恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED

Incorporated in Hong Kong with limited liability
Stock Code: 0097

2005/2006 Annual Results Announcement

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 year ended 30 June 2006.

PROFIT AND NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

The Group's consolidated profit after taxation and minority interests for the year ended 30 June 2006 amounted to HK$3,667.2 million, an increase of HK$159.5 million or 4.5% over the re-stated profit for the previous year. Earnings per share were HK$1.28 (2005 re-stated: HK$1.25).

The underlying profit for the year, excluding the revaluation surplus of investment properties, was HK$2,066.1 million, or a decrease of HK$154.3 million or 6.9%. Based on the underlying profit, earnings per share were HK$0.72 (2005 re-stated: HK$0.79).

At 30 June 2006, the consolidated net asset value attributable to equity shareholders was HK$27,652.6 million, 28.5% higher than the re-stated amount of HK$21,516.5 million a year earlier. At the year end, the Group was in a net cash position of HK$5,063.1 million (2005: HK$2,537.6 million).

DIVIDENDS

Your Board recommends 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. The total distribution per share of HK$0.28 for the full year, including the interim dividend of HK$0.13 per share already paid, is the same as the total distribution per share in the previous year. Warrants for the final dividend will be sent to shareholders on or before 13 December 2006.

BUSINESS REVIEW

PROPERTY INVESTMENT

The Group currently has nine major investment properties. Together with the investment properties held by its listed associates, the Group has a vast portfolio with a total attributable gross floor area of 2.0 million square feet. For the year under review, the Group's gross rental income remained stable at HK$613.8 million, with average occupancy maintained at a high 95% at the year end.

In terms of the office portfolio, Kowloon Building, benefiting from the prevailing shortage of quality office space in core business areas and the trend of decentralization, was 98% let at the year end. Meanwhile, continued improvement in domestic consumption and tourist arrivals boosted the retail sector. As a result, the Group's network of shopping malls in the new towns, including City Landmark II in Tsuen Wan, Trend Plaza in Tuen Mun, Shatin Centre and Fanling Centre, performed well with occupancy rates ranging from 90% to 99% at the year end. Eva Court, a luxury residential property nestled within Mid-Levels, enjoyed 92% occupancy at the year end.

HOTEL

Driven by the continued economic growth in this region, coupled with the expansion of the Individual Visit Scheme for mainlanders coming to Hong Kong, the number of tourist arrivals to Hong Kong has shown a steady rise. Newton Hotel Hong Kong and Newton Hotel Kowloon, with average occupancy increased to 83% and average room rate growth of 9.7%, recorded marked increase in room revenue for the year, with double-digit growth in business.

INFRASTRUCTURAL PROJECTS

The Group holds 64.1% of China Investment Group Limited, which is engaged in the toll-bridge and toll-road joint venture operations in Mainland China. Owing to the repair work undertaken for the Hangzhou Qianjiang Third Bridge, profit for the infrastructural segment dropped by 46.2% to HK$81.8 million. During the year, the Group's interests in Province Expressway 34, Ningbo Fenghua, Zhejiang Province together with its ancillary facilities from Jiangkou to Sanheng and to Daqiao, and from Sanheng to Xiachen, as well as Province Expressway 36 together with its ancillary facilities from Jiangkou to Xikou, were disposed of as they suffered declining traffic flows resulting from keen competition from the newly-completed highways and toll-roads nearby.

OTHERS

Megastrength Security Services Company Limited, a wholly-owned subsidiary of the Group, provides a wide range of professional security services, which are complementary to the Group's property management operation. In recognition of its commitment to providing quality service and enhancing customer satisfaction, this company has won a good reputation in the industry.

ASSOCIATED COMPANIES

THE HONG KONG AND CHINA GAS COMPANY LIMITED

38.46% owned by the Group, Hong Kong and China Gas reported an unaudited consolidated profit after taxation of HK$2,509.5 million for the six months ended 30 June 2006, which comprised HK$1,803.6 million arising from its gas business and property rental income (an increase of HK$38.7 million as compared with the corresponding period in 2005) and HK$705.9 million from the sale of properties and a revaluation surplus on an investment property.

➢ ***Gas business in Hong Kong***

A slower pace of completion and occupancy of new residential units, compounded by the warmer weather during the first half of 2006, has led to a slight decrease of 1.5% in the total volume of gas sales in Hong Kong compared with the same period last year. At 30 June 2006, the number of customers was 1,606,841, an increase of 32,328 from the end of June 2005.

➢ ***Introduction of natural gas to Hong Kong***

By the fourth quarter of this year, Hong Kong and China Gas will introduce natural gas from the Guangdong Liquefied Natural Gas (LNG) Terminal to Hong Kong to partially replace naphtha as feedstock for the production of town gas. Tai Po gas production plant is now undertaking trial runs of the production of town gas using a dual naphtha and natural gas feedstock mix. Full implementation is scheduled to start in October 2006. As Hong Kong and China Gas has a contract for natural gas to be supplied at a price currently lower than naphtha, savings in production cost will be shared with customers through the existing fuel cost adjustment mechanism, thereby enhancing the competitiveness of the gas tariff. In addition, the introduction of natural gas will also help to protect the environment.

➢ ***Business development in Mainland China***

Hong Kong and China Gas currently has a total of 43 projects spread across 36 cities in nine provinces and an area of Beijing. Hong Kong and China Gas's mainland city-gas joint ventures have built up an excellent brand reputation across all cities where they are located. Diversification is rapidly transforming Hong Kong and China Gas into a sizable, nation-wide, multi-business corporation from its origins as a local company focused on a single business.

Hong Kong and China Gas now has city piped gas joint venture projects in 34 mainland cities across Guangdong province, eastern China, Shandong province, central China, northern China, northeastern China and western China. Following the arrival of natural gas in some regions in recent years, Hong Kong and China Gas's joint ventures there converted to natural gas. After the Guangdong LNG Terminal is formally commissioned in the fourth quarter of 2006, its joint ventures in Guangdong province will also convert to natural gas.

Besides, Hong Kong and China Gas now operates a water supply project 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. To cope with the rising need for clean water sources, the central government is opening up the water utility market, which provides enormous opportunities for Hong Kong and China Gas to expand in this sector.

➢ ***Environmentally-friendly energy businesses***

Liquefied petroleum gas (LPG) filling station business, run by its wholly-owned subsidiary company, ECO Energy Company Limited (ECO), continues to achieve business growth. Following the implementation of a new pricing mechanism in March 2006, ECO filling stations have been able to adjust their LPG selling prices every month. This will improve business prospects as prices can now be more directly linked to the cost of LPG. Meanwhile, ECO's landfill gas project at the North East New Territories landfill site is progressing well and its operational tests will be conducted within this year. Construction work of a 19 km pipeline to Tai Po gas production plant is also nearly completed. The plant would start using the treated landfill gas to partially replace naphtha as a fuel for town gas production by the end of this year. Using landfill gas will effectively limit depletion of underground oil resources and reduce air pollution, thereby further contributing to the Group's commitment to protect the environment.

➢ ***Property developments***

Hong Kong and China Gas has a 50% interest in the Grand Promenade property development project at Sai Wan Ho, whose significant returns contributed to its profitability. Following the success of Grand Promenade, the pre-sale of Grand Waterfront which is located at the Ma Tau Kok south plant site commenced in August 2006 and drew excellent response. Hong Kong and China Gas is entitled to 73% of the net sales proceeds of the residential portion, and has the full interest in the commercial portion of this project. Hong Kong and China Gas has an approximate 15.8% interest in the International Finance Centre (IFC). The shopping mall and office towers of IFC are almost fully let. Four Seasons Hotel and Four Seasons Place, which provide approximately 400 six-star hotel guest rooms and 520 hotel suites respectively, reported satisfactory results since their opening in September 2005.

Hong Kong and China Gas has not increased its basic gas tariff for the past eight years. Nevertheless it has made every effort to enhance its operational effectiveness, thus maintaining steady business performance. Full implementation of the production of town gas using a dual naphtha and natural gas feedstock mix is scheduled to start in October 2006. Since Hong Kong and China Gas contracted in 2002 to take natural gas at a comparatively low price, given the increasing competitiveness in the energy market, it now expects to lower its gas tariff to the benefit of both customers and future business development.

HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

This associated company is 31.33% owned by the Group. The unaudited consolidated profit after taxation of Hong Kong Ferry for the six months ended 30 June 2006 amounted to HK$121.8 million, a decrease of HK$68.2 million or 35.9% over that for the same period last year. The sale of residential units of Metro Harbour View at 8 Fuk Lee Street, Tai Kok Tsui, Kowloon, continued to be the main profit driver for Hong Kong Ferry for the period under review, during which 95 units were sold.

Hong Kong Ferry plans to launch MetroRegalia at Tong Mi Road for sale in late 2006, in addition to selling the remaining unsold units of Metro Harbour View.

Besides, good progress has been made in the construction for the development site at 222 Tai Kok Tsui Road, which will be developed into a residential-cum-commercial property with a total gross floor area of approximately 320,000 square feet, comprising some 270,000 square feet of residential space and about 50,000 square feet of non-residential space. It is expected to be completed by late 2008.

The foundation and construction works for No.6 Cho Yuen Street, Yau Tong will commence in late 2006 and should be completed by early 2009. It will provide a total gross floor area of approximately 165,000 square feet, comprising some 140,000 square feet of residential space and 25,000 square feet of non-residential space.

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

44.21% owned by the Group, Miramar reported a consolidated net profit after taxation of HK$1,169.4 million for the year ended 31 March 2006, an increase of 38.2% over the re-stated profit for the previous year. On a basis consistent with that for the previous year (before the re-statement of profit to comply with new accounting standards related to investment properties and hotel properties), the profit for the year including profit generated from land sales amounting to approximately HK$150 million would have been HK$448.0 million, an increase of 40.0% over the previous year. Increased tourist arrivals, improved employment levels and encouraging performance from property leasing activities have all contributed favourably to the company's results.

Miramar Hotel achieved healthy growth in its operating results with close to 90% average occupancy and an increase of 19% in average room rate. Performance in its food and beverage operation was steady. In the hotel management business, average room rate for the seven hotels under management recorded satisfactory growth with steady increases in average occupancy. Progress was made during the year to upgrade the client-mix and the overall image of the Miramar Shopping Centre, with its average occupancy reaching 91%.

During the year, Miramar sold approximately 60 acres (194 lots) of residential land and 20 acres of commercial land in Placer County, California, contributing HK$150 million in after-tax profit. At the end of the financial year, approximately 80 acres (290 lots) of residential land and 70 acres of commercial land remained available for sale. In Shanghai, almost all the office units at Shang-Mira Garden have been sold and its shopping arcade continued to achieve a high occupancy rate of 99%.

The overall results for Miramar Express improved slightly and the commercial travel sector increased its profit by more than 40%. Miramar Travel, its group tour business arm, joined forces with an industry veteran and Miramar reduced its shareholding to 54%. With a series of marketing activities under an innovative style of operation, marked improvement is expected for its travel business.

PRIVATISATION SCHEMES

HENDERSON CYBER LIMITED

In August 2005, the Company, Henderson Land Development Company Limited ("Henderson Land"), Hong Kong and China Gas and Henderson Cyber jointly announced the privatisation proposal of Henderson Cyber by the Company and Hong Kong and China Gas by way of a scheme of arrangement involving the cancellation and extinguishment of the scheme shares in Henderson Cyber at the cancellation price of HK$0.42 in cash per scheme share. The scheme was approved by a majority of 99.96% of the independent shareholders present and voting at the Court Meeting. The scheme took effect in December 2005 and the listing of the shares in Henderson Cyber on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited was withdrawn. Upon completion of the privatisation, the Company's interest in Henderson Cyber was increased to approximately 78.69%, with the balance of 21.31% held by The Hong Kong and China Gas Company Limited. The aggregate amount of cancellation price paid by the Group was HK$252.53 million.

THE COMPANY

Henderson Land made a second attempt to privatise the Company in November 2005, following an unsuccessful privatisation effort in November 2002 ("the 2002 Exercise"). As announced in December 2005, the cancellation consideration was increased to one share in the Henderson Land in exchange for every 2.5 scheme shares in the Company. In order for the proposal to succeed, the scheme should not be disapproved by more than 10% in value of all the shares held by independent minority shareholders of the Company (the "10% Threshold").

At the Court Meeting held on 20 January 2006, a majority of up to 85.7% (as compared with 85.6% in the 2002 Exercise) of the independent minority shareholders of the Company present voted in favour of the privatisation proposal. However, since the votes that were cast against the scheme marginally exceeded the 10% Threshold — a repeat of the 2002 Exercise, the scheme could not take effect and hence lapsed. It is regrettable that, despite the majority support of independent minority shareholders of the Company on both occasions, the privatisation proposal on each occasion fell through by the narrowest of margin under the 10% Threshold.

ISSUE OF NEW SHARES

On 18 April 2006, pursuant to a placing agreement, a subsidiary of Henderson Land sold 230 million existing shares of the Company at the placing price of HK$13.55 per share. Pursuant to the placing agreement, the Company then issued 230 million new shares to Henderson Land at the placing price adjusted for this purpose by the expenses incurred in relation to the placing and the subscription. The new shares represented approximately 8.2% of the Company's then existing issued share capital and about 7.5% of its issued share capital as enlarged by the subscription.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. At 30 June 2006, the cash holdings of the Group amounted to approximately HK$5,177.0 million (2005: HK$2,800.2 million). After netting off the total bank borrowings of HK$113.9 million (2005: HK$262.6 million), the Group was in a net cash position of HK$5,063.1 million (2005: HK$2,537.6 million).

All of the Group's bilateral banking facilities to fund the general operation are denominated in Hong Kong Dollars. For the Group's subsidiary, China Investment Group Limited, a portion of its borrowings to fund its toll road projects in Mainland China is denominated in Renminbi. Apart from its investments in China which are denominated in Renminbi and are not hedged, the Group had no other material open foreign exchange positions at the financial year end.

PROSPECTS

Looking ahead, buoyant consumer confidence will continue to underpin retail spending and hence rental growth for shopping centres. The office market is expected to perform well on the back of tight supply being met by keen demand from companies looking for expansion opportunities. The continuing increase in expatriate inflow to Hong Kong will continue to fuel the hotel and residential market and sustain promising growth in rental rates. Rental income from both new lettings and renewals is expected to rise.

As such, both the Group's rental income, as well as recurring earnings from the Group's listed associates, will continue to grow steadily. With a strong cash position, the Group is well poised to capitalize on opportunities for quality asset expansion and business growth, generating higher returns for shareholders. In the absence of unforeseen circumstances, performance of the Group will show satisfactory growth in the coming financial year.

APPRECIATION

Executive Director Mr. Ho Wing Fun stepped down from the Board on retirement during the year. I would like to thank Mr. Ho most sincerely for his long years of loyal service and immense contributions to the Group.

I would also like to take this opportunity to thank the Directors for their wise counsel and support, and the management and staff at all levels for their dedication, hard work and contributions in the past year. I know I can continue to count on them in our quest to deliver value to our shareholders.

Lee Shau Kee
Chairman

Hong Kong, 21 September 2006

BUSINESS RESULTS

The audited consolidated results for the year ended 30 June 2006 are as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2006

	Notes	**2006** HK$ Million	2005 (re-stated) HK$ Million
Turnover	3	**1,147.1**	1,294.4
Direct operating costs		**(501.8)**	(591.8)
Gross profit		**645.3**	702.6
Other income	4	**139.3**	97.7
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries		**(161.8)**	—
Profit for the year of disposal group		**11.2**	—
Selling and distribution costs		**(61.2)**	(55.4)
Administrative expenses		**(186.8)**	(172.1)
Profit from operations before fair value gain of investment properties		**386.0**	572.8
Fair value gain of investment properties		**1,014.9**	890.3
Profit from operations after fair value gain of investment properties		**1,400.9**	1,463.1
Finance costs	5(a)	**(10.0)**	(13.0)
Share of results of associates		**2,489.1**	2,392.1
Amortisation of goodwill		**—**	(74.1)
Negative goodwill released to income		**—**	6.3
Profit before taxation		**3,880.0**	3,774.4
Taxation	6	**(184.9)**	(201.0)
Profit for the year		**3,695.1**	3,573.4
Attributable to:			
Shareholders of the Company		**3,667.2**	3,507.7
Minority interests		**27.9**	65.7
Profit for the year	5	**3,695.1**	3,573.4
Dividends attributable to the year:	7		
Interim dividend declared during the year		**396.2**	366.3
Final dividend proposed after the balance sheet date		**457.1**	422.6
		853.3	788.9
Earnings per share	8(a)	**HK$1.28**	HK$1.25
Adjusted earnings per share	8(b)	**HK$0.72**	HK$0.79

CONSOLIDATED BALANCE SHEET

at 30 June 2006

	Notes	**2006** HK$ Million	2005 (re-stated) HK$ Million
Non-current Assets			
Investment properties		**6,058.0**	5,000.7
Property, plant and equipment		**637.7**	685.7
Prepaid lease payments		**63.3**	80.6
Toll highway operation rights		**171.1**	561.5
Interests in associates		**16,243.0**	13,715.6
Other financial assets		**412.7**	379.4
Deferred tax assets		**3.2**	—
		23,589.0	20,423.5
Current Assets			
Inventories		**309.5**	288.2
Debtors, deposits and prepayments	9	**280.4**	351.1
Amounts due from affiliates		**142.4**	129.4
Pledged bank deposits		**20.2**	20.2
Bank balances and cash		**5,156.8**	2,780.0
		5,909.3	3,568.9
Assets classified as held for sale		**378.6**	—
		6,287.9	3,568.9
Current Liabilities			
Creditors and accrued expenses	10	**281.0**	281.3
Amounts due to affiliates		**65.9**	146.1
Taxation		**81.6**	185.3
Borrowings		**57.5**	93.1
Bank overdraft		**30.3**	33.8
		516.3	739.6
Liabilities associated with assets classified as held for sale		**240.3**	—
		756.6	739.6
Net Current Assets		**5,531.3**	2,829.3
		29,120.3	23,252.8

at 30 June 2006

	Notes	**2006** **HK$ Million**	2005 (re-stated) HK$ Million
Capital and Reserves			
Share capital		**609.5**	563.5
Reserves		**27,043.1**	20,953.0
Equity attributable to equity holders of the Company		**27,652.6**	21,516.5
Minority interests		**627.5**	744.8
Total equity		**28,280.1**	22,261.3
Non-current Liabilities			
Borrowings		**26.1**	135.7
Deferred tax liabilities		**693.9**	554.7
Amount due to a fellow subsidiary		**120.2**	301.1
		840.2	991.5
		29,120.3	23,252.8

NOTES TO THE CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED BALANCE SHEET

1. Application of new and revised Hong Kong Financial Reporting Standards/changes in accounting policies

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INT's) (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates has been changed. The changes in presentation have been applied retrospectively.

As disclosed in the financial statements for the year ended 30 June 2005, the Group had elected to adopt early HKAS 40 *Investment property*, HK Int 21 *Income taxes — Recovery of revalued non-depreciable assets* and HK Int 1 *The appropriate accounting policies for infrastructure facilities*. In current year, the Group has adopted, where relevant, all remaining new and revised HKFRSs that are currently in issue and effective for the financial year beginning on 1 July 2005.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied the transitional provisions of HKFRS 3 *Business combinations* to goodwill acquired in business combinations for which the agreement date was before 1 January 2005. The principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions of associates prior to 1 January 2005 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously included in interests in associates amounted to HK$1,272.2 million, the Group has continued amortising such goodwill till 30

June 2005 and discontinued amortising such goodwill from 1 July 2005 onwards. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses, if any, after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures have not been re-stated (see note 2 for the financial impact).

Discount on acquisition (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1 January 2005 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. The Group has applied the relevant transitional provisions in HKFRS 3 and derecognised negative goodwill on 1 July 2005 of HK$118.9 million previously presented as a deduction from interests in associates, with a corresponding increase in retained profits as at 1 July 2005.

Non-current assets held for sale and discontinued operations

HKFRS 5 *Non-current assets held for sale and discontinued operations* requires non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets (or disposal group) are available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amounts and fair values less costs to sell.

The transitional provisions of HKFRS 5 applied prospectively. Accordingly, the Group shall not reclassify or re-present amount presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the consolidated balance sheet for prior years.

Hotel properties

In previous years, hotel properties of the Group were carried at revalued amounts and no depreciation was provided on hotel properties held on leases of more than twenty years. It was the Group's practice to maintain its hotel properties in a continual state of sound repairs and maintenance. In the current year, the Group has applied HKAS 16 *Property, plant and equipment*. HKAS 16 requires the residual value of the hotel properties to be measured as the amount the Group would currently obtain from disposal of the hotel properties, after deducting the estimated costs of disposal, if the hotel properties were already of the age and in the condition expected at the end of their respective useful lives.

Upon application of HKAS 16 and Hong Kong Interpretation 2 *The appropriate policies for hotel properties* (which was withdrawn during the year), the Group reviewed the residual values of its hotel properties, depreciation is provided on hotel properties and these changes are accounted for as a change in accounting policy in accordance with HKAS 8 *Accounting policies, changes in accounting estimates and errors*. Deferred taxation relating to hotel properties has also been re-stated. Comparative figures have been re-stated (see note 2 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model, and properties held for development were stated at the cost of acquisition to the Group together with any attributable expenses less any identified impairment losses, where appropriate. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 2 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 *Financial instruments: Disclosure and presentation* and HKAS 39 *Financial instruments: Recognition and measurement*. HKAS 32 requires retrospective application. The application of HKAS 32 has no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30 June 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 July 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment after initial recognition. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

Financial assets and financial liabilities other than debt and equity securities

From 1 July 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (“other financial liabilities”)”. Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

The application of HKAS 39 has had no material effect on the results of the previous and current years.

Interests in associates

During the year, the associates of the Group applied a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005, certain of which require retrospective application. Comparative figures have been re-stated (see note 2 for the financial impact).

2. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2006		
	HKAS 16 & HKAS 17 HK$ Million	**HKFRS 3 HK$ Million**	**Total HK$ Million**
Increase in depreciation and amortisation	**(8.5)**	**–**	**(8.5)**
Increase in share of results of associates	**10.4**	**–**	**10.4**
Decrease in amortisation of goodwill	**–**	**74.1**	**74.1**
Decrease in negative goodwill released to income	**–**	**(6.3)**	**(6.3)**
Decrease in deferred tax	**0.8**	**–**	**0.8**
Increase in profit	**2.7**	**67.8**	**70.5**

	2005 HKAS 16 & HKAS 17 HK$ Million
Increase in depreciation and amortisation (included in administrative expenses)	(8.6)
Increase in share of results of associates	10.1
Decrease in deferred tax (included in taxation)	1.0
Increase in profit	2.5

The cumulative effects of the application of the new HKFRSs as at 30 June 2005 and 1 July 2005 are summarised below:

	At 30 June 2005 (originally stated) HK$ Million	Effect of HKAS 1 HK$ Million	Effect of HKAS 16 & HKAS 17 HK$ Million	At 30 June 2005 (re-stated) HK$ Million	Effect of HKAS 39 HK$ Million	Effect of HKFRS 3 HK$ Million	At 1 July 2005 (re-stated) HK$ Million
Property, plant and equipment	1,274.0	–	(588.3)	685.7	–	–	685.7
Prepaid lease payments	–	–	82.3	82.3	–	–	82.3
Interests in associates	14,556.8	–	(841.2)	13,715.6	–	118.9	13,834.5
Investments in securities	241.6	–	–	241.6	(241.6)	–	–
Held-to-maturity investments	–	–	–	–	11.5	–	11.5
Available-for-sale investments	–	–	–	–	230.1	–	230.1
Deferred tax liabilities	(565.8)	–	11.1	(554.7)	–	–	(554.7)
Total effects on assets and liabilities		–	(1,336.1)		–	118.9	
Property valuation reserve	1,313.8	–	(1,313.8)	–	–	–	–
Retained profits	14,381.2	–	(22.3)	14,358.9	–	118.9	14,477.8
Minority interests	–	744.8	–	744.8	–	–	744.8
Total effects on equity		744.8	(1,336.1)		–	118.9	
Minority interests	744.8	(744.8)	–	–	–	–	–

The financial effects of the application of the new HKFRSs to the Group's equity at 1 July 2004 are summarised below:

	As originally stated HK$ Million	Effect of HKAS 16 & HKAS 17 HK$ Million	As re-stated HK$ Million
Property revaluation reserve	1,294.0	(1,294.0)	—
Retained profits	11,664.9	(24.8)	11,640.1

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group, except for HKAS 39 and HKFRS 4 (Amendments) which require all financial guarantee contract to be initially measured at fair value. The directors consider the impact resulting from this amendment cannot be reasonably estimated as at the balance sheet date.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment[3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) — INT 8	Scope of HKFRS2[5]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives[6]

[1] Effective annual periods beginning on or after 1 January 2007.
[2] Effective annual periods beginning on or after 1 January 2006.
[3] Effective annual periods beginning on or after 1 December 2005.
[4] Effective annual periods beginning on or after 1 March 2006.
[5] Effective annual periods beginning on or after 1 May 2006.
[6] Effective annual periods beginning on or after 1 June 2006.

3. Business and geographical segments

Business segments

The business upon which the Group reports its primary segment information is as follows:

Property leasing	— property rental
Hotel operation	— hotel operations and management
Infrastructure	— infrastructure project investment
Others	— investment holding, sale of properties, provision of cleaning and security guard services, department store operations and management, retail business and provision of information technology services

Segment information about these businesses is presented below:

For the year ended 30 June 2006

	Property leasing HK$ Million	Hotel operation HK$ Million	Infrastructure HK$ Million	Others HK$ Million	Eliminations HK$ Million	Consolidated HK$ Million
INCOME AND RESULTS						
Turnover	613.8	95.3	136.4	301.6	—	1,147.1
Other income	3.8	0.2	1.0	3.4	—	8.4
External income	617.6	95.5	137.4	305.0	—	1,155.5
Inter-segment income	19.8	—	—	6.6	(26.4)	—
Total income	637.4	95.5	137.4	311.6	(26.4)	1,155.5
Inter-segment sales were charged at prices determined by management with reference to market prices.						
Segment results	1,344.3	35.6	81.8	(170.9)	—	1,290.8
Interest income	—	—	9.9	114.3	—	124.2
Dividend income from listed investments	—	—	—	6.7	—	6.7
Profit for the year of disposal group	—	—	11.2	—	—	11.2
Unallocated corporate expenses						(32.0)
Finance costs						(10.0)
Share of results of associates						2,489.1
Profit before taxation						3,880.0
Taxation						(184.9)
Profit for the year						3,695.1

At 30 June 2006

	Property leasing HK$ Million	Hotel operation HK$ Million	Infrastructure HK$ Million	Others HK$ Million	Consolidated HK$ Million
BALANCE SHEET					
Assets					
Segment assets	6,316.7	276.4	1,214.5	451.5	8,259.1
Interests in associates					16,243.0
Amounts due from associates					46.1
Unallocated corporate assets					5,328.7
Consolidated total assets					29,876.9
Liabilities					
Segment liabilities	87.0	23.0	270.5	124.2	504.7
Amounts due to associates					0.8
Unallocated corporate liabilities					1,091.3
Consolidated total liabilities					1,596.8
OTHER INFORMATION					
Capital additions	—	0.8	11.1	16.5	28.4
Amortisation of toll highway operation rights	—	—	15.6	—	15.6
Depreciation	—	8.5	20.5	24.1	53.1
Impairment loss on debtors	0.4	0.6	—	0.3	1.3
Impairment loss on available-for-sale-investments	—	—	—	0.3	0.3
Impairment loss on property, plant and equipment	—	—	—	4.5	4.5
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries	—	—	—	161.8	161.8
Loss on disposal of property, plant and equipment	—	—	—	7.8	7.8
Release of prepaid lease payments	—	1.1	—	0.6	1.7

For the year ended 30 June 2005

	Property leasing HK$ Million	Hotel operation HK$ Million	Infrastructure HK$ Million	Others HK$ Million	Eliminations HK$ Million	Consolidated HK$ Million (re-stated)
INCOME AND RESULTS						
Turnover	609.8	99.3	235.5	349.8	—	1,294.4
Other income	4.6	0.1	1.9	2.2	—	8.8
External income	614.4	99.4	237.4	352.0	—	1,303.2
Inter-segment income	26.3	—	—	3.6	(29.9)	—
Total income	640.7	99.4	237.4	355.6	(29.9)	1,303.2
Inter-segment sales were charged at prices determined by management with reference to market prices.						
Segment results	1,229.0	28.4	152.1	(4.4)	—	1,405.1
Interest income	—	—	10.8	42.0	—	52.8
Dividend income from listed investments	—	—	—	5.4	—	5.4
Dividend income from unlisted investments	—	—	—	4.7	—	4.7
Unrealised holding gain on investments in securities	—	—	—	26.0	—	26.0
Unallocated corporate expenses						(30.9)
Finance costs						(13.0)
Share of results of associates						2,392.1
Amortisation of goodwill						(74.1)
Negative goodwill released to income						6.3
Profit before taxation						3,774.4
Taxation						(201.0)
Profit for the year						3,573.4

At 30 June 2005

	Property leasing HK$ Million	Hotel operation HK$ Million	Infrastructure HK$ Million	Others HK$ Million	Consolidated HK$ Million (re-stated)
BALANCE SHEET					
Assets					
Segment assets	5,255.0	279.1	1,253.6	431.7	7,219.4
Interests in associates					13,715.6
Amounts due from associates					42.0
Unallocated corporate assets					3,015.4
Consolidated total assets					23,992.4
Liabilities					
Segment liabilities	79.2	18.6	20.1	150.3	268.2
Amounts due to associates					2.5
Unallocated corporate liabilities					1,460.4
Consolidated total liabilities					1,731.1
OTHER INFORMATION					
Capital additions	0.1	1.9	1.6	19.3	22.9
Amortisation of toll highway operation rights	—	—	34.7	—	34.7
Depreciation	—	8.1	20.7	28.9	57.7
Impairment loss on debtors	1.7	(0.2)	—	4.2	5.7
Loss on disposal of property, plant and equipment	—	—	2.1	—	2.1
Release of prepaid lease payments	—	1.1	—	0.6	1.7

Geographical segments

The Group's sale of properties, property leasing, hotel operation, department store operations, cleaning and security guard services, and information technology services are carried out in Hong Kong. Infrastructure and retail business are carried out in other regions of the People's Republic of China ("PRC").

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/ services:

For the year ended 30 June 2006

	Hong Kong HK$ Million	**PRC HK$ Million**	**Consolidated HK$ Million**
Turnover	**1,010.7**	**136.4**	**1,147.1**
Other income	**6.4**	**2.0**	**8.4**
External income	**1,017.1**	**138.4**	**1,155.5**

For the year ended 30 June 2005

	Hong Kong HK$ Million	PRC HK$ Million	Consolidated HK$ Million
Turnover	1,058.9	235.5	1,294.4
Other income	6.9	1.9	8.8
External income	1,065.8	237.4	1,303.2

4. Other income

	2006 HK$ Million	2005 HK$ Million
Compensation for early termination of tenancy agreements	**0.4**	0.3
Dividend income from listed investments	**6.7**	5.4
Dividend income from unlisted investments	**—**	4.7
Exchange gain, net	**0.5**	0.1
Interest income (Note)	**124.2**	52.8
Sponsorship fee	**1.4**	1.4
Sundry income	**6.1**	7.0
Unrealised holding gain on investments in securities	**—**	26.0
	139.3	97.7

Note: Included in interest income is an amount of HK$8.9 million (2005: HK$9.8 million) from deferred instalments receivable.

5. Profit for the year

The consolidated profit from ordinary activities before taxation is arrived at after charging:

(a) Finance costs

	2006 HK$ Million	2005 HK$ Million
Interest on:		
– Bank loans and overdrafts wholly repayable within five years	**9.0**	11.5
– Other borrowings wholly repayable within five years	**1.0**	1.5
	10.0	13.0

(b) Items other than those separately disclosed in Notes 3 to 5(a)

	2006 **HK$ Million**	2005 (re-stated) HK$ Million
Amortisation of toll highway operation rights	**15.6**	34.7
Depreciation	**53.1**	57.7
	68.7	92.4
Release of prepaid lease payments	**1.7**	1.7
Staff costs including director emoluments	**202.5**	230.0
Cost of sales		
– completed properties for sale	**2.8**	0.5
– inventories	**125.4**	125.8

6. Taxation

	2006 **HK$ Million**	2005 (re-stated) HK$ Million
The charge comprises:		
Current tax		
Hong Kong	**57.5**	57.2
Other regions in the PRC	**12.1**	28.1
	69.6	85.3
(Over)underprovision in prior years		
Hong Kong	**(17.5)**	(3.5)
Other regions in the PRC	**–**	0.4
	(17.5)	(3.1)
Deferred tax		
Current year	**132.8**	118.8
	184.9	201.0

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Certain subsidiaries of the Group operating in the PRC are eligible for certain tax holidays and concessions and are exempted from PRC income taxes for the year.

7. Dividends

	2006 HK$ Million	2005 HK$ Million
Interim paid in respect of 2006 of HK13 cents (2005: HK13 cents) per share	**396.2**	366.3
Final proposed in respect of 2006 of HK15 cents (2005: HK15 cents) per share	**457.1**	422.6
	853.3	788.9

8. Earnings per share

(a) *Reported earnings per share*

The calculation of earnings per share is based on the profit for the year of HK$3,667.2 million (2005 re-stated: HK$3,507.7 million) attributable to the shareholders of the Company and on weighted average number of 2,858,916,436 (2005: 2,817,327,395) ordinary shares in issue during the year. Diluted earnings per share is not shown as there were no dilutive potential shares in existence during the two years ended 30 June 2006.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policies shown in notes 1 and 2 above, is as follows:

	Basic	
	2006 HK$	2005 HK$
Reported figure before adjustments	**1.26**	1.24
Adjustment arising from change of accounting policies	**0.02**	0.01
Re-stated	**1.28**	1.25

(b) *Adjusted earnings per share*

The calculation of earnings per share excluding fair value gain of investment properties net of deferred tax is based on the profit attributable to equity shareholders of the Company adjusted as follows:

	2006 HK$ Million	2005 (re-stated) HK$ Million
Profit attributable to equity shareholders of the Company	**3,667.2**	3,507.7
Effect of fair value gain of investment properties	**(1,014.9)**	(890.3)
Effect of deferred tax on fair value gain of investment properties	**153.1**	126.6
Effect of share of fair value gain of investment properties net of related deferred taxation of associates	**(739.3)**	(523.6)
Adjusted earnings for calculation of earnings per share	**2,066.1**	2,220.4
Adjusted earnings per share	**HK$0.72**	HK$0.79

9. Debtors, deposits and prepayments

The Group maintains a defined credit policy. Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leased properties are payable in advance by tenants. In respect of retailing, most of transactions are being on cash basis. Other trade debtors settle their accounts according to the payment terms as stated in contracts. An aged analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The aged analysis of trade debtors (net of allowances for bad debts) of the Group is as follows:

	2006 HK$ Million	2005 HK$ Million
Under 1 month overdue	**31.2**	115.0
1 to 3 months overdue	**35.3**	16.4
More than 3 months overdue but less than 6 months overdue	**17.0**	4.4
Over 6 months overdue	**100.0**	42.4
Less: accumulated impairment	**(10.5)**	(10.0)
Trade debtors	**173.0**	168.2
Deposits, prepayments and other receivables — current portion	**107.4**	182.9
	280.4	351.1
Deposits, prepayments and other receivables — non-current portion	**116.7**	137.8
	397.1	488.9

10. Creditors and accrued expenses

The aged analysis of trade creditors of the Group included in creditors and accrued expenses by due date is as follows:

	2006 HK$ Million	2005 HK$ Million
Due within 1 month or on demand	**103.0**	123.5
Due after 1 month but within 3 months	**39.2**	43.0
Due after 3 months but within 6 months	**2.8**	3.3
Due after 6 months	**9.4**	7.9
Trade creditors	**154.4**	177.7
Rental deposits and other payables	**126.6**	103.6
Total creditors and accrued expenses	**281.0**	281.3

11. Comparative figures

Certain comparative figures have been adjusted as a result of the changes in accounting policies details of which are set out in note 2. In addition, certain comparative figures have been reclassified to conform with the current year's presentation.

12. Review of results

The financial results for year ended 30 June 2006 have been reviewed with no disagreement by the Audit Committee of the Company. Also, this preliminary results announcement has been agreed with the Company's Auditors.

FINANCIAL REVIEW

MANAGEMENT DISCUSSION AND ANALYSIS

The following comments should be read in conjunction with the Company's audited financial statements and the related notes thereto.

In preparing the financial statements for the year ended 30 June 2006, the Group has adopted the new and revised Hong Kong Financial Reporting Standards, including all applicable Hong Kong Accounting Standards and relevant Interpretations. Applicable prior year adjustments have also been made to the 2005 financial statements. The resulting effects of the changes in accounting policies and presentation are detailed in note 2 to the financial statements.

Turnover and Profit

For the year ended 30 June 2006, the Group's turnover amounted to HK$1,147.1 million, a decrease of HK$147.3 million or 11.4% over that for the previous year. The decrease in turnover was mainly attributable to reduced revenue contributions by the infrastructure and the others segments.

The profit attributable to equity shareholders of the Company amounted to HK$3,667.2 million for the year, an increase of HK$159.5 million or 4.5% over that for the year before. Earnings per share were HK$1.28 (2005 re-stated: HK$1.25).

The underlying profit for the year, excluding the unrealized surplus on revaluation of investment properties (net of deferred tax), was HK$2,066.1 million or a decrease of 6.9%. Based on the underlying profit, the earnings per share were HK$0.72 (2005 re-stated: HK$0.79).

Property Leasing

The overall rental property market continued to remain healthy in Hong Kong during the year. Property leasing revenue of the Group amounted to HK$613.8 million. This represented an increase of HK$4.0 million or 0.7% over the amount of HK$609.8 million for the previous year and accounted for 53.5% of the Group's turnover. Profit contribution of this business segment for the year amounted to HK$1,344.3 million, an increase of HK$115.3 million or 9.4% over the re-stated amount of HK$1,229.0 million for the previous year. Excluding the unrealized surplus on revaluation of investment properties (before deferred taxation and minority interests) amounting to HK$1,014.9 million (2005: HK$890.3 million), the underlying profit contribution of this business segment for the year decreased by HK$9.3 million or 2.7% to HK$329.4 million. The decrease was due to higher repair and maintenance costs incurred during the year.

Hotel

Revenue from hotel operations amounted to HK$95.3 million in the year under review as against HK$99.3 million for the previous year, a decrease of HK$4.0 million or 4.0%, while the profit contribution from this segment for the year increased by 25.4% to HK$35.6 million, as compared with the re-stated amount of HK$28.4 million for the year before. The increase in profit contribution was mainly attributable to better cost management during the year.

Infrastructure

Revenue from the investment in infrastructure projects in Mainland China that is mainly operated through China Investment Group Limited, amounted to HK$136.4 million, a decrease of HK$99.1 million or 42.1%. The decrease was mainly due to reduced traffic volume of a toll bridge in Hangzhou as a result of repair and maintenance work during the year. Profit contribution from this segment for the year decreased by HK$70.3 million or 46.2% to HK$81.8 million.

Others

The segment revenue of other business activities of the Group including department stores operation, security guard services and information technology services decreased by HK$48.2 million or 13.8% to HK$301.6 million for the year under review. This was mainly attributable to the reduced revenue contribution from the information technology services and the security service operations. The segment result showed a loss of HK$9.1 million (compared to a loss of HK$4.4 million for 2005) before the inclusion of the impairment loss on goodwill arising from the privatization of Henderson Cyber Limited of HK$161.8 million as described in the following paragraph.

Privatization of Subsidiary

As a result of the privatization of Henderson Cyber Limited, the Group recorded an impairment loss of HK$161.8 million.

Associates

The Group's share of profits less losses of associates net of taxation amounted to HK$2,489.1 million. This represented an increase of HK$97.0 million or 4.1% as compared with the re-stated amount of HK$2,392.1 million for the previous year. Excluding the unrealized surplus on revaluation of investment properties (net of deferred tax), the Group's share of underlying profits less losses of associates amounted to HK$1,749.7 million as against HK$1,868.6 million for the year before.

In particular, the Group's share of after tax profits from the three listed associates amounted to approximately HK$2,380.1 million for the year as against the re-stated amount of HK$2,213.1 million for the previous year. Excluding the unrealized surplus on revaluation of investment properties (net of deferred tax), the Group's share of profits less losses of the three listed associates amounted to HK$1,726.5 million as against HK$1,786.2 million for the year before. The slight decrease in such underlying profits was due to a smaller number of units in a property development project which were sold during the year, as compared with that for the year earlier.

Issue of New Shares

On 18 April 2006, pursuant to a placing agreement, a subsidiary of Henderson Land Development Company Limited, the Company's holding company, sold 230 million existing shares of the Company at the placing price of HK$13.55 per share. Pursuant to the placing agreement, the Company then issued 230 million new shares to Henderson Land Development Company Limited at the placing price adjusted for this purpose by the expenses incurred in relation to the placing and the subscription. The new shares represented approximately 8.2% of the Company's then existing issued share capital and about 7.5% of its issued share capital as enlarged by the subscription.

Financial Resources and Liquidity

(a) Net Borrowings and Gearing

At 30 June 2006, the aggregate amount of the Group's bank loans and borrowings amounted to HK$113.9 million (2005: HK$262.6 million). The maturity profiles of the Group's bank loans and borrowings were as follows:

	At 30 June 2006	At 30 June 2005 (re-stated)
	HK$ Million	HK$ Million
Bank loans and borrowings repayable:		
Within 1 year	**87.8**	126.9
After 1 year but within 2 years	**20.6**	50.0
After 2 years but within 5 years	**5.5**	85.7
Total bank loans and borrowings	**113.9**	262.6
Deduct: Cash at bank and in hand	**5,177.0**	2,800.2
Total net bank deposits	**5,063.1**	2,537.6
Shareholders' Funds	**27,652.6**	21,516.5
Gearing Ratio (%)	**Nil**	Nil

Calculated on the basis of total net bank borrowings as a ratio of shareholders' funds at 30 June 2006, the Group's gearing ratio was nil (2005: Nil) as it is in a net cash position.

	Year ended 30 June 2006	Year ended 30 June 2005 (re-stated)
	HK$ Million	HK$ Million
Profit from operations plus Group's share of the underlying profits less losses of associates (after excluding the unrealized surplus on revaluation of investment properties)	**2,410.4**	2,818.5
Interest expenses (before capitalization of interest)	**10.0**	13.0
Interest cover (number of times)	**241.0**	216.8

Interest cover is measured by reference to (a) the Group's profit from operations plus the Group's share of profits less losses of associates (after excluding the unrealized surplus on revaluation of investment properties) and (b) the interest expenses before capitalization of interest. On this basis the Group's interest cover for the year was 241.0 times, compared to 216.8 times for the year before.

The Group is in a strong financial position by having (a) a large capital base; (b) a net cash position; and (c) high interest cover. With abundant committed banking facilities in place and continuous cash inflow generated from a solid base of recurrent income, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as future expansion.

During the year, apart from the privatization of Henderson Cyber Limited, the Group did not undertake any significant acquisition or disposal of assets outside of its core business.

(b) *Treasury & Financial Management*

The Group's financing and treasury activities were centrally managed at the corporate level. Bank loans and borrowings facilities of the Group are principally of floating rate in nature obtained from international banks in Hong Kong. Apart from its investments in China which are denominated in Renminbi and are not hedged, the Group had no other material open foreign exchange positions at the year end.

Assets of the Group had not been charged to any third parties in the financial year under review except that security was provided in respect of a very small portion of project financing facilities that was extended by banks to a subsidiary of the Group engaged in infrastructural projects in Mainland China.

(c) *Future Plans of Material Investments or Capital Assets*

At 30 June 2006, capital commitments of the Group amounted to HK$34.2 million (2005: HK$21.3 million).

Contingent Liabilities

Contingent liabilities of the Group amounted to HK$30.1 million at 30 June 2006 (2005: HK$33.6 million). These mainly comprised guarantees given by the Company to commercial banks to secure banking facilities granted to the group companies.

Employees

At 30 June 2006, the Group had about 1,500 (2005: 1,500) full-time employees. The remuneration of employees was in line with the market trend and commensurable with the level of pay in the industry. Discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme, training programmes and educational subsidies.

Total employee costs for the year amounted to HK$201.1 million (2005: HK$228.6 million).

OTHER INFORMATION

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 7 December 2006 to Tuesday, 12 December 2006, both days inclusive, during which period no requests for the transfer of shares will be accepted. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars, Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 6 December 2006.

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.

AUDIT COMMITTEE

The Audit Committee met in September 2006 and reviewed the systems of internal control and compliance and the annual report for the year ended 30 June 2006.

CORPORATE GOVERNANCE

During the year ended 30 June 2006, the Company has complied with the Code on Corporate Governance Practices (the "CGP Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the roles of the chairman and the chief executive officer of the Company are not segregated under code provision A.2.1 of the CGP Code. The Company is of the view that it is in the best interest of the Company that Dr. Lee Shau Kee, with his profound expertise in the property business, shall continue in his dual capacity as the Chairman and Managing Director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 21 September 2006

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Colin Lam Ko Yin, Lee Ka Shing, Lee Tat Man, Suen Kwok Lam, Lee King Yue, Eddie Lau Yum Chuen, Li Ning, Patrick Kwok Ping Ho, Lau Chi Keung, Augustine Wong Ho Ming and Sit Pak Wing; (2) non-executive directors: Woo Po Shing, Philip Yuen Pak Yiu, Leung Hay Man and Jackson Woo Ka Biu (as alternate to Woo Po Shing); and (3) independent non-executive directors: Gordon Kwong Che Keung, Ko Ping Keung and Wu King Cheong.

Please also refer to the published version of this announcement in South China Morning Post.