

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 30 June 2006.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were property development and investment, investment holding, infrastructure, department store operation, security guard services, hotel operation and information technology development.

An analysis of the Group's revenue and results by business and geographical segments is set out in note 8 to the financial statements on pages 69 to 73.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 30 June 2006 are set out on pages 98 to 101.

Financial Statements

The profit of the Group for the year ended 30 June 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 109.

Dividends

An interim dividend of HK\$0.13 per share was paid on 27 April 2006. The Directors have recommended the payment of a final dividend of HK\$0.15 per share to shareholders whose names appear on the Register of Members of the Company on 12 December 2006.

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment during the year are set out in note 19 to the financial statements on pages 81 and 82.

Bank Loans, Overdrafts and Other Borrowings

Particulars of bank loans, overdrafts and other borrowings of the Company and the Group as at 30 June 2006 are set out in note 30 to the financial statements on page 91.

Share Capital

Details of movements in the Company's share capital during the year, together with the reasons therefore, are set out in note 31 to the financial statements on page 92.

Reserves

Particulars of the movements in reserves during the year are set out on page 54.

Share Placement

On 18 April 2006, 230,000,000 existing ordinary shares in the Company were placed at a price of HK\$13.55 per share (the "Placing Price") through a share placement arrangement ("Share Placement") and the Company subsequently issued 230,000,000 new ordinary shares ("New

Shares”), with a view to strengthening the capital base of the Company. The places included professional and institutional investors, corporate entities and individuals who were not connected persons of the Company. The Placing Price represented a discount of approximately 7.2% to the closing price of HK\$14.60 per share in the Company as quoted on The Stock Exchange of Hong Kong Limited on 18 April 2006.

The New Shares represented approximately 8.2% of the issued share capital of the Company prior to the Share Placement. The issue price for the New Shares was approximately HK\$13.492 per share, which is equivalent to the Placing Price less expenses and commissions of the Share Placement. A net amount of approximately HK\$3,100 million in aggregate after expenses was received.

The Directors consider that the placing and the subscription will further strengthen the capital base of the Company. The Directors intend to use the net proceeds of the Share Placement to expand the Company’s business including acquisition of investment properties.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on pages 26 and 27.

Investment Properties

Particulars of investment properties of the Group are set out on page 9.

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 14 to the financial statements on page 77.

Directors

The Directors of the Company during the financial year and up to the date of this report are:

Executive Directors

Dr. Lee Shau Kee
(Chairman and Managing Director)

Lee Ka Kit
(Vice Chairman)

Colin Lam Ko Yin
(Vice Chairman)

Lee Ka Shing
(Vice Chairman)

Lee Tat Man

Ho Wing Fun
(resigned upon retirement on 1 July 2006)

Suen Kwok Lam

Lee King Yue

Eddie Lau Yum Chuen

Li Ning

Patrick Kwok Ping Ho

Lau Chi Keung

Augustine Wong Ho Ming

Sit Pak Wing

Non-executive Directors

Sir Po-shing Woo

Philip Yuen Pak Yiu

Leung Hay 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. Ho Wing Fun resigned as Executive Director upon retirement on 1 July 2006. The Directors would like to express their gratitude to Mr. Ho for his support, devotion and invaluable contribution to the Company.

Mr. Colin Lam Ko Yin, Mr. Lee Tat Man, Mr. Lee King Yue, Mr. Lau Chi Keung, Mr. Augustine Wong Ho Ming and Mr. Leung Hay Man will retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Disclosure of Interests

Directors' Interests in Shares

As at 30 June 2006, 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:

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 Investment Limited	Lee Shau Kee	1	34,779,936		2,075,859,007		2,110,638,943	69.26
	Lee Ka Kit	1				2,075,859,007	2,075,859,007	68.12
	Lee Ka Shing	1				2,075,859,007	2,075,859,007	68.12
	Li Ning	1		2,075,859,007			2,075,859,007	68.12
	Lee Tat Man	2	6,666				6,666	0.00
	Lee King Yue	3	1,001,739				1,001,739	0.03
	Ho Wing Fun	4	1,100				1,100	0.00
Henderson Land Development Company Limited	Lee Shau Kee	5			1,122,938,300		1,122,938,300	61.88
	Lee Ka Kit	5				1,122,938,300	1,122,938,300	61.88
	Lee Ka Shing	5				1,122,938,300	1,122,938,300	61.88
	Li Ning	5		1,122,938,300			1,122,938,300	61.88
	Lee Tat Man	6	498,000				498,000	0.03
	Lee King Yue	7	42,900		19,800		62,700	0.00
	Ho Wing Fun	8	100				100	0.00
	Lau Chi Keung	9	2,200				2,200	0.00
	Woo Ka Biu, Jackson	10			2,000		2,000	0.00
The Hong Kong and China Gas Company Limited	Lee Shau Kee	11	3,226,174		2,202,973,776		2,206,199,950	40.05
	Lee Ka Kit	11				2,202,973,776	2,202,973,776	39.99
	Lee Ka Shing	11				2,202,973,776	2,202,973,776	39.99
	Li Ning	11		2,202,973,776			2,202,973,776	39.99
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	12	7,799,220		111,636,090		119,435,310	33.52
	Lee Ka Kit	12				111,636,090	111,636,090	31.33
	Lee Ka Shing	12				111,636,090	111,636,090	31.33
	Li Ning	12		111,636,090			111,636,090	31.33
	Lam Ko Yin, Colin	13	150,000				150,000	0.04
	Leung Hay Man	14	2,250				2,250	0.00

Ordinary Shares (unless otherwise specified) (cont'd)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	15			255,188,250		255,188,250	44.21
	Lee Ka Kit	15				255,188,250	255,188,250	44.21
	Lee Ka Shing	15				255,188,250	255,188,250	44.21
	Li Ning	15		255,188,250			255,188,250	44.21
	Woo Po Shing	16	2,705,000		2,455,000		5,160,000	0.89
Henderson Development Limited	Lee Shau Kee	17			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	18			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	19	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	17				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	18				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	19				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	17				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	18				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	19				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	17			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Li Ning	18			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Li Ning	19			15,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)	30.00

Ordinary Shares (*unless otherwise specified*) (*cont'd*)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
China Investment Group Limited	Woo Ka Biu, Jackson	20			16,000		16,000	5.33
Drinkwater Investment Limited	Leung Hay Man	21			5,000		5,000	4.49
	Woo Po Shing	22			3,250		3,250	2.92
Henfield Properties Limited	Lee Ka Kit	23			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Shau Kee	24			100		100	100.00
	Lee Ka Kit	24				100	100	100.00
	Lee Ka Shing	24				100	100	100.00
	Li Ning	24		100			100	100.00
Pettystar Investment Limited	Lee Shau Kee	25			3,240		3,240	80.00
	Lee Ka Kit	25				3,240	3,240	80.00
	Lee Ka Shing	25				3,240	3,240	80.00
	Li Ning	25		3,240			3,240	80.00
Shellson International Limited	Lee Ka Kit	26			25	75	100	100.00

Save as disclosed above, none of the Directors or the 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 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 year ended 30 June 2006 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Others' Interests

As at 30 June 2006, 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)	2,075,859,007	68.12
Riddick (Cayman) Limited (Note 1)	2,075,859,007	68.12
Hopkins (Cayman) Limited (Note 1)	2,075,859,007	68.12
Henderson Development Limited (Note 1)	2,070,243,859	67.94
Henderson Land Development Company Limited (Note 1)	2,070,243,859	67.94
Kingslee S.A. (Note 1)	2,070,243,859	67.94
Banshing Investment Limited (Note 1)	802,854,200	26.35
Markshing Investment Limited (Note 1)	602,168,418	19.76
Covite Investment Limited (Note 1)	363,328,900	11.92
Person other than Substantial Shareholders:		
Gainwise Investment Limited (Note 1)	217,250,000	7.13

Notes:

- Of these shares, Dr. Lee Chau Kee was the beneficial owner of 34,779,936 shares, and the remaining 2,075,859,007 shares, (i) 802,854,200 shares, 602,168,418 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 was 100% held by Henderson Land Development Company Limited ("HL") which in turn was 61.87% held by Henderson Development Limited ("HD"); and (ii) 5,615,148 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 Chau Kee. Dr. Lee Chau Kee was taken to be interested in these shares by virtue of the Securities and Futures Ordinance ("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.
- Mr. Lee Tat Man was the beneficial owner of these shares.
- Mr. Lee King Yue was the beneficial owner of these shares.
- Mr. Ho Wing Fun was the beneficial owner of these shares.
- Of these shares, (i) 570,743,800 shares were owned by 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.; 222,045,300 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 38.46% held by Henderson Investment Limited ("HI"). HI was 67.94% held by HL which in turn was 61.87% held by HD; and (v) 192,500 shares were owned by Fu Sang. Dr. Lee Chau Kee was taken to be interested in China Gas, HD and Fu Sang as set out in Notes 1 and 11 and HL 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.
- Mr. Lee Tat Man was the beneficial owner of these shares.
- Of these shares, Mr. Lee King Yue was the beneficial owner of 42,900 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.

8. *Mr. Ho Wing Fun was the beneficial owner of these shares.*
9. *Mr. Lau Chi Keung was the beneficial owner of these shares.*
10. *These shares were owned by the wife of Mr. Woo Ka Biu, Jackson.*
11. *Of these shares, Dr. Lee Chau Kee was the beneficial owner of 3,226,174 shares, and for the remaining 2,202,973,776 shares, (i) 1,159,024,597 shares and 484,225,002 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited which was 100% held by HI; (ii) 475,277,946 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of HI; (iii) 3,966,472 shares were owned by Baldwin Enterprises Limited, a wholly-owned subsidiary of Yamina Investment Limited which was 100% held by HD; and (iv) 80,479,759 shares were owned by Fu Sang. Dr. Lee Chau Kee was taken to be interested in HI, 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.*
12. *Of these shares, Dr. Lee Chau Kee was the beneficial owner of 7,799,220 shares, and for the remaining 111,636,090 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 HI; and (ii) 41,436,090 shares were held by Wiselin Investment Limited, a wholly-owned subsidiary of Max-mercan Investment Limited which in turn was 100% held by HI. Dr. Lee Chau Kee was taken to be interested in HI 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. *Mr. Leung Hay Man was the beneficial owner of these shares.*
15. *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 HI. Dr. Lee Chau Kee was taken to be interested in HI as set out in Note 1 and Miramar Hotel and Investment Company, Limited (“Miramar”) 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.*
16. *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.*
17. *These shares were held by Hopkins as trustee of the Unit Trust.*
18. *These shares were held by Hopkins as trustee of the Unit Trust.*
19. *Of these shares, Dr. Lee Chau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.*
20. *These shares were held by Pearl Assets Limited which was 60% owned by Mr. Woo Ka Biu, Jackson.*
21. *These shares were held by Gilbert Investment Inc. which was wholly-owned by Mr. Leung Hay Man.*
22. *These shares were held by Coningham Investment Inc. which was owned by Fong Fun Investment Inc. of which 50% was owned by Sir Po-shing Woo and 50% by his wife.*
23. *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 Andco Limited which was wholly-owned by Henderson China Holdings Limited (“HC”), an indirect wholly-owned subsidiary of HL.*
24. *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, both of which were wholly-owned subsidiaries of Jetwin International 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 Chau 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.*
25. *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, both of which were wholly-owned subsidiaries of Jetwin International Limited.*
26. *Of these shares, (i) 25 shares were owned by Shine King International Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 75 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by HC.*

Interests in Contracts and Connected Transactions

During the year under review, the Group entered into the following transactions and arrangements as described below with persons who are “connected persons” for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”):

- (1) (i) Henderson Real Estate Agency Limited, a wholly-owned subsidiary of Henderson Land Development Company Limited (“Henderson Land”) made advances from time to time to Henderson Investment Finance Limited, a wholly-owned subsidiary of the Company, 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 30 June 2006, an amount of approximately HK\$120.2 million was due by Henderson Investment Finance Limited to Henderson Real Estate Agency Limited.
- (ii) The management agreements and the construction agreements for the management and development of the Group’s properties previously entered into between the Company and certain subsidiaries of Henderson Land still subsisted at the financial year end.

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

- (2) The Company had the following 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 since each of the applicable percentage ratios under Rule 14A.32 of the Listing Rules was less than 2.5%:

- (i) Henderson Cyber Limited (“Henderson Cyber”) was privatised by the Company and The Hong Kong and China Gas Company Limited (“China Gas”), an associated company of the Company. Upon the completion of the privatisation on 8 December 2005, Henderson Cyber was owned as to 78.69% by the Company and 21.31% by China Gas through their respective subsidiaries.

As announced on 16 August 2005, the joint arrangement between the Company and China Gas for payment by the Company and China Gas of 78.69% and 21.31% respectively of the total consideration paid for the cancellation of the scheme shares of the privatisation of Henderson Cyber constituted a connected transaction. The aggregate consideration paid by the Company under this arrangement amounted to approximately HK\$252.53 million.

- (ii) As announced on 3 April 2006, Nickwell Investments Limited (“Nickwell”), Raytek Investments Limited (“Raytek”) and Wise Link Investments Limited (“Wise Link”), being wholly-owned subsidiaries of Promise Good Limited, in which a subsidiary of the Company has a 60% beneficial interest and Shining Gold Limited, a wholly-owned subsidiary of Min Xin Holdings Limited which was listed on the Hong Kong Stock Exchange owned the remaining 40%, entered into a sale and purchase agreement as vendors on 29 March 2006 for the sale of a 65% beneficial interest in Ningbo Nickwell Highway Development Company Limited (“Ningbo

Nickwell”) owned by Nickwell, a 65% beneficial interest in Ningbo Rayter Highway Development Company Limited (“Ningbo Rayter”) owned by Raytek and a 65% beneficial interest in Ningbo Wise Link Highway Development Company Limited (“Ningbo Wise Link”) owned by Wise Link to Fenghua Transportation Investment Co., Ltd. (奉化市交通投资公司) (“Fenghua Transportation”), a state-owned enterprise of the Fenghua People’s Government, The People’s Republic of China (“PRC”) at the consideration of RMB70 million (approximately HK\$67.65 million) (the “Sale and Purchase”). Pursuant to the said agreement, Fenghua Transportation agreed to undertake the repayment of the bank loans which amounted to RMB181.7 million (approximately HK\$175.59 million) (the “Undertaking”).

Ningbo Nickwell, Ningbo Rayter and Ningbo Wise Link (collectively the “Joint Venture Companies”) had 25-year rights to develop and operate certain parts of the province expressway together with the respective ancillary facilities in the PRC. Fenghua Transportation was a substantial shareholder having a 35% interest in each of the Joint Venture Companies and thus was a connected person of the Company under the Listing Rules. The Sale and Purchase and the Undertaking therefore constituted a connected transaction of the Company.

- (3) On 12 April 2006, a subsidiary of Henderson Cyber (“Henderson Cyber Subsidiary”) entered into a cancellation agreement with a subsidiary of Henderson Land (“Henderson Land Subsidiary”), the holding company of the Company at a nominal consideration of HK\$10 paid by Henderson Cyber Subsidiary to Henderson Land Subsidiary so that both parties were released from obligations to enter into a formal lease on the terms set out in the agreement dated 28 June 2000 and made by Henderson Cyber Subsidiary as intending tenant and Henderson Land Subsidiary as intending landlord and that the initial deposit of HK\$2,514,600 was refunded by Henderson Land Subsidiary to Henderson Cyber Subsidiary. Despite being a connected transaction, the entering into of the cancellation agreement which was a de minimus transaction of the Company under Rule 14A.31(2)(a) of the Listing Rules was exempt from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.
- (4) The material related party transactions set out in note 42 to the financial statements on page 97 constitute 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 year end or at any time during the year.

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 year ended 30 June 2006 and as at 30 June 2006 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 businesses of property investment, development and management in Hong Kong. As those companies which might have competing businesses with the Group were involved in the investment, development and management of properties of different types and/or in different locations, the Group, maintaining three independent non-executive directors, has been operating independently of, and at arm’s length from, the businesses of those companies.

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

Except for the Share Placement in April 2006 by the Company, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Major Customers and Suppliers

For the financial year ended 30 June 2006:

- (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 annual results is shown on pages 23 to 25.

Retirement Benefits Scheme

Details of the retirement benefits schemes participated by the Group's employees are shown in note 37 to the financial statements on page 94.

Revolving Credit Agreement with Covenants of the Controlling Shareholders

As disclosed in the Company's announcement dated 17 September 2004, a wholly-owned subsidiary of Henderson Land Development Company Limited ("HL") and a wholly-owned subsidiary of the Company, as several borrowers, have obtained a HK\$10,000,000,000 revolving credit facility that consists of a 5-year and a 7-year tranche in equal amounts (the "Facility") from a syndicate of banks under the respective several guarantees given by HL and the Company.

In connection with the Facility, it will be an event of default if HL ceases to own and control at least 51% of the issued equity share capital of the Company or if either the Company or HL ceases to be ultimately controlled by Dr. Lee Chau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr. Lee Chau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the 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 Deloitte Touche Tohmatsu 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 28 to 33.

On behalf of the Board

Lee Shau Kee

Chairman

Hong Kong, 21 September 2006