

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the year ended 30 June 2007.

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, security guard services and hotel operation. Subsequent to the Group's very substantial disposal of its assets to Henderson Land Development Company Limited, the principal activities of the Company's subsidiaries are investment holding and infrastructure.

An analysis of the Group's revenue and results by business and geographical segments is set out in note 15 to the accounts on pages 69 to 72.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 30 June 2007 are set out on pages 91 and 92.

Group Profit

The profit of the Group for the year ended 30 June 2007 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 39 to 93.

Dividends

An interim dividend of HK\$0.13 per share was paid on 26 April 2007. 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 3 December 2007.

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment during the year are set out in note 17 to the accounts on pages 74 and 75.

Bank Loans and Overdrafts

Particulars of bank loans and overdrafts of the Company and the Group as at 30 June 2007 are set out in note 27 to the accounts on pages 80 and 81.

Reserves

Particulars of the movements in reserves during the year are set out in note 33 to the accounts on pages 84 to 87.

Share Capital

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 33 to the accounts on pages 84 to 87.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 15.

Report of the Directors

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong 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 10 to the accounts on pages 65 and 66.

Directors

The Directors of the Company during the financial year 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)

Lee Tat Man

Suen Kwok Lam

Lee King Yue

Eddie Lau Yum Chuen

Li Ning

Patrick Kwok Ping Ho

Lau Chi Keung

(resigned upon retirement on 30 June 2007)

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. Lau Chi Keung resigned as Executive Director upon his retirement on 30 June 2007. The Directors would like to express their gratitude to Mr. Lau for his support, devotion and invaluable contribution to the Company.

Dr. Lee Shau Kee, Mr. Patrick Kwok Ping Ho, Mr. Sit Pak Wing, 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, being eligible, offer themselves for re-election.

Report of the Directors

Disclosure of Interests

Directors' Interests in Shares

As at 30 June 2007, 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		2,076,089,007		2,110,868,943	69.27
	Lee Ka Kit					2,076,089,007	2,076,089,007	68.13
	Lee Ka Shing	1				2,076,089,007	2,076,089,007	68.13
	Li Ning	1		2,076,089,007			2,076,089,007	68.13
	Lee Tat Man	2		6,666			6,666	0.00
	Lee King Yue	3		1,001,739			1,001,739	0.03
Henderson Land Development Company Limited	Lee Shau Kee	4			1,122,938,300		1,122,938,300	57.81
	Lee Ka Kit	4				1,122,938,300	1,122,938,300	57.81
	Lee Ka Shing	4				1,122,938,300	1,122,938,300	57.81
	Li Ning	4		1,122,938,300			1,122,938,300	57.81
	Lee Tat Man	5		110,000			110,000	0.01
	Lee King Yue	6		42,900		19,800	62,700	0.00
	Woo Ka Biu, Jackson	7			2,000		2,000	0.00
The Hong Kong and China Gas Company Limited	Lee Shau Kee	8	3,548,791		2,428,665,950		2,432,214,741	40.14
	Lee Ka Kit	8				2,428,665,950	2,428,665,950	40.08
	Lee Ka Shing	8				2,428,665,950	2,428,665,950	40.08
	Li Ning	8		2,428,665,950			2,428,665,950	40.08
Towngas China Company Limited (formerly known as Panva Gas Holdings Limited)	Lee Shau Kee	9			850,202,901		850,202,901	43.90
	Lee Ka Kit	9				850,202,901	850,202,901	43.90
	Lee Ka Shing	9				850,202,901	850,202,901	43.90
	Li Ning	9		850,202,901			850,202,901	43.90

Report of the Directors

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	10			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	11			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	12	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	10				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	11				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	12				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	10				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	11				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	12				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	10		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	11		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	12		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00
China Investment Group Limited	Woo Ka Biu, Jackson	13			16,000		16,000	5.33
Drinkwater Investment Limited	Leung Hay Man	14			5,000		5,000	4.49
	Woo Po Shing	15			3,250		3,250	2.92
Henfield Properties Limited	Lee Ka Kit	16			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Shau Kee	17			100		100	100.00
	Lee Ka Kit	17				100	100	100.00
	Lee Ka Shing	17				100	100	100.00
	Li Ning	17		100			100	100.00
Pettystar Investment Limited	Lee Shau Kee	18			3,240		3,240	80.00
	Lee Ka Kit	18				3,240	3,240	80.00
	Lee Ka Shing	18				3,240	3,240	80.00
	Li Ning	18		3,240			3,240	80.00
Shellson International Limited	Lee Ka Kit	19			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.

Report of the Directors

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 2007 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 2007, 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)	2,076,089,007	68.13
Riddick (Cayman) Limited (Note 1)	2,076,089,007	68.13
Hopkins (Cayman) Limited (Note 1)	2,076,089,007	68.13
Henderson Development Limited (Note 1)	2,070,473,859	67.94
Henderson Land Development Company Limited (Note 1)	2,070,473,859	67.94
Kingslee S.A. (Note 1)	2,070,473,859	67.94
Banshing Investment Limited (Note 1)	802,854,200	26.35
Markshing Investment Limited (Note 1)	602,398,418	19.77
Covite Investment Limited (Note 1)	363,328,900	11.92
Persons other than Substantial Shareholders:		
Gainwise Investment Limited (Note 1)	217,250,000	7.13
Elliott Capital Advisors L.P. (Note 20)	188,056,500	6.17

Notes:

1. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 34,779,936 shares, and 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 was 100% held by Henderson Land Development Company Limited ("HL") which in turn was 57.80% 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 Shau Kee. Dr. Lee Shau 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.
2. Mr. Lee Tat Man was the beneficial owner of these shares.

Report of the Directors

3. *Mr. Lee King Yue was the beneficial owner of these shares.*
4. *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 38.55% held by Henderson Investment Limited ("HI"). HI was 67.94% held by HL which in turn was 57.80% held by HD; and (v) 192,500 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in China Gas, HD and Fu Sang as set out in Notes 1 and 8 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.*
5. *Mr. Lee Tat Man was the beneficial owner of these shares.*
6. *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.*
7. *These shares were owned by the wife of Mr. Woo Ka Biu, Jackson.*
8. *Of these shares, Dr. Lee Shau Kee was the beneficial owner of 3,548,791 shares, and for the remaining 2,428,665,950 shares, (i) 1,274,927,055 shares and 532,647,502 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) 528,200,540 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of HI; (iii) 4,363,119 shares were owned by Boldwin Enterprises Limited, a wholly-owned subsidiary of Yamina Investment Limited which was 100% held by HD; and (iv) 88,527,734 shares were owned by Fu Sang. Dr. Lee Shau 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.*
9. *These shares were owned by Hong Kong & China Gas (China) Limited, a wholly-owned subsidiary of China Gas. Dr. Lee Shau Kee was taken to be interested in China Gas as set out in Note 8 and Towngas 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.*
10. *These shares were held by Hopkins as trustee of the Unit Trust.*
11. *These shares were held by Hopkins as trustee of the Unit Trust.*
12. *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.*
13. *These shares were held by Pearl Assets Limited which was 60% owned by Mr. Woo Ka Biu, Jackson.*
14. *These shares were held by Gilbert Investment Inc. which was wholly-owned by Mr. Leung Hay Man.*
15. *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.*

Report of the Directors

16. *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.*
17. *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 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.*
18. *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.*
19. *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.*
20. *Of these shares, Elliott Capital Advisors L.P. was the beneficial owner of 187,074,500 shares, and interests in the remaining 982,000 shares were derived from cash settled derivatives.*

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 quoted by banks. As at 30 June 2007, an amount of approximately HK\$1,653.2 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 subsisted during the financial year.

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) As disclosed in the announcement dated 27 March 2007, the Company and Henderson Land entered into an agreement on the same day pursuant to which the Henderson Land Group acquired from the Group all the assets (other than the Remaining Companies as defined in the said announcement) of the Group, including the property portfolio, the 31.36% interest in Hong Kong Ferry (Holdings) Company Limited, and the 44.21% interest in Miramar Hotel and Investment Company, Limited at an aggregate consideration of approximately HK\$12,072.6 million (the "Disposal"). A circular detailing the Disposal was dispatched by the Company to shareholders of the Company on 20 April 2007.

Report of the Directors

Henderson Land is a holding company of the Company, and is therefore a connected person of the Company. Accordingly, the Disposal constituted a connected transaction of the Company. As one or more applicable percentage ratio(s) in respect of the Disposal exceeded 75%, the Disposal also constituted a very substantial disposal of the Company. Therefore, for the Company, the Disposal was subject to the announcement, reporting and independent shareholders' approval requirements of Chapters 14 and 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 14 May 2007, the Disposal was approved by independent shareholders of the Company.

(3) 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 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 2 December 2006, having regard to the structure of Sunlight Real Estate Investment Trust ("Sunlight REIT") and the series of transactions between Sunlight REIT and both the Company and Henderson Land and between Sunlight REIT and connected persons of the Company (i.e. the companies controlled by private trusts of the family of Dr. Lee Shau Kee (the "Private Group")), the Hong Kong Stock Exchange exercised its power pursuant to Rules 14A.06 and 14A.11(4)(a) of the Listing Rules to deem Sunlight REIT to be a connected person of the Company and Henderson Land in relation to their respective disposals of certain property interests (for the Company, the sale of its one-third interest in Java Road 108 Commercial Centre (the "HIL Disposal")) to Sunlight REIT as more particularly described in the said announcement and the transactions with Sunlight REIT leading to the establishment of Sunlight REIT and the initial public offering in Hong Kong and the international placement of units of Sunlight REIT.

The transactions contemplated under the following contracts entered into between the Group and Sunlight REIT on 2 December 2006 constituted connected transactions of the Company:

- a) The sale and purchase agreement in respect of the HIL Disposal at a consideration of approximately HK\$38.8 million. Pursuant thereto, on 21 December 2006, the Company entered into a deed of tax covenant with Sunlight REIT to covenant to make payments to it in respect of certain tax liabilities;
 - b) the deed of adjustment payments under which the Company agreed to make adjustment payments to Sunlight REIT equal to 0.54% of the amount by which the total rental income, together with any proceeds of loss of rental insurance claims, from such property relating to the HIL Disposal and the disposals of property interests by the Private Group and the Henderson Land group (other than the Company) is less than the assured minimum rental per annum of HK\$405.4 million (on a pro rata basis in respect of the period from 21 December 2006 until 30 June 2007), HK\$429.4 million (in respect of the year ending 30 June 2008) and HK\$454.9 million (in respect of the year ending 30 June 2009); and
 - c) the deed of distribution per unit guarantee under which the Company guaranteed to pay to Sunlight REIT 0.54% of the shortfall if the distributions per unit of Sunlight REIT during each financial year up to 30 June 2009 are less than HK\$0.2208 per unit (prorated for the period from 21 December 2006 to 30 June 2007).
- (ii) As disclosed in the joint announcement dated 29 August 2007, Uniland Development Limited ("UDL"), a wholly-owned subsidiary of the Company entered into the sale and purchase agreement as the purchaser with seven vendors on 29 August 2007 for the acquisition of 35.94% interest, being all the remaining interest in China Investment Group Limited ("CIG"), the principal business activities of which (including its subsidiaries) are investment holding and the infrastructure business, at a total consideration of HK\$145.02 million.

Report of the Directors

Among the vendors, (a) Wong Ying Wai was a director of CIG, a subsidiary of the Company and Henderson Land; (b) both Gem Gain Enterprises Limited and Greyhound Investments L.P. were substantial shareholders (each holding 10% interest) of CIG; (c) Pearl Assets Limited was a company controlled by Jackson Woo Ka Biu who was a director of CIG and an alternate to Woo Po Shing, a director of both the Company and Henderson Land; and (d) each of Sino Grand Investments Limited and Welson Investment Limited was a company controlled by Wong Ying Wai and Choi Koon Shum respectively, each being a director of CIG, and was therefore an associate of a director of a subsidiary of the Company and Henderson Land. Each of the vendors mentioned in (a) to (d) above was therefore a connected person of the Company and Henderson Land within the meaning of the Listing Rules. The relevant transaction therefore constituted a connected transaction for each of the Company and Henderson Land for the purpose of the Listing Rules. The aggregate consideration paid to the said connected persons amounted to HK\$134.26 million.

- (4) The material related party transactions set out in note 38 to the accounts on page 90 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 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 2007 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.

Subsequent to the Disposal and as at 30 June 2007, none of the Directors of the Company has interests in businesses which might compete with the Group.

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

During the year, 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 2007:

- (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.

Report of the Directors

Management Discussion and Analysis

A management discussion and analysis of the Group's annual results is shown on pages 10 to 14.

Retirement Benefits Scheme

Details of the retirement benefits schemes participated by the Group's employees are shown in note 32 to the accounts on page 84.

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 ("Henderson Land") 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 Henderson Land and the Company.

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

Deloitte Touche Tohmatsu acted as auditors of the Company for the past three years and resigned as auditors with effect from 14 June 2007 and PricewaterhouseCoopers were appointed on 14 June 2007 as the auditors of the Company to fill the casual vacancy and to hold office until the conclusion of the forthcoming annual general meeting. A resolution for the re-appointment of PricewaterhouseCoopers 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 16 to 22.

On behalf of the Board

Lee Shau Kee
Chairman

Hong Kong, 17 September 2007