	–	(304)	(304)
At 30 June 2008	4,294	29,782	72	20	2,935	329	(31)	45	83,750	121,196	2,966	124,162

34 Capital and reserves (continued)

(a) The Group (continued)

	Attributable to equity shareholders of the Company											
	Share capital HK$ million	Share premium HK$ million	Property revaluation reserve HK$ million	Capital redemption reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Minority interests HK$ million	Total equity HK$ million
At 1 July 2008												
– as previously reported	4,294	29,782	72	20	2,935	329	(31)	45	83,774	121,220	2,978	124,198
– effect of adoption of HK(IFRIC)-Int 12 (note 2(a))	–	–	–	–	–	–	–	–	(24)	(24)	(12)	(36)
– as restated	4,294	29,782	72	20	2,935	329	(31)	45	83,750	121,196	2,966	124,162
Exchange difference on translation of accounts of foreign entities	–	–	–	–	(76)	–	–	–	–	(76)	(7)	(83)
Changes in fair value of available-for-sale equity securities	–	–	–	–	–	256	–	–	–	256	–	256
Cash flow hedges: effective portion of changes in fair value, net of deferred tax	–	–	–	–	–	–	71	–	–	71	–	71
Share of capital reserve of associates	–	–	–	–	–	–	–	6	–	6	–	6
Cash flow hedges: reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	–	–	146	–	–	146	–	146
Reclassification from equity to profit or loss on												
– impairment of available-for-sale equity securities	–	–	–	–	–	73	–	–	–	73	–	73
– disposal of available-for-sale equity securities	–	–	–	–	–	(16)	–	–	–	(16)	–	(16)
Realisation of property revaluation reserve on												
– disposal of a subsidiary	–	–	(39)	–	–	–	–	–	–	(39)	–	(39)
– disposal of fixed assets	–	–	(19)	–	–	–	–	–	–	(19)	–	(19)
Profit for the period	–	–	–	–	–	–	–	–	14,320	14,320	1,780	16,100
Dividends approved in respect of the previous financial year (note 13(b))	–	–	–	–	–	–	–	–	(1,503)	(1,503)	–	(1,503)
Dividends declared and paid in respect of the current period (note 13(a))	–	–	–	–	–	–	–	–	(1,288)	(1,288)	–	(1,288)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(276)	(276)
Distribution to minority shareholders	–	–	–	–	–	–	–	–	–	–	(33)	(33)
Repayment to minority shareholders, net	–	–	–	–	–	–	–	–	–	–	(47)	(47)
At 31 December 2009	4,294	29,782	14	20	2,859	642	186	51	95,279	133,127	4,383	137,510

34 Capital and reserves (continued)

(b) The Company

	Share capital HK$ million	Share premium HK$ million	Capital redemption reserve HK$ million	Retained profits HK$ million	Total equity HK$ million
At 1 July 2007	3,886	16,409	20	34,079	54,394
Shares issued	408	13,373	—	—	13,781
Profit for the year (note 12)	—	—	—	31,495	31,495
Dividends approved in respect of the previous financial year (note 13(b))	—	—	—	(1,360)	(1,360)
Dividends declared and paid in respect of the current year (note 13(a))	—	—	—	(859)	(859)
At 30 June 2008	4,294	29,782	20	63,355	97,451
At 1 July 2008	**4,294**	**29,782**	**20**	**63,355**	**97,451**
Profit for the period (note 12)	**—**	**—**	**—**	**6,687**	**6,687**
Dividends approved in respect of the previous financial year (note 13(b))	**—**	**—**	**—**	**(1,503)**	**(1,503)**
Dividends declared and paid in respect of the current period (note 13(a))	**—**	**—**	**—**	**(1,288)**	**(1,288)**
At 31 December 2009	**4,294**	**29,782**	**20**	**67,251**	**101,347**

(c) Share capital

	The Group and the Company			
	No. of shares		Amount	
	At 31 December 2009 million	At 30 June 2008 million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
Authorised:				
Ordinary shares of HK$2 each	**2,600**	2,600	**5,200**	5,200
Issued and fully paid:				
At 1 July 2008/2007	**2,147**	1,943	**4,294**	3,886
Issue of shares	**—**	204	**—**	408
At 31 December 2009/30 June 2008	**2,147**	2,147	**4,294**	4,294

34 Capital and reserves (continued)

(c) Share capital (continued)

Pursuant to an agreement dated 2 October 2007 (as supplemented by a supplemental agreement dated 7 November 2007) entered into between the Company and HIL, the Company acquired HIL's entire interest in HKCG for a consideration which comprised, inter alia, the issue to HIL of the share entitlement note which conferred on the holder the right to call for the issue by the Company of 636,891,425 new ordinary shares of HK$2 each ("Shares") (including entitlement to the Company's final dividend for the year ended 30 June 2007). Out of the distribution of the entitlement to the aforementioned 636,891,425 Shares, the entitlement of the Company or its subsidiaries, which amounted to an aggregate of 432,729,035 Shares, was cancelled and the 432,729,035 Shares relating thereto were not allotted. As a result, only the remaining 204,162,390 new Shares were issued and allotted on 17 December 2007 at the closing price of the Shares of HK$67.50 on that date. The Company's share capital and share premium account were increased by HK$408 million and HK$13,373 million, respectively. The new Shares rank pari passu in all respects with the existing Shares of the Company.

The holders of Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All Shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of share premium and the capital redemption reserve is governed by Section 48B and Section 49H respectively of the Hong Kong Companies Ordinance.

(ii) Property revaluation reserve

Property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment property, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 2(g).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(i).

(vi) Other reserves

Other reserves comprise statutory reserve set up for enterprises established in mainland China. According to the relevant PRC rules and regulations applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

34 Capital and reserves (continued)

(e) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$67,251 million (30 June 2008: HK$63,355 million). After the balance sheet date the directors proposed a final dividend of HK$0.7 (Year ended 30 June 2008: HK$0.7) per ordinary share, amounting to HK$1,503 million (Year ended 30 June 2008: HK$1,503 million). This dividend has not been recognised as a liability at the balance sheet date.

(f) Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net bank and other borrowings and shareholders' funds of the Group at the balance sheet date.

During the period, the Group's strategy was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the period, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

The Group's gearing ratios at 31 December 2009 and 30 June 2008 were as follows:

	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Bank and other borrowings repayable:		
— Within 1 year	**4,869**	3,307
— After 1 year but within 2 years	**5,646**	9,093
— After 2 years but within 5 years	**19,502**	19,914
— After 5 years	**6,014**	3,312
Total bank and other borrowings	**36,031**	35,626
Less: Cash and bank balances	**(10,531)**	(15,675)
Net bank and other borrowings	**25,500**	19,951
Shareholders' funds (30 June 2008: restated)	**133,127**	121,196
Gearing ratio (%)	**19.2%**	16.5%

Except for a wholly-owned subsidiary of the Company which is engaged in the provision of finance, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements during the period and at 31 December 2009.

35 Acquisition and disposal of subsidiaries

(a) Acquisition of subsidiaries

In November 2008, the Group increased its equity interest from 49% to 100% in an associate which is engaged in property investment in mainland China. Accordingly, the associate became a wholly-owned subsidiary of the Group. During the year ended 30 June 2008, the Group entered into several agreements with certain parties in relation to the acquisition of subsidiaries which were engaged in property development in both Hong Kong and mainland China.

The acquisitions had the following effect on the Group's assets and liabilities:

	The Group	
	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Fixed assets	**99**	1,684
Interests in leasehold land held for own use under operating leases	**—**	1
Interest in associates	**—**	316
Debtors, prepayments and deposits	**—**	238
Inventories	**11**	5,422
Cash and cash equivalents	**68**	90
Bank loans	**—**	(2,860)
Creditors and accrued expenses	**(8)**	(146)
Current taxation	**(33)**	(19)
Deferred tax liabilities	**(6)**	(420)
Net assets	**131**	4,306
Minority interests	**—**	(470)
Acquisition of net assets attributable to the Group	**131**	3,836
Share of net assets immediately before the acquisition	**(67)**	—
Goodwill on acquisition	**3**	—
Excess of interest in fair values of the acquirees' identifiable assets over cost of business combination	**—**	(4)
Total consideration	**67**	3,832
Representing:		
Cash consideration paid	**67**	3,746
Amount due to a fellow subsidiary	**—**	86
	67	3,832
Net cash inflow/(outflow) in respect of the acquisitions:		
Cash consideration paid	**(67)**	(3,746)
Cash and cash equivalents acquired	**68**	90
	1	(3,656)

35 Acquisition and disposal of subsidiaries (continued)

(b) Disposal of subsidiaries

The Group disposed of certain subsidiaries during the period and prior year (see note 7). The disposals had the following effect on the Group's assets and liabilities:

	The Group	
	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Fixed assets	**60**	275
Intangible operating rights	**—**	430
Debtors, prepayments and deposits	**—**	1
Cash and cash equivalents	**—**	1
Creditors and accrued expenses	**—**	(3)
Deferred tax liabilities	**(9)**	(3)
Net assets	**51**	701
Minority interests	**—**	(367)
Disposal of net assets attributable to the Group	**51**	334
Property revaluation reserve	**(39)**	—
Exchange reserve	**—**	(14)
Net gain on disposal (note 7)	**48**	150
Total consideration	**60**	470
Representing:		
Cash consideration received	**18**	441
Cash consideration receivable included in debtors, prepayments and deposits	**42**	30
Creditors and accrued expenses	**—**	(1)
	60	470
Net cash inflow in respect of the disposals:		
Cash consideration received	**18**	441
Cash and cash equivalents disposed of	**—**	(1)
	18	440

36 Capital commitments

At 31 December 2009, the Group had capital commitments not provided for in these accounts as follows:

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**12,345**	3,343
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**21,456**	13,360
	33,801	16,703

37 Significant leasing arrangements

At 31 December 2009, the Group is both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out a number of land/building facilities under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 16.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Within 1 year	**2,113**	1,966
After 1 year but within 5 years	**1,978**	1,314
After 5 years	**264**	40
	4,355	3,320

37 Significant leasing arrangements (continued)

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to seven years, with an option to renew the lease after that date at which time all terms are re-negotiated. None of the leases includes contingent rentals.

During the period, HK$110 million (Year ended 30 June 2008: HK$71 million) was recognised as an expense in the consolidated profit and loss account in respect of leasing of building facilities.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million
Within 1 year	**70**	55
After 1 year but within 5 years	**32**	33
	102	88

38 Contingent liabilities

At 31 December 2009, contingent liabilities of the Group and of the Company were as follows:

	The Group		The Company	
	At 31 December 2009 HK$ million	At 30 June 2008 HK$ million	**At 31 December 2009 HK$ million**	At 30 June 2008 HK$ million
(a) Guarantees given by the Group to financial institutions on behalf of purchasers of flats	**—**	2	**—**	—
(b) Guarantees given by the Company to banks to secure banking facilities of subsidiaries	**—**	—	**26,264**	29,430
(c) Guarantees given by the Company to the holders of guaranteed notes issued by subsidiaries	**—**	—	**6,994**	3,312
	—	2	**33,258**	32,742

(d) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before the Completion. At 31 December 2009, the Group had contingent liabilities in this connection of HK$12 million (30 June 2008: HK$30 million).

(e) At 31 December 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$78 million (30 June 2008: HK$92 million).

39 Material related party transactions

(a) Transactions with fellow subsidiaries

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

	The Group	
	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Other interest expense (note (i))	**14**	37
Management fee income (note (iii))	**—**	6

(b) Transactions with associates and jointly controlled entities

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

	The Group	
	Period from 1 July 2008 to 31 December 2009 HK$ million	Year ended 30 June 2008 HK$ million
Other interest income (note (i))	**11**	17
Construction income (note (ii))	**398**	207
Security guard service income (note (iii))	**30**	20
Management fee income (note (iii))	**22**	23
Professional fee income (note (iii))	**3**	3
Sales commission income (note (iii))	**32**	33
Rental expenses (note (iii))	**101**	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.

(iv) The amount due to a fellow subsidiary at 30 June 2008 and 31 December 2009 is referred to in the Group's consolidated balance sheet at 30 June 2008 and 31 December 2009, and the terms of which are set out in note 32. The amounts due from/to associates and jointly controlled entities at 30 June 2008 and 31 December 2009 are set out in notes 20, 21, 26 and 29.

39 Material related party transactions (continued)

(c) Transactions with Sunlight REIT

The Group provides certain services to Sunlight REIT (which is a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as referred to in the Company's announcement dated 15 June 2009) in accordance with the terms of respective agreements/deeds entered into between the Group and Sunlight REIT. Details of the material related party transactions between the Group and Sunlight REIT during the period from 30 April 2009 (being the date on which Sunlight REIT was deemed as a connected person of the Company) to 31 December 2009 are as follows:

	The Group Period from 1 July 2008 to 31 December 2009 HK$ million
Property and lease management service fee income	**14**
Asset management service fee income	**47**
Security service fee income	**3**
Other ancillary property service fee income	**9**

At 31 December 2009, the amount due from Sunlight REIT amounted to HK$18 million.

(d) 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 interest in an associate of the Group and through which the Group held its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate.

At 31 December 2009, the advance by the entity to the abovementioned associate amounted to HK$80 million (30 June 2008: HK$81 million). Such amount is unsecured and has no fixed terms of repayment.

(e) Key management personnel

Remuneration for key management personnel are disclosed in note 9.

40 Non-adjusting post balance sheet events

(a) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 13.

(b) On 26 February 2010, the transaction contemplated under the disposal by Vigorous of its entire 70% interest in Maanshan Highway JV to Maanshan Highway JV Partner (see note 33) was completed. A net gain on disposal attributable to equity shareholders of the Company of approximately HK$18 million will be recognised in the Group's consolidated accounts for the year ending 31 December 2010.

41 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(a). In addition, certain other comparative figures have been reclassified to conform with current period's classification.

42 Parent and ultimate controlling party

At 31 December 2009, the directors consider that the parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce accounts available for public use.

Principal Subsidiaries

At 31 December 2009

Details of principal subsidiaries are as follows:

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(a) Property development					
(i) Incorporated and operates in Hong Kong					
Campbellton Development Limited	I	2	1	—	100
Carley Limited		2	1	—	100
Century Hero Development Limited	I	1	1	—	100
Harvest Development Limited		420	1	—	78.57
Joint Success Development Limited	I	1,000	1	—	100
Luxmark Investment Limited		1,000	1	—	100
Million Land Development Limited		2	1	—	100
Nation Sheen Limited	I	2	1	—	100
Onfine Development Limited	I	2	1	—	100
Rich Silver Development Limited		2	1	—	100
Rise Top Development Limited		2	1	—	100
Wealth Team Development Limited	I	1,000	1	—	90.10

	Note	Issued/ contributed registered capital	% of equity interest held by: The Company	Subsidiaries	% of profit sharing by subsidiaries
(ii) Established and operates in mainland China					
Sino-Foreign Co-operative Joint Venture Enterprise					
Beijing Gaoyi Property Development Co., Ltd.	I	US$81,000,000	—	100	100
Beijing Henderson Properties Co., Ltd.	I	RMB655,000,000	—	100	100

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	% of shares held by: Subsidiaries
(b) Property investment					
Incorporated and operates in Hong Kong					
Bloomark Investment Limited	I	2	1	—	100
Carry Express Investment Limited	I	10,000	10	—	100
Conradion Limited		3,000,000	1	—	100
Deland Investment Limited	I	2	100	100	—
Easewin Development Limited		2	1	—	100
Evercot Enterprise Company, Limited	I				
– A Shares		500	100	100	—
– B Shares		2	100	—	—
Join Fortune Development Limited	I				
– A Shares		100	1	100	—
– B Shares		2	1	—	—
Landrise Development Limited		2	1	—	100
Shung King Development Company Limited	I				
– A Shares		2	1	100	—
– B Shares		2	1	—	—
– Non-voting deferred A shares		20,000	100	100	—
Union Fortune Development Limited	I	10,000	1	—	100
Vansittart Investment Limited	I				
– Ordinary shares		2	1	—	100
– Non-voting deferred shares		2	1	—	100

Principal Subsidiaries

At 31 December 2009

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(c) Finance					
(i) Incorporated and operates in Hong Kong					
Gain Perfect Development Limited		2	1	—	100
Henderson (China) Finance Limited	I	10,000	1	—	100
Henderson Land Credit (2004) Limited		2	1	100	—
Henderson Land Credit (2006) Limited		1	1	100	—
Henderson Land Credit (2009) Limited	I	1	1	100	—
Henderson Real Estate Finance Limited	I	2	1	100	—
Henland Finance Limited	I	1,000,000	1	100	—
Rich Chase Development Limited	I	2	1	—	100
(ii) Incorporated and operates in the British Virgin Islands					
Henson Finance Limited (formerly Idealtime Investments Limited)	I	1	US$1	100	—
St. Helena Holdings Co. Limited		3	US$1	—	100

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(d) Construction					
Incorporated and operates in Hong Kong					
E Man Construction Company Limited		350,000	100	100	—
Granbo Construction Company Limited		1	1	—	100
Heng Lai Construction Company Limited		2	1	—	100
Heng Shung Construction Company Limited		2	1	—	100
Heng Tat Construction Company Limited		2	100	—	100

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(e) Property management					
Incorporated and operates in Hong Kong					
Beverly Hill (Estate Management) Limited		2	1	—	100
Goodwill Management Limited		2	1	—	100
Hang On Estate Management Limited		2	1	—	100
Hang Yick Properties Management Limited		100,000	100	100	—
Henderson Sunlight Asset Management Limited	I	38,800,000	1	—	100
Metro City Management Limited		2	1	—	100
Metro Harbourview Management Limited		2	1	—	100
Star Management Limited		2	1	—	100
Sunshine City Property Management Limited		2	1	—	100

Principal Subsidiaries

At 31 December 2009

	Note	Particulars of issued shares: Number of ordinary shares	Particulars of issued shares: Par value HK$	% of shares held by: The Company	% of shares held by: Subsidiaries
(f) Investment holding					
(i) Incorporated and operates in Hong Kong					
Banshing Investment Limited		2	1	—	100
Capital Gold Development Limited	I				
– Ordinary shares		2	1	—	100
– Non-voting deferred shares		2	1	—	100
China Investment Group Limited		300,000	1,000	—	100
Cosmos Rich Development Limited		8	1	—	62.50
Covite Investment Limited		2	1	—	100
Disralei Investment Limited					
– Ordinary shares		2	1	—	100
– Non-voting deferred shares		1,000	1	—	100
Financial Express International Limited	I	1	1	—	100
Gainwise Investment Limited		2	1	—	100
Henderson Investment Limited		3,047,327,395	0.20	—	67.94
Macrostar Investment Limited					
– Ordinary shares		2	1	—	100
– Non-voting deferred shares		2	1	—	100
Markshing Investment Limited		2	1	—	100
Medley Investment Limited					
– Ordinary shares		2	1	—	100
– Non-voting deferred shares		2	100	—	100
Nation Team Development Limited		2	1	—	100
Winner Glory Development Limited	I				
– Ordinary shares		2	1	—	100
– Non-voting deferred shares		2	1	—	100
(ii) Incorporated in Hong Kong and operates in mainland China					
Hang Seng Quarry Company Limited	I	10,000	1	64	—
(iii) Incorporated and operates in the British Virgin Islands					
Cobase Limited	I	1	—	—	100
Kingsview International Limited	I	1	US$1	—	100
Timsland Limited	I	1	US$1	—	100
(iv) Incorporated in the British Virgin Islands and operates in Hong Kong					
Higgins Holdings Limited	I	1	US$1	—	100
Hinlon Limited		1	US$1	—	100
Podar Limited	I	1	US$1	—	100

Principal Subsidiaries

At 31 December 2009

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(g) Department store operations					
Incorporated and operates in Hong Kong					
Citistore Limited	I	2	1	—	100
Citistore (China) Limited	I	2	1	—	100
Citistore (Hong Kong) Limited	I	1	1	—	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(h) Hotel and service apartment management and operations					
Incorporated and operates in Hong Kong					
Henderson Hotel Management Limited	I				
– Ordinary shares		2	1	—	100
– Non-voting deferred shares		2	1	—	100
Newton Hotel Hong Kong Limited	I				
– Ordinary shares		2	1	—	100
– Non-voting deferred shares		2	1	—	100
Newton Hotel Kowloon Limited	I				
– Ordinary shares		2	1	—	100
– Non-voting deferred shares		2	1	—	100
Newton Inn (North Point) Limited	I	2	1	100	—
Newton Place Hotel Limited	I	1	1	—	100

Principal Subsidiaries

At 31 December 2009

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(i) Management and agency services					
Incorporated and operates in Hong Kong					
Henderson Real Estate Agency Limited	I	2	100	100	—

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(j) Professional services and others					
Incorporated and operates in Hong Kong					
Megastrength Henderson Security Services Limited	I	2	1	—	100
Megastrength Security Services Company Limited	I				
– Ordinary shares		10,000	1	—	100
– Non-cumulative preference shares		400	1	—	25
Solar Classics Limited	I	100,000	1	—	75
Standard Win Limited	I	1	1	—	100

	Note	Issued/ contributed registered capital	% of equity interest held by: The Company	Subsidiaries	% of profit sharing by subsidiaries
(k) Infrastructure					
Established and operates in mainland China					
Sino-Foreign Equity Joint Venture Enterprise					
Hangzhou Henderson Qianjiang Third Bridge Company, Limited		RMB200,000,000	—	60	60
Sino-Foreign Co-operative Joint Venture Enterprise					
Maanshan Huan Tong Highway Development Limited	II	RMB99,450,000	—	49	1st five years: 80 2nd five years: 60 remaining years: 70
Tianjin Jinning Roads Bridges Construction Development Company Limited	II	RMB23,680,000	—	70	1st five years: 80 2nd five years: 60 remaining years: 70

Notes:

I *Companies audited by KPMG.*

II *The Group can exercise control over these subsidiaries.*

The above list gives the principal subsidiaries of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Associates

At 31 December 2009

Details of principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by		
	The Company	**Subsidiaries**	**Principal activities**
Listed			
The Hong Kong and China Gas Company Limited	—	39.88	Production, distribution and marketing of gas, water and related activities
Hong Kong Ferry (Holdings) Company Limited	—	31.36	Property development and investment
Miramar Hotel and Investment Company, Limited	—	44.21	Hotel operation
Unlisted			
Shinning Worldwide Limited (incorporated and operates in the British Virgin Islands)	—	45	Investment holding
Star Play Development Limited	—	33.33	Property investment

The above list gives the principal associates of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Jointly Controlled Entities

At 31 December 2009

Details of principal jointly controlled entities, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by		
	The Company	**Subsidiaries**	**Principal activities**
Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre (established and operates in mainland China)	—	50	Retailing
Billion Ventures Limited (incorporated and operates in the British Virgin Islands)	—	50	Investment holding
Central Waterfront Property Investment Holdings Limited (incorporated and operates in the British Virgin Islands)	—	34.21	Investment holding
Newfoundworld Holdings Limited	—	20	Property investment and hotel operation
Special Concept Development Limited	—	25	Property development
Teamfield Property Limited	—	49.18	Property development
Topcycle Development Limited	—	50	Property development
Yieldway International Limited	—	50	Property development

The above list gives the principal jointly controlled entities of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Corporate Information

Board of Directors

Executive Directors

Dr. the Hon. Lee Shau Kee, GBM
(Chairman and Managing Director)
Lee Ka Kit *(Vice Chairman)*
Colin Lam Ko Yin *(Vice Chairman)*
Lee Ka Shing *(Vice Chairman)*
John Yip Ying Chee
Alexander Au Siu Kee
Suen Kwok Lam
Lee King Yue
Fung Lee Woon King
Eddie Lau Yum Chuen
Li Ning
Patrick Kwok Ping Ho

Non-executive Directors

Sir Po-shing Woo
Leung Hay Man
Angelina Lee Pui Ling
Lee Tat Man
Jackson Woo Ka Biu
(Alternate Director to Sir Po-shing Woo)

Independent Non-executive Directors

Gordon Kwong Che Keung
Professor Ko Ping Keung
Wu King Cheong

Audit Committee

Gordon Kwong Che Keung
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Remuneration Committee

Wu King Cheong
Dr. the Hon. Lee Shau Kee, GBM
Colin Lam Ko Yin
Gordon Kwong Che Keung
Professor Ko Ping Keung

Company Secretary

Timon Liu Cheung Yuen

Registered Office

72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong
Telephone : (852) 2908 8888
Facsimile : (852) 2908 8838
Internet : http://www.hld.com
E-Mail : henderson@hld.com

Registrars

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 12)

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme (Ticker Symbol: HLDCY CUSIP Reference Number: 425166303)

Authorised Representatives

Colin Lam Ko Yin
Timon Liu Cheung Yuen

Auditors

KPMG

Solicitors

Woo, Kwan, Lee & Lo
Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
Standard Chartered Bank

Corporate Information

Group Executives

Lee Shau Kee
GBM, DBA (Hon), DSSc (Hon), LLD (Hon)
General Manager

Lee Ka Kit
JP
Deputy General Manager

Colin Lam Ko Yin
FCILT, FHKIoD
Deputy General Manager

Lee Ka Shing
Deputy General Manager

John Yip Ying Chee
LLB, FCIS
Assistant General Manager

Alexander Au Siu Kee
OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB
Chief Financial Officer

Departmental Executives

Group Business Development Department

John Yip Ying Chee
LLB, FCIS
Executive Director

Project Management (1) Department

David Francis Dumigan
BSc, C Eng, FICE, FHKIE, RPE
General Manager

Project Management (2) Department

Victor Kwok Man Cheung
BA (AS), B Arch (Dist), MSc (Con P Mgt),
EMBA, FHKIA, MAPM, RIBA,
Authorised Person (Architect), Registered Architect (HK)
PRC Class 1 Registered Architect Qualification
General Manager

Tony Siu Sing Yeung
B. Arch (Hons), HKIA
Authorised Person (Architect), Registered Architect (HK)
PRC Class 1 Registered Architect Qualification
Senior Deputy General Manager

Property Development Department

Augustine Wong Ho Ming
JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)
General Manager

Shuki Leung Shu Ki
BA (Hons), MHKIP, MRTPI,
MCIP, RPP (HK), MCILT, MCIArb, AHKIArb
Deputy General Manager

Property Planning Department

Leung Kam Leung
MSc, PGDMS, FHKIS, FRICS, RPS (GP)
General Manager

Construction Department

Billy Wong Wing Hoo
JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE
General Manager

Engineering Department

Stephen Cheng Yuk Lun
BSc (Eng), C Eng, MICE, MIStructE, MHKIE,
RPE, AP, RSE, RGE, 1RSE-PRC
General Manager

Building Quality Planning Department

Eddy Lam Sik Kong
General Manager

Sales Department

Thomas Lam Tat Man
MEM(UTS), DMS, EHKIM, MHIREA
General Manager

Portfolio Leasing Department

Margaret Lee Pui Man
BHum (Hons)
Senior General Manager

Patrick Sit Pak Wing
ACIS, FHIREA
General Manager

Property Management Department
Suen Kwok Lam
MH, FHIREA
Executive Director

Special Projects Department
Li Ning
BSc, MBA
Executive Director

Comm. & Ind. Properties Department
Ng Ngok Kwan
General Manager

General Manager Department
Karsky Ngai Tung Hai
FRICS, MHKIS, AACI
Manager

Finance Department
Eddie Lau Yum Chuen
Executive Director

Lee King Yue
Executive Director

Patrick Kwok Ping Ho
BSc, MSc, Post-Graduate Diploma in Surveying, ACIB
Executive Director

Cashier Department
Fung Lee Woon King
Treasurer

Human Resources Department
Colin Lam Ko Yin
FCILT, FHKIoD
Executive Director

Frankie Wong Ying Kin
MSc, MBA, BBA, DMS, MIHRM
General Manager

Company Secretarial Department
Timon Liu Cheung Yuen
BEc, FCPA, CA (Aust), FCS, FCIS
General Manager

Accounts Department
Christopher Wong Wing Kee
BSc (Econ), ACA
General Manager

Audit Department
Thomas Choi Kam Fai
B Comm, CMA
General Manager

Information Technology Department
Au Tit Ying
BSc, Grad Dip Com (IS)
General Manager

Corporate Communications Department
Bonnie Ngan Suet Fong
BBA
General Manager

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Harbour View Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Tuesday, 1 June 2010 at 11:30 a.m. to transact the following business:

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditors for the eighteen months ended 31 December 2009.

2. To declare a Final Dividend.

3. To re-elect retiring Directors.

4. To re-appoint Auditors and authorise the Directors to fix their remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) "**THAT:**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase ordinary shares of HK$2.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

(B) "**THAT:**

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements or options (including, without limitation, Rights Issue (as hereinafter defined), warrants, bonds, debentures, notes and other securities convertible into shares in the Company) which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate nominal amount of the share capital of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and

(b) for the purposes of this Resolution:

"Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting; and

"Rights Issue" means an offer of shares in the capital of the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(C) "**THAT:**

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such shares under the authority granted pursuant to Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution."

(D) "**THAT:**

(a) the authorised share capital of the Company be increased from HK$5,200,000,000 to HK$10,000,000,000 (divided into 5,000,000,000 shares of HK$2 each (the "Share(s)") by the creation of 2,400,000,000 new Shares of HK$2.00 each) (the "Increase in Authorised Share Capital"); and

(b) any one of the Directors be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital."

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 28 April 2010

Registered Office:
72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

(1) At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.

(2) A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and on a poll, to vote instead of him. A proxy need not be a Member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of authority) must be lodged at the registered office of the Company at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.

(3) For the purpose of determining Shareholders who qualify for the proposed final dividend, the Register of Members of the Company was closed from Tuesday, 20 April 2010 to Friday, 23 April 2010, both days inclusive. The proposed final dividend will be paid to Shareholders whose names appeared on the Register of Members of the Company on 23 April 2010.

(4) For the purpose of determining Shareholders who are entitled to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Tuesday, 25 May 2010 to Tuesday, 1 June 2010, both days inclusive. In order to qualify for attending the above Meeting, all transfers accompanied by the relevant share certificates 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 Monday, 24 May 2010.

(5) A circular containing details of the proposed increase in the authorised share capital and an explanatory statement containing further details concerning Ordinary Resolution (A) of item 5 above, and a circular containing the proposed scrip dividend scheme are sent to Shareholders for perusal.

(6) Concerning Ordinary Resolutions (B) and (C) of item 5 above, approval is being sought from Members, as a general mandate in compliance with Section 57B of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the issued share capital plus the number of shares repurchased by the Company pursuant to the general mandate approved in Ordinary Resolution (A) of item 5 above. Save as disclosed (if any), the Directors, have no immediate plans to issue any new shares of the Company under the said mandate being sought.

(7) Concerning Ordinary Resolution (D) of item 5 above, approval is being sought from Members to increase the authorised share capital of the Company from HK$5,200,000,000 to HK$10,000,000,000 by the creation of 2,400,000,000 additional new ordinary shares for the purpose of allowing flexibility to the Company.

Financial Calendar

First Interim Results	Announced on Thursday, 19 March 2009
Second Interim Results	Announced on Friday, 28 August 2009
Final Results	Announced on Tuesday, 30 March 2010
Annual Report	Posted to Shareholders on Wednesday, 28 April 2010
Register of Shareholders	Closed from Tuesday, 20 April 2010 to Friday, 23 April 2010, for the purpose of determining Shareholders who qualify for the proposed final dividend and bonus warrants issue. To be closed from Tuesday, 25 May 2010 to Tuesday, 1 June 2010, for the purpose of determining Shareholders who are entitled to attend and vote at the Annual General Meeting
Annual General Meeting	To be held on Tuesday, 1 June 2010
Dividends - First Interim	HK$0.30 per share – paid on Friday, 24 April 2009
- Second Interim	HK$0.30 per share – paid on Friday, 4 December 2009
- Final (Proposed)	HK$0.70 per share – payable on Wednesday, 2 June 2010

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Environmentally friendly paper has been used in the production of this annual report.

恒 基 兆 業 地 產 有 限 公 司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED