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If you have sold or transferred all your shares in **Henderson Investment Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 97)

**VERY SUBSTANTIAL DISPOSAL
AND CONNECTED TRANSACTION**

**ACQUISITION OF INTERESTS IN CERTAIN COMPANIES IN THE
HENDERSON INVESTMENT LIMITED GROUP
BY HENDERSON LAND DEVELOPMENT COMPANY LIMITED**

**PROPOSED REDUCTION OF
SHARE PREMIUM ACCOUNT**

PROPOSED DISTRIBUTION

Independent Financial Advisor to the Independent Shareholders



CIMB-GK Securities (HK) Limited

A letter from the Board is set out on pages 5 to 22 of this circular. A letter from CIMB-GK Securities (HK) Limited containing its advice to the Independent Shareholders is set out on pages 23 to 39 of this circular.

A notice convening the EGM to be held at the Ballroom, B3 Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong, on Monday, 14 May 2007 at 11:30 a.m. is set out on pages N-1 to N-3 of this circular. A form of proxy for use by the Shareholders at the EGM is also enclosed. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the meeting, or any adjourned meeting, should you so wish.

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EXPECTED TIMETABLE

2007

Latest time for lodging transfers of Shares in order to be entitled to attend and vote at the EGM	4:00 p.m. on Wednesday, 9 May
Closure of the register of members of the Company for determination of entitlements to attend and vote at the EGM	Thursday, 10 May to Monday, 14 May (both days inclusive)
Latest time for lodging forms of proxy for the EGM	11:30 a.m. on Saturday, 12 May
Suspension of trading of Shares	9:30 a.m. on Monday, 14 May
EGM	11:30 a.m. on Monday, 14 May
Press announcement of the results of the EGM	Tuesday, 15 May
Resumption of trading of Shares	9:30 a.m. on Tuesday, 15 May
<i>(A) If the Share Premium Reduction is approved at the EGM*:</i>	
Latest day for dealing in the Shares cum-entitlement to the Proposed Distribution	Friday, 15 June
First day of dealing in the Shares ex-entitlement to the Proposed Distribution	Monday, 18 June
Latest time for lodging transfers of Shares in order to be entitled to the Proposed Distribution	4:00 p.m. on Wednesday, 20 June
Closure of the register of members of the Company for determination of entitlements to the Proposed Distribution	Thursday, 21 June to Monday, 25 June (both days inclusive)
Record date for the Proposed Distribution	Monday, 25 June
Court hearing of petition for confirmation of the Share Premium Reduction	Tuesday, 26 June
Completion and despatch of cheques for cash payments and payments through CCASS to the Shareholders pursuant to the Proposed Distribution (<i>Note</i>)	Wednesday, 4 July

EXPECTED TIMETABLE

(B) *If the Share Premium Reduction is not approved at the EGM:*

Latest day for dealing in the Shares cum-entitlement to the Proposed Distribution	Thursday, 14 June
First day of dealing in the Shares ex-entitlement To the Proposed Distribution	Friday, 15 June
Latest time for lodging transfers of Shares in order to be entitled to the Proposed Distribution	4:00 p.m. on Monday, 18 June
Closure of the register of members of the Company for determination of entitlements to the Proposed Distribution	Wednesday, 20 June to Friday, 22 June (both days inclusive)
Record date for the Proposed Distribution	Friday, 22 June
Completion and despatch of cheques for cash payments and payments through CCASS to the Shareholders pursuant to the Proposed Distribution	Friday, 29 June

* **Shareholders should note that if the Share Premium Reduction is approved at the EGM, the dates of the events subsequent to the EGM in the above expected timetable, which mainly depend on the availability of the dates of the Court to hear the proceedings relating to the Share Premium Reduction, are indicative only and are subject to change. The Court may set another date for the hearing of the petition for confirmation of the Share Premium Reduction by the Court. The dates of closure of the register of members of the Company, the record date for the Proposed Distribution and the Completion Date may also change if the Court hearing date is changed.** In case of any changes, further announcement(s) in relation to the closure of the register of members of the Company for the purpose of determination of entitlements to the Proposed Distribution, the record date therefor and the Completion Date will be made by the Company.

Note: If the Share Premium Reduction is confirmed by the Court, it will become effective upon Completion and upon satisfaction of all conditions imposed by the Court and registration by the Registrar of Companies in Hong Kong of an office copy of the Court order together with such other documents as may be required under section 61 of the Companies Ordinance. The Proposed Distribution of HK\$5.00 per Share will then be made. If the Court refuses to confirm the Share Premium Reduction, the alternative Proposed Distribution of HK\$3.80 per Share will be made upon Completion.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Agreement”	means the conditional agreement dated 27 March 2007 entered into between HLD and the Company in relation to the Disposal
“associate”	has the meaning given to such term under the Listing Rules
“Attributable Net Asset Value”	has the meaning given to such term under the sub-section headed “Consideration” of this circular
“Board”	means the board of Directors
“China Gas”	means The Hong Kong and China Gas Company Limited, which shares are listed on the Stock Exchange
“CIMB-GK”	means CIMB-GK Securities (HK) Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Shareholders regarding the terms of the Agreement and the transactions contemplated under the Agreement
“Companies Ordinance”	means Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	means Henderson Investment Limited, which shares are listed on the Stock Exchange
“Completion”	means completion of the Disposal pursuant to the Agreement
“Completion Date”	means (a) if the Share Premium Reduction is not approved by a special resolution of the Company, 29 June 2007; or (b) if the Share Premium Reduction is approved by a special resolution of the Company, five business days after (i) the confirmation of the Share Premium Reduction by the Court and the registration by the Registrar of Companies in Hong Kong of a copy of the Court order confirming the Share Premium Reduction together with such other documents as may be required under section 61 of the Companies Ordinance or (ii) the Court’s refusal to confirm the Share Premium Reduction (or, in each case of (a) and (b), such other date as may be agreed between HLD and the Company)

DEFINITIONS

“Conditions”	means the conditions precedent to Completion, as more particularly set out under the sub-section headed “Conditions to Completion” of this circular
“Court”	means the Court of First Instance of the High Court of Hong Kong
“Deloitte”	means Deloitte Touche Tohmatsu
“Directors”	means the directors of the Company
“Disposal”	means the acquisition by the HLD Group of interests in the Sale Companies and the Loan Sale pursuant to the Agreement
“DTZ”	means DTZ Debenham Tie Leung Limited
“EGM”	means an extraordinary general meeting of the Company to be convened to approve, among other matters (if any), the Agreement, the Share Premium Reduction and the Proposed Distribution
“Fu Sang”	Fu Sang Company Limited, a company incorporated in Hong Kong with limited liability. Hopkins (Cayman) Limited (“ Hopkins ”) as trustee of a unit trust (the “ Unit Trust ”) owns all the issued ordinary shares of Fu Sang. Rimmer (Cayman) Limited (“ Rimmer ”) and Riddick (Cayman) Limited (“ Riddick ”), as trustees of respective discretionary trusts, hold units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick are owned by Dr. Lee Shau Kee
“Group”	means the Company and its subsidiaries
“HK Ferry”	means Hong Kong Ferry (Holdings) Company Limited, which shares are listed on the Stock Exchange
“HLD”	means Henderson Land Development Company Limited, which shares are listed on the Stock Exchange
“HLD Board”	means the board of directors of HLD
“HLD Group”	means HLD and its subsidiaries
“Independent Shareholders”	means Shareholders other than HLD, Dr. Lee Shau Kee and their respective associates and Fu Sang
“Latest Practicable Date”	means 13 April 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Sale”	means the assignment of the Shareholder’s Loans by the Company to the HLD Group
“Miramar Hotel”	means Miramar Hotel and Investment Company, Limited, which shares are listed on the Stock Exchange
“PRC”	means the People’s Republic of China
“Proposed Distribution”	means the proposed distribution by the Company to the Shareholders of either (a) HK\$5.00 per Share if the Share Premium Reduction becomes unconditional; or (b) HK\$3.80 per Share if the Share Premium Reduction does not become unconditional
“Remaining Companies”	means certain companies in which the Company is interested (a) which directly or indirectly hold shares in China Gas or (b) which are engaged directly or indirectly in the infrastructure business or (c) which are relatively immaterial to the Group taken as a whole
“Remaining Group”	means the Group immediately after Completion
“SFC”	means the Securities and Futures Commission of Hong Kong
“SFO”	means Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Sale Companies”	means all subsidiaries of the Company (other than the Remaining Companies which are subsidiaries of the Company) and two companies in which the Company has less than majority equity interest to be acquired by HLD pursuant to the Disposal
“Share(s)”	means share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder”	means holder of Share(s)
“Shareholder’s Loans”	means, in relation to a Sale Company, the shareholder’s loan owing by such company and (if any) its subsidiaries to the Company as at Completion
“Share Premium Reduction”	means the proposed reduction of the share premium account of the Company to increase the distributable reserve of the Company as described in this circular

DEFINITIONS

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Takeovers Code”	means The Code on Takeovers and Mergers issued by the SFC
“10-day Average Closing Price”	means, in respect of securities listed on the Stock Exchange, the average closing price of such listed securities as stated in the Stock Exchange’s daily quotations sheets for the 10 trading days immediately preceding 26 March 2007
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent



恒基兆業發展有限公司

HENDERSON INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 97)

Executive Directors:

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

Augustine Wong Ho Ming

Sit Pak Wing

Registered Office:

72nd -76th Floors

Two International Finance Centre

8 Finance Street

Central

Hong Kong

Non-executive Directors:

Woo Po Shing

Philip Yuen Pak Yiu

Leung Hay Man

Jackson Woo Ka Biu *(Alternate Director to Woo Po Shing)*

Independent Non-executive Directors:

Gordon Kwong Che Keung

Ko Ping Keung

Wu King Cheong

20 April 2007

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL
AND CONNECTED TRANSACTION**

**ACQUISITION OF INTERESTS IN CERTAIN COMPANIES IN THE
HENDERSON INVESTMENT LIMITED GROUP
BY HENDERSON LAND DEVELOPMENT COMPANY LIMITED**

**PROPOSED REDUCTION OF
SHARE PREMIUM ACCOUNT**

PROPOSED DISTRIBUTION

LETTER FROM THE BOARD

INTRODUCTION

In the joint announcement dated 27 March 2007, the Company and HLD jointly announced that on that date, the Company and HLD entered into the Agreement pursuant to which (i) the HLD Group acquires from the Group interests in the Sale Companies and (ii) HLD and the Company agree to the Loan Sale. The Disposal constitutes a very substantial disposal and a connected transaction for the Company under the Listing Rules and is therefore subject to the approval of the Independent Shareholders at the EGM.

The consideration payable by HLD to the Company for the acquisition of the interest in, and the Shareholder's Loan of, each Sale Company pursuant to the Disposal is equal to the sum of the Attributable Net Asset Value and the amount of the Shareholder's Loan of the Sale Company as detailed in the section headed "Consideration" below. For the purpose of reference only, based on the balance sheets (consolidated where applicable) of the Sale Companies comprised in the audited consolidated accounts of the Company for the six months ended 31 December 2006, the aggregate amount payable by HLD to the Company under the Agreement would have amounted to approximately HK\$12,106 million. Any difference between the actual aggregate consideration and such reference amount is expected to be relatively immaterial to the Group as a whole.

In such joint announcement, the Board also announced that it proposed to recommend for approval by Shareholders, upon Completion, the Proposed Distribution of either (a) HK\$5.00 per Share or approximately HK\$15,237 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date if the Share Premium Reduction becomes unconditional; or (b) HK\$3.80 per Share or approximately HK\$11,580 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date if the Share Premium Reduction does not become unconditional. The Board believes that it would be in the interest of the Shareholders to recommend the Proposed Distribution of HK\$5.00 per Share. However, after Completion, there will not be sufficient distributable reserve to make the Proposed Distribution of HK\$5.00 per Share. In order for the Proposed Distribution of HK\$5.00 per Share to be made, it is proposed that the share premium account of the Company be reduced by HK\$5,000 million, which will be credited to the distributable reserve

LETTER FROM THE BOARD

of the Company. The Company will seek approval of the Shareholders at the EGM in relation to the Share Premium Reduction and the Proposed Distribution. For the purpose of reference only:-

	Proposed Distribution of			
	either (a)		or (b)	
	HK\$5.00 per Share		HK\$3.80 per Share	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(million)</i>	<i>per Share</i>	<i>(million)</i>	<i>per Share</i>
The Proposed Distribution would amount to approximately <i>(Note 1)</i>	15,237	5.00	11,580	3.80
The net asset value of the Remaining Companies attributable to the Shareholders (excluding interest in China Gas) would amount to approximately <i>(Note 2)</i>	1,803	0.59	5,460	1.79
The market value of the stake in China Gas attributable to the Shareholders is approximately <i>(Note 3)</i>	36,751	<u>12.06</u>	36,751	<u>12.06</u>
Total		<u>17.65</u>		<u>17.65</u>

Note (1): Based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date.

Note (2): Based on (i) the audited consolidated balance sheet of the Company as at 31 December 2006; (ii) the 3,047,327,395 Shares in issue as at the Latest Practicable Date; (iii) assuming that Completion and the Proposed Distribution have occurred; and (iv) giving effect to the interim dividend of HK\$0.13 per Share for the six months ended 31 December 2006 declared by the Company, which would amount to approximately HK\$396 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date.

Note (3): Based on (i) the closing price as of 23 March 2007 and (ii) the 3,047,327,395 Shares in issue as at the Latest Practicable Date.

The purpose of this circular is to provide you with further details of the Disposal, the Share Premium Reduction, the Proposed Distribution, the letter of advice from CIMB-GK to the Independent Shareholders, the property valuation by DTZ and other information as required by the Listing Rules and to give you notice of the EGM.

THE AGREEMENT

Date

27 March 2007

Parties

HLD
The Company

LETTER FROM THE BOARD

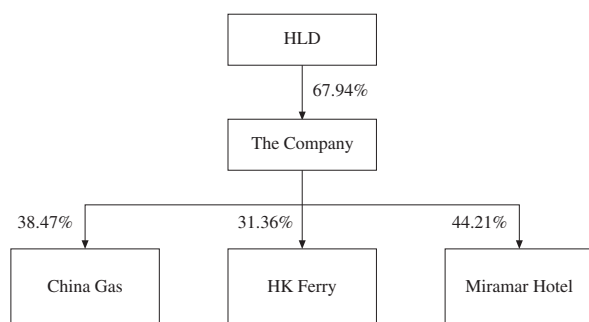
Note:

- (1) Unless specified, all Sale Companies are wholly-owned.
- (2) Unless specified, all companies are incorporated in Hong Kong.

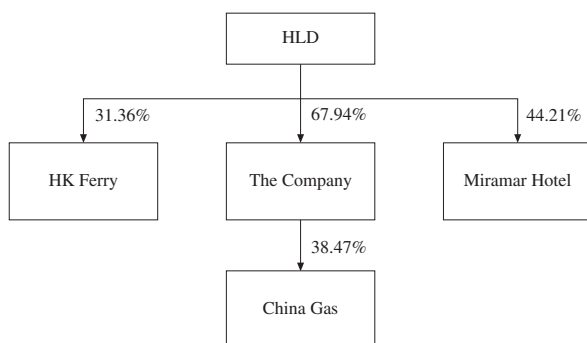
The principal business activities of the Sale Companies (whether directly or indirectly) are property development and investment, investment holding, security guard services and hotel operation. As at the Latest Practicable Date, the Sale Companies (through their subsidiaries) also held shares in Miramar Hotel and HK Ferry representing approximately 44.21% and 31.36% of their respective issued share capital. There is no change in control of Miramar Hotel and HK Ferry as a result of the Disposal. The Executive Director of the Corporate Finance Division of the SFC has waived HLD's obligation to make a general offer for the shares of Miramar Hotel and HK Ferry as a result of the Disposal pursuant to Note 6 to Rule 26.1 of the Takeovers Code. In addition, as at the Latest Practicable Date, the Sale Companies and their subsidiaries also held interests in 15 other securities listed on the Stock Exchange ranging from approximately 0.02% to 2.73% of the issued share capital of the respective listed companies as at 23 March 2007.

A simplified overview of the approximate shareholding interests between HLD, the Company, HK Ferry, Miramar Hotel and China Gas as at the Latest Practicable Date and (assuming that there is no change to such shareholding interests other than as a result of Completion) immediately after Completion is set out below:

As at the Latest Practicable Date



Immediately after Completion



LETTER FROM THE BOARD

Set out below is certain financial information in relation to the Sale Companies:

	Sale Companies principally engaged in property development and investment	Sale Companies principally holding listed securities (including Miramar Hotel & HK Ferry)	Other Sale Companies	Total for all Sale Companies
	<i>HK\$(million)</i>	<i>HK\$(million)</i>	<i>HK\$(million)</i>	<i>HK\$(million)</i>
Aggregate consolidated net assets attributable to the interests in, and the Shareholder's Loans of, the relevant Sale Companies as at 30 June 2006 <i>(Note 1)</i>	6,218	4,198	175	10,591
Aggregate consolidated net assets attributable to the interests in, and the Shareholder's Loans of, the relevant Sale Companies as at 31 December 2006 <i>(Note 1)</i>	6,495	4,413	272	11,180
Aggregate consolidated profits before taxation and extraordinary items for the year ended 30 June 2005 <i>(Note 2)</i>	1,242 <i>(890)</i>	556	129	1,927 <i>(890)</i>
Aggregate consolidated profits before taxation and extraordinary items for the year ended 30 June 2006 <i>(Note 2)</i>	1,364 <i>(1,015)</i>	588	100	2,052 <i>(1,015)</i>
Aggregate consolidated net profits after taxation and extraordinary items for the year ended 30 June 2005 <i>(Note 3)</i>	1,087 <i>(764)</i>	556	113	1,756 <i>(764)</i>
Aggregate consolidated net profits after taxation and extraordinary items for the year ended 30 June 2006 <i>(Note 3)</i>	1,191 <i>(862)</i>	588	84	1,863 <i>(862)</i>

Notes:

- (1) *comprised in the audited consolidated accounts of the Company*
- (2) *attributable to the interests in the relevant Sale Companies comprised in the audited consolidated accounts of the Company (with the surplus arising from revaluation of investment properties of the Group included therein in italics and brackets, if any)*
- (3) *attributable to the interests in the relevant Sale Companies comprised in the audited consolidated accounts of the Company (with the surplus arising from revaluation of investment properties of the Group (net of deferred tax) included therein in italics and brackets, if any)*

Those Sale Companies which are currently subsidiaries of the Company and their subsidiaries will cease to be subsidiaries of the Company following Completion.

LETTER FROM THE BOARD

Consideration

The consideration, which is to be settled in cash, payable by HLD to the Company for the acquisition of the interest in, and the Shareholder's Loan of, each Sale Company pursuant to the Disposal is equal to the sum of the Attributable Net Asset Value and the amount of the Shareholder's Loan of such Sale Company. The part of such consideration in respect of the assignment of the Shareholder's Loan of each Sale Company is equal to its face value as at Completion provided that if the Attributable Net Asset Value of such Sale Company is a negative figure, the consideration for such assignment will be a sum equal to (i) the amount of the Shareholder's Loan of such Sale Company less HK\$1 (such HK\$1 being the nominal consideration payable by HLD for the interest in such Sale Company); plus (ii) the Attributable Net Asset Value of such Sale Company, which means the assignment of the Shareholder's Loan of such Sale Company (which is in a net liabilities position based on the Attributable Net Asset Value) will be below its face value as it will adjust for the net liabilities (based on the Attributable Net Asset Value) of such Sale Company. However, where the sum of the Attributable Net Asset Value and the amount of the Shareholder's Loan of a Sale Company is a negative figure, the consideration payable by HLD to the Company for the Disposal of such interest and of such Shareholder's Loan shall be HK\$1 each. Having regard to the above adjustment mechanism, the Board considers that the basis for determination of the consideration for the Loan Sale is fair and reasonable.

Attributable Net Asset Value means, in relation to a Sale Company, the Company's percentage interest in such company multiplied by the net tangible asset value (consolidated where applicable) of such company based on its unaudited balance sheet (consolidated where applicable) as at the Completion Date (as adjusted by (a) replacing the value of securities listed on the Stock Exchange comprised therein with such value calculated based on the 10-day Average Closing Price of such listed securities; (b) replacing the value of the interests in the properties comprised therein with the value of such interests as agreed between HLD and the Company and set out in the Agreement; (c) deducting an amount equal to any tax on any gain (but not loss) arising if the interests in the properties (being classified as completed stocks in the accounts) were sold at the agreed values on the Completion Date to the extent that provision therefor has not been made in the accounts; and (d) not taking into account any deferred tax liability in the computation of liabilities (in respect of which an indemnity will be given by the Company to HLD pursuant to a deed of tax covenant, which also provides for other payments by the Company to HLD in respect of certain tax liabilities relating to events occurring on or before Completion, clawback of commercial building allowances and capital allowances granted up to Completion and re-classification before Completion of the properties in the books of the relevant companies)). The values of the interests in the properties referred to in item (b) of such adjustment were agreed between HLD and the Company taking into consideration the valuation made by an independent valuer for the purpose of the interim results of the Company for the six months ended 31 December 2006 (in the case of investment properties) and the internal valuation by the Company taking into consideration, among other things, recent market transactions (in the case of properties other than investment properties).

Based on the balance sheets (consolidated where applicable) of the Sale Companies comprised in the audited consolidated accounts of the Company for the six months ended 31 December 2006, the aggregate consolidated net assets attributable to the interests in, and the Shareholder's Loans of, the Sale Companies were approximately HK\$2,850 million and HK\$8,330 million respectively. For the

LETTER FROM THE BOARD

purpose of reference only, based on the balance sheets (consolidated where applicable) of the Sale Companies comprised in the audited consolidated accounts of the Company for the six months ended 31 December 2006, the aggregate amount payable by HLD to the Company under the Agreement would have amounted to approximately HK\$12,106 million as set out below:

	Value <i>HK\$ (million)</i>
Interests in properties (including hotel properties)	8,114 (<i>Note 1</i>)
44.21% stake in Miramar Hotel	2,804 (<i>Note 2</i>)
31.36% stake in HK Ferry	938 (<i>Note 3</i>)
Other securities listed on the Stock Exchange	339 (<i>Note 4</i>)
Less: Net liabilities of the Sale Companies as at 31 December 2006	<u>(89) (<i>Note 5</i>)</u>
Total:	<u>12,106</u>

Notes:

1. Being the value of such interests as agreed between the Company and HLD as set out in the Agreement and described above.
2. Calculated by reference to the market capitalisation of Miramar Hotel based on 10-day Average Closing Price of the shares in Miramar Hotel multiplied by the 44.21% interest held by the Sale Companies.
3. Calculated by reference to the market capitalisation of HK Ferry based on the 10-day Average Closing Price of the shares in HK Ferry multiplied by the 31.36% interest held by the Sale Companies.
4. Calculated by reference to the respective market capitalisation of each of the listed securities based on their respective 10-day Average Closing Price of each of the other listed securities multiplied by the respective interests held by the Sale Companies therein.
5. Based on the balance sheets (consolidated where applicable) of the Sale Companies as comprised in the audited consolidated accounts of the Company for the six months ended 31 December 2006 and after making adjustments in accordance with the basis for calculation of the consideration as described above.

Any difference between the actual aggregate consideration and such reference amount is expected to be relatively immaterial to the Group as a whole.

As noted from the valuation report set out in Appendix IV to this circular, the aggregate value of the property interests (including hotel properties) held by the Sale Companies and their subsidiaries as at 28 February 2007 amounted to approximately HK\$8,534 million, whereas the amount of interest in properties forming part of the consideration as referred to above is HK\$8,114 million, which represents a discount of approximately 4.92% to such valuation. The Board considers that it is not uncommon for a property disposal of that size to be transacted at a discount to valuation, and that therefore the disposal of such interest in properties at such agreed value is fair and reasonable.

LETTER FROM THE BOARD

With regard to the values assigned to the interests in the shares in Miramar Hotel and HK Ferry and other securities listed on the Stock Exchange, the Board considers that it is not uncommon to determine the consideration for an off-market purchase of interest in securities listed on the Stock Exchange by reference to the average closing price of such securities over a period before the date of the relevant agreement, and that therefore it is fair and reasonable to base the consideration for the interests in such listed securities under the Disposal on the 10-day Average Closing Prices.

Conditions to Completion

Completion of the Disposal is conditional upon the fulfilment (or waiver, in certain cases as stated below) of the following Conditions:

- (a) the obtaining of all relevant third party consents or approvals by HLD as are necessary for the Disposal;
- (b) the obtaining of all relevant third party consents or approvals by the Company, the Sale Companies and their subsidiaries as are necessary for the purpose of the Disposal;
- (c) the obtaining of all or any waivers of any restrictions on transfer (including pre-emption rights, if any) in relation to the relevant shares under the articles of associations of the Sale Companies or otherwise;
- (d) there being no material breach of the warranties in or any other term of the Agreement on the part of the Company;
- (e) the obtaining of the approval of the Shareholders in respect of the Agreement and the transactions contemplated under the Agreement at the EGM; and
- (f) the obtaining of the consents of banks to release at or prior to Completion the guarantees and securities granted by the Company to them for the benefit of the Sale Companies and their subsidiaries.

The Company may at any time waive in writing the Conditions set out in (b) (in so far as consents and approvals in respect of the Company are concerned) and (f) above either in whole or in part and such waiver may be made subject to such terms and conditions as the Company may require. HLD may at any time waive in writing any of the Conditions set out in (a) and (d) above either in whole or in part and such waiver may be made subject to such terms and conditions as HLD may require. HLD and the Company may waive by agreement in writing any of the Conditions set out in (b) (other than in relation to consents and approvals in respect of the Company) and (c) above either in whole or in part and such waiver may be made subject to such terms and conditions as they may agree.

In the event that any of the Conditions has not been fulfilled or waived on or before 30 September 2007 (or such later date as is otherwise agreed between the parties in writing), the Agreement shall cease and determine and be of no further effect, and neither party shall be entitled to any rights or benefits or be under any obligation under or in respect of the Agreement or have any liability to any other party, save in respect of any antecedent breach.

LETTER FROM THE BOARD

Customary warranties (including those in relation to title to assets, completion accounts, record keeping and compliance with law and material contracts) are given by the Company to HLD pursuant to the Agreement.

Completion

The Agreement provides that Completion will take place on the Completion Date.

PROPOSED DISTRIBUTION AND SHARE PREMIUM REDUCTION

The Board proposed to recommend for approval by Shareholders, upon Completion, the Proposed Distribution of either (a) HK\$5.00 per Share or approximately HK\$15,237 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date if the Share Premium Reduction becomes unconditional; or (b) HK\$3.80 per Share or approximately HK\$11,580 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date if the Share Premium Reduction does not become unconditional.

The Board has carefully considered whether or not the sale proceeds which would be received if the Disposal is completed should be reinvested in the Remaining Companies or other businesses. The Board notes that while the Group may consider selective acquisitions to complement the Remaining Companies on a case by case basis, the Group does not currently have any concrete plans to apply cash resources towards the acquisition or development of any specific project. Therefore, the Board is of the opinion that it would be in the best interests of the Shareholders to return excess cash of the Group, including the sale proceeds received following completion of the Disposal, to the Shareholders.

In determining the amount of excess cash to be returned to the Shareholders, the Board has taken into consideration that the Remaining Companies shall retain enough cash resources for utilization in case any selective acquisition materializes.

The Board believes that it would be in the interest of the Shareholders to recommend the Proposed Distribution of HK\$5.00 per Share. However, after Completion, there will not be sufficient distributable reserve to make the Proposed Distribution of HK\$5.00 per Share. In order for the Proposed Distribution of HK\$5.00 per Share to be made, it is proposed that the share premium account of the Company be reduced by HK\$5,000 million, which will be credited to the distributable reserve of the Company. Upon the Share Premium Reduction becoming unconditional, such Proposed Distribution can then be made from the increased distributable reserve of the Company. The amount standing to the credit of the share premium account of the Company as shown in the audited balance sheet of the Company as at 31 December 2006 was approximately HK\$9,216 million.

In case the Share Premium Reduction does not become unconditional, the Company will still have sufficient distributable reserve (after retaining such amount of distributable reserves which the Board considers appropriate) to make the alternative Proposed Distribution of HK\$3.80 per Share. Therefore, the Board also proposed to recommend the alternative Proposed Distribution of HK\$3.80 per Share if the Share Premium Reduction does not become unconditional.

LETTER FROM THE BOARD

The Share Premium Reduction is subject to fulfilment of the following conditions:

- (a) the approval of the Disposal by the Independent Shareholders at the EGM and Completion having occurred;
- (b) the passing by the Shareholders of a special resolution to approve the Share Premium Reduction at the EGM;
- (c) the passing by the Shareholders of an ordinary resolution to approve the Proposed Distribution at the EGM;
- (d) the obtaining of all requisite consents from lenders to the Group; and
- (e) the confirmation of the Share Premium Reduction by the Court, the satisfaction of all conditions imposed by the Court and the registration by the Registrar of Companies in Hong Kong of a copy of the Court order confirming the Share Premium Reduction together with such other documents as may be required under section 61 of the Companies Ordinance.

The Share Premium Reduction will become effective upon fulfilment of the above conditions. The effective date of the Share Premium Reduction cannot be ascertained at present as it depends on (a) the making of arrangements with creditors of the Company such as obtaining appropriate consents from them; and (b) the availability of Court for the necessary hearing dates which cannot be fixed until after the passing of the special resolution to approve the Share Premium Reduction. Further announcement will be made by the Company to inform the Shareholders of such effective date.

All Shareholders are permitted to vote at the EGM in respect of the resolutions approving the Share Premium Reduction and the Proposed Distribution. HLD has undertaken that, if the resolution to approve the Disposal has been passed by the Independent Shareholders at the EGM, the HLD Group will vote in favour of the resolutions to approve the Share Premium Reduction and Proposed Distribution. Subject to the passing of the resolution in relation to the Proposed Distribution, a record date will be fixed to determine entitlements to the Proposed Distribution. If the number of Shares held by the HLD Group as at such record date is the same as that held as at the Latest Practicable Date (being 2,070,473,859 Shares), the HLD Group will receive approximately HK\$10,352 million under the Proposed Distribution of HK\$5.00 per Share or approximately HK\$7,868 million under the alternative Proposed Distribution of HK\$3.80 per Share.

REMAINING COMPANIES

The principal businesses of the Remaining Companies are investment holding and infrastructure in Mainland China. The Remaining Companies hold shares in China Gas (which shares are listed on the Stock Exchange) representing approximately 38.47% of its issued share capital as at the Latest Practicable Date. The infrastructure business of the Group currently mainly comprises interests in Hangzhou Qianjiang Third Bridge and a highway in Maanshan City, Anhui, the PRC. The bridge is currently operated by Hangzhou Henderson Qianjiang Third Bridge Co., Ltd., a joint venture company owned by a member of the Group (in which the Company has an attributable interest of approximately 92.81%) and the PRC joint venture partner as to 60% and 40% respectively. The highway is currently

LETTER FROM THE BOARD

operated by Maanshan Huan Tong Highway Development Limited, a joint venture company owned by a member of the Group (in which a subsidiary of the Company has a 70% interest, which subsidiary is owned as to approximately 64.07% by the Company) and the PRC joint venture partner as to approximately 70% and 30% respectively. Although a proposal had been received from the PRC joint venture partner for the purchase of the Group's interest in Hangzhou Qianjiang Third Bridge, no binding agreement has been entered into.

Based on the audited consolidated balance sheet of the Company as at 31 December 2006, the net asset value of the Remaining Companies attributable to the Shareholders (assuming that Completion and the Proposed Distribution have occurred and excluding interest in China Gas based on the closing price of China Gas as at 23 March 2007 and giving effect to the interim dividend of HK\$0.13 per Share (amounting to approximately HK\$396 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date) for the six months ended 31 December 2006 declared by the Company) shall be (a) approximately HK\$1,803 million or HK\$0.59 per Share based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date, assuming the Proposed Distribution of HK\$5.00 per Share; or (b) approximately HK\$5,460 million or HK\$1.79 per Share based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date, assuming the alternative Proposed Distribution of HK\$3.80 per Share.

The Board notes that based on (i) the closing price of China Gas as at 23 March 2007; and (ii) the 3,047,327,395 Shares in issue as at the Latest Practicable Date, the market value of the stake of China Gas attributable to the Shareholders is approximately HK\$36,751 million or HK\$12.06 per Share.

DIVIDEND POLICY OF THE COMPANY POST COMPLETION OF THE DISPOSAL AND PROPOSED DISTRIBUTION

The Board currently intends that, after Completion, cash dividends received by the Group from China Gas would be fully distributed to the Shareholders, subject to availability of sufficient distributable reserves. This will be the dividend policy of the Company post Completion of the Disposal until and unless the Group invests in new infrastructure or other project(s) in the future. Through such policy the Board anticipates that the value of the Group's stake in China Gas may be more accurately reflected in the price of Shares.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

The unaudited pro forma financial information of the Remaining Group illustrating the effect of the Disposal on the Group's earnings, assets and liabilities is set out in Appendix III to this circular.

Based on the unaudited pro forma balance sheet of the Remaining Group upon completion of the Disposal, it is estimated that the Group would record a gain of approximately HK\$926 million from the Disposal. The actual profit would be recognised upon Completion but any difference between the actual profit and the estimated profit is expected to be relatively immaterial to the Group as a whole.

LETTER FROM THE BOARD

Based on the Group's audited consolidated income statement set out in the Accountants' Report in Appendix I to this circular, the profit attributable to the Shareholders for the six months ended 31 December 2006 was approximately HK\$1,952 million. Based on the unaudited pro forma income statement of the Remaining Group, the profit attributable to the Shareholders, excluding the gain arising from the Disposal, was approximately HK\$1,418 million.

As at 31 December 2006, based on the Group's audited consolidated balance sheet set out in the Accountants' Report in Appendix I to this circular, the Group's total assets and total liabilities amounted to approximately HK\$31,405 million and HK\$1,477 million respectively. Based on the unaudited pro forma balance sheet of the Remaining Group upon completion of the Disposal, the unaudited pro forma consolidated total assets of the Remaining Group would be approximately HK\$16,208 million if the Proposed Distribution of HK\$5.00 per Share were made or HK\$19,865 million if the Proposed Distribution of HK\$3.80 per Share were made. The unaudited pro forma consolidated total liabilities of the Remaining Group are approximately HK\$591 million regardless of the amount of the Proposed Distribution.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Immediately after the Completion of the Disposal, the Group's principal businesses will be investment holding and infrastructure in Mainland China. As for the Group's investment holding business, the Group will upon Completion continue to hold shares in China Gas representing approximately 38.47% of its issued share capital as at the Latest Practicable Date and the Board currently expects that the Group will continue to receive stable dividend income from China Gas. The Board believes that China Gas will perform well both in Hong Kong and Mainland China as (a) in Hong Kong, its competitiveness is currently expected to be enhanced through the introduction of natural gas and (b) its mainland business is currently expected to further prosper given that the total number of piped city gas projects has increased since the acquisition of Panva Gas Holdings Limited. For the infrastructure business in Mainland China, the Board currently expects toll fee generated by the highway in Maanshan City and Hangzhou Qianjiang Third Bridge to represent an attractive income source for the Group.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board believes that the Disposal will allow the Company to realise the value of its investment in the Sale Companies at their Attributable Net Asset Value, whereby all listed securities comprised therein are valued at market value and all interests in properties comprised therein are at values which the Board believes to be fair. The Board believes that the fair value of the net assets of the Group per Share is higher than the current market price of a Share and accordingly the Disposal will unlock value for the Shareholders and allow them to realise part of this value in cash through the Proposed Distribution. For the purpose of reference only:

	Proposed Distribution of			
	either (a)		or (b)	
	HK\$5.00 per Share		HK\$3.80 per Share	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(million)</i>	per Share	<i>(million)</i>	per Share
The Proposed Distribution would amount to approximately (<i>Note 1</i>)	15,237	5.00	11,580	3.80
The net asset value of the Remaining Companies attributable to the Shareholders (excluding interest in China Gas) would amount to approximately (<i>Note 2</i>)	1,803	0.59	5,460	1.79
The market value of the stake in China Gas attributable to the Shareholders is approximately (<i>Note 3</i>)	36,751	<u>12.06</u>	36,751	<u>12.06</u>
Total		<u>17.65</u>		<u>17.65</u>

Note (1): Based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date.

Note (2): Based on (i) the audited consolidated balance sheet of the Company as at 31 December 2006; (ii) the 3,047,327,395 Shares in issue as at the Latest Practicable Date; (iii) assuming that Completion and the Proposed Distribution have occurred; and (iv) giving effect to the interim dividend of HK\$0.13 per Share for the six months ended 31 December 2006 declared by the Company, which would amount to approximately HK\$396 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date.

Note (3): Based on (i) the closing price as of 23 March 2007 and (ii) the 3,047,327,395 Shares in issue as at the Latest Practicable Date.

On the basis that the consideration of the Disposal was HK\$12,106 million as referred to in the sub-section “Consideration” above, it is estimated that upon Completion the Group would recognise a gain on disposal of approximately HK\$926 million, representing the difference between such consideration and the net asset book value of the Sale Companies comprised in the audited

LETTER FROM THE BOARD

consolidated balance sheet of the Company as at 31 December 2006 attributable to the Group coupled with the face value of the Shareholder's Loans as at 31 December 2006. In particular, the bulk of the gain relates to the disposal of Sale Companies with properties which are carried at cost (less depreciation and/or impairment, if any).

LISTING RULES IMPLICATIONS

HLD is a holding company of the Company, and is therefore a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company. As one or more applicable percentage ratio(s) in respect of the Disposal exceeds 75%, the Disposal also constitutes a very substantial disposal of the Company. Therefore, for the Company, the Disposal is subject to the circular, reporting and independent shareholders' approval requirements of Chapters 14 and 14A of the Listing Rules. HLD, Dr. Lee Shau Kee and their respective associates and Fu Sang will abstain from voting at the EGM in respect of the resolution to approve the Disposal. As far as the Company is aware, as at the Latest Practicable Date, such persons held a total of 2,122,774,709 Shares (representing approximately 69.66% of the issued share capital of the Company as at the Latest Practicable Date).

As all independent non-executive directors of the Company are also independent non-executive directors of HLD, they are considered not to be independent to advise the Independent Shareholders in respect of the resolution to approve the Disposal. Therefore, no independent board committee of the Company has been formed to make recommendations to the Independent Shareholders in connection with the Disposal. CIMB-GK has been appointed by the Company to advise the Independent Shareholders in connection with the Disposal.

Completion of the Disposal, the Share Premium Reduction and the Proposed Distribution will not affect the listing of the Shares on the Stock Exchange.

LETTER FROM THE BOARD

GENERAL

The principal business activities of the HLD Group are property development and investment, project management, building construction, property management, infrastructure, hotel operation, finance and investment holding. The principal business activities of the Group are property development and investment, investment holding, infrastructure, security guard services and hotel operation.

THE EGM

Set out on pages N-1 to N-3 of this circular is a notice convening the EGM to be held at the Ballroom, B3 Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Monday, 14 May 2007 at 11:30 a.m. at which (i) ordinary resolutions will be proposed and, if thought fit, passed to approve (a) the Agreement and the transactions contemplated thereunder and (b) the Proposed Distribution; and (ii) a special resolution will be proposed and, if thought fit, passed to approve the Share Premium Reduction.

HLD, Dr. Lee Shau Kee and their respective associates and Fu Sang are required to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder which will be taken by poll. All Shareholders will be entitled to vote on the resolutions approving the Share Premium Reduction and the Proposed Distribution at the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed. Shareholders are advised to read the notice and to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlements to attend and vote at the EGM, the register of members of the Company will close from Thursday, 10 May 2007 to Monday, 14 May 2007, both days inclusive. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 9 May 2007.

The record date for determination of entitlements to the Proposed Distribution is dependent on, among other things, whether the Share Premium Reduction is approved at the EGM. In particular, such record date in the case where the Share Premium Reduction is approved at the EGM as specified in the "Expected Timetable" in this circular is indicative only. If the Proposed Distribution is approved at the EGM, further announcement(s) in relation to the closure of the register of members of the Company for the purpose of determination of entitlements to the Proposed Distribution and the record date therefor will be made by the Company.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 80 of the articles of association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded or unless a poll is taken as may from time to time be required under the Listing Rules or under any other applicable laws, rules or regulations:

- (a) by the chairman of the meeting; or
- (b) by at least three members of the Company present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members of the Company present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members of the Company having the right to vote at the meeting; or
- (d) by a member or members of the Company present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

RECOMMENDATION

The Board considers that the Disposal is in the interests of the Company and that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole. The Board also considers that the Share Premium Reduction and the Proposed Distribution are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that (a) the Independent Shareholders should vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder and (b) the Shareholders should vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Proposed Distribution and the special resolution which will be proposed at the EGM to approve the Share Premium Reduction.

ADDITIONAL INFORMATION

Your attention is drawn to the letter of advice from CIMB-GK to the Independent Shareholders in respect of the terms of the Disposal and the information set out in the appendices to this circular.

LETTER FROM THE BOARD

Shareholders and potential investors should note that the Disposal, the Share Premium Reduction and the Proposed Distribution may or may not proceed as they are subject to a number of conditions, which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
Dr. Lee Shau Kee
Chairman and Managing Director

LETTER FROM CIMB-GK

The following is the full text of the letter of advice from CIMB-GK Securities (HK) Limited, the independent financial adviser to the Independent Shareholders for the purpose of incorporation into this circular.



CIMB-GK Securities (HK) Limited

25/F Central Tower
28 Queen's Road Central
Hong Kong

20 April 2007

To the Independent Shareholders of Henderson Investment Limited

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

We refer to our engagement as the independent financial adviser to the Independent Shareholders in relation to the Disposal, details of which are contained in a circular (the "Circular") to the Shareholders dated 20 April 2007, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

HLD is a holding company of the Company, and is therefore a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction as well as a very substantial disposal of the Company under the Listing Rules, and is subject to approval by the Independent Shareholders and any vote of the Independent Shareholders at the EGM shall be taken by poll. HLD, Dr. Lee Shau Kee and their respective associates and Fu Sang, being regarded as having a material interest under the Disposal, will abstain from voting in relation to the resolution approving the Disposal.

As all independent non-executive directors of the Company are also independent non-executive directors of HLD, they are considered not to be independent to advise the Independent Shareholders in respect of the resolution to approve the Disposal. Therefore, no independent board committee of the Company has been formed to make recommendations to the Independent Shareholders in connection with the Disposal.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular. The Board has declared in a responsibility statement set out in Appendix V to the Circular that they jointly and severally accept full responsibility for the accuracy of the information contained in the Circular. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Board. We have also been advised by the Board and believe that no material facts have been omitted from the Circular.

LETTER FROM CIMB-GK

We consider that we have reviewed sufficient information and documents and have taken reasonable steps as required under Rule 13.80, including the notes thereto of the Listing Rules to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion relating to the Disposal, we have considered the following principal factors and reasons:

Reasons for the Disposal

The principal business activities of the Group are property development and investment, investment holding, infrastructure, security guard services and hotel operation. The assets to be disposed of by the Group under the Disposal are the Sale Companies and together with the Shareholder's Loans of the Sale Companies. The principal business activities of the Sale Companies (whether directly or indirectly) are property development and investment, investment holding (including the minority stake in Miramar Hotel of 44.21% and in HK Ferry of 31.36% as at the Latest Practicable Date), security guard services and hotel operation.

The Board believes that the Disposal will allow the Company to realise the value of its investment in the Sale Companies at their Attributable Net Asset Value with all listed securities comprised therein being valued at market value and all property interests comprised therein being valued at a fair value. The Board believes that as the fair value of the consolidated net assets of the Group per Share is higher than the current market price of the Shares, the Disposal will unlock value for the Shareholders and allow them to realise part of this value in cash through the Proposed Distribution to be effected upon Completion. We note from the accountants' report of the Company as set out in Appendix I to the Circular that as at 31 December 2006, the audited consolidated net asset value attributable to the Shareholders was approximately HK\$29,254.9 million, representing approximately HK\$9.60 per Share as compared to the closing price of the Shares of HK\$14.58 as at 23 March 2007 (the "Last Trading Date"), the last day on which the Shares were quoted on the Stock

LETTER FROM CIMB-GK

Exchange preceding the date of the Agreement. The following table sets out the premium of the average monthly closing price of the Share to its applicable consolidated net asset value per Share in 2006 and up to the Latest Practicable Date:

Month	Average monthly closing price of the Share HK\$	Applicable consolidated net asset value per Share at each month end <i>(Note 1)</i> HK\$	Premium of the average monthly closing price of Share over the applicable consolidated net asset value per Share <i>(Note 2)</i> %
<u>2006</u>			
January	14.41	8.17	76.38
February	13.77	8.17	68.54
March	14.92	8.17	82.62
April	14.33	8.17	75.40
May	13.43	8.17	64.38
June	13.00	8.17	59.12
July	13.34	9.07	47.08
August	13.61	9.07	50.06
September	14.01	9.07	54.47
October	13.96	9.07	53.91
November	13.84	9.07	52.59
December	14.15	9.07	56.01
<u>2007</u>			
January	14.65	9.60	52.60
February	14.65	9.60	52.60
March	14.50	9.60	51.04
April (<i>up to the Latest Practicable Date</i>)	15.89	9.60	65.52

Source: Bloomberg, published annual report of the Company and the accountants' report of the Company as set out in Appendix I to the Circular.

Notes:

- (1) For the period between January 2006 and June 2006, the applicable consolidated net asset value per Share is based on the unaudited net asset value attributable to the Shareholders of approximately HK\$23,024.6 million and 2,817,327,395 Shares in issue as at 31 December 2005. For the period between July 2006 and December 2006, the applicable consolidated net asset value per Share is based on the audited consolidated net asset value attributable to the Shareholders of approximately HK\$27,652.6 million and 3,047,327,395 Shares in issue as at 30 June 2006. For the period between January 2007 and the Latest Practicable Date, the applicable consolidated net asset value per Share is based on the audited consolidated net asset value attributable to the Shareholders of approximately HK\$29,254.9 million and 3,047,327,395 Shares in issue as at 31 December 2006.
- (2) Based on the average closing price of the Share for the month/period and the corresponding applicable consolidated net asset value per Share.

LETTER FROM CIMB-GK

As noted from the aforesaid table, the premium between the price of the Shares and the underlying net asset backing per Share reduced from approximately 76.38% in January 2006 to approximately 51.04% in March 2007, which was principally attributable to the substantial increase in applicable consolidated net asset value per Share from approximately HK\$8.17 per Share in January 2006 to the applicable audited consolidated net asset value of approximately HK\$9.60 per Share at 31 December 2006. We noted that as a result of the Disposal, the Board proposed to recommend for approval by the Shareholders, upon Completion, the Proposed Distribution of either (i) HK\$5.00 per Share (based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date) if the Share Premium Reduction becomes unconditional; or (ii) HK\$3.80 per Share (based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date) if the Share Premium Reduction does not become unconditional. We have reviewed the extent of value to be unlocked as a result of the Disposal with the Proposed Distribution at either HK\$3.80 or HK\$5.00 per Share (subject to the approval of the Share Premium Reduction by the Shareholders) as follows:

	Proposed Distribution			
	either (a)		or (b)	
	HK\$5.00 per Share		HK\$3.80 per Share	
	<i>HK\$ million</i>	<i>HK\$/Share</i>	<i>HK\$ million</i>	<i>HK\$/Share</i>
The Proposed Distribution would amount to approximately (<i>Note 1</i>)	15,237	5.00	11,580	3.80
The net asset value of the Remaining Companies attributable to the Shareholders (excluding interest in China Gas) would amount to approximately (<i>Note 2</i>)	1,803	0.59	5,460	1.79
The market value of the stake in China Gas attributable to the Shareholders of approximately (<i>Note 3</i>)	36,751	<u>12.06</u>	36,751	<u>12.06</u>
	Total	17.65		17.65
Closing price of the Share as of the Last Trading Date		14.58		14.58
Estimated theoretical enhancement in value per Share by approximately		21.06%		21.06%

Notes

1. Based on 3,047,327,395 Shares in issue as at the Latest Practicable Date.
2. Based on (i) the audited consolidated balance sheet of the Group as at 31 December 2006; (ii) the 3,047,327,395 Shares in issue as at the Latest Practicable Date; (iii) assuming that Completion and the Proposed Distribution have occurred; and (iv) giving effect to the interim dividend of HK\$0.13 per Share for the six months ended 31 December 2006 declared by the Company, which would amount to an aggregate of approximately HK\$396 million based on 3,047,327,395 Shares in issue as at the Latest Practicable Date.

LETTER FROM CIMB-GK

3. Based on (i) the closing price of China Gas as of the Last Trading Date, and (ii) the 3,047,327,395 Shares in issue as at the Latest Practicable Date.

As noted from the above, the total value per Share implied under the Disposal and the Proposed Distribution is equivalent to approximately HK\$17.65. When comparing this value per Share with the closing price of the Shares of HK\$14.58 as of the Last Trading Date, the Disposal and the Proposed Distribution will give rise to an estimated theoretical enhancement of approximately 21.06% to the implied value per Share.

Views

In view of the foregoing Proposed Distribution per Share and the estimated theoretical enhancement in the implied value per Share upon Completion as illustrated above, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

Financial information relating to the Sale Companies

The following table sets out certain financial information in relation to the Sale Companies as extracted from the Letter from the Board contained in the Circular:

	Sale Companies principally engaged in property development and investment HK\$ million	Sale Companies principally holding listed securities (including Miramar Hotel & HK Ferry) HK\$ million	Other Sale Companies HK\$ million	Total for all Sale Companies HK\$ million
<i>Aggregate consolidated net assets attributable to the interests in, and the Shareholder's Loans of, the relevant Sale companies as at:</i>				
30 June 2006 (<i>Note 1a</i>)	6,218	4,198	175	10,591
31 December 2006 (<i>Note 1a</i>)	6,495	4,413	272	11,180
				<i>(Note 1b)</i>

LETTER FROM CIMB-GK

	Sale Companies principally engaged in property development and investment <i>HK\$ million</i>	Sale Companies principally holding listed securities (including Miramar Hotel & HK Ferry) <i>HK\$ million</i>	Other Sale Companies <i>HK\$ million</i>	Total for all Sale Companies <i>HK\$ million</i>
<i>Aggregate consolidated net profits before taxation and extraordinary items for the year ended:</i>				
30 June 2005 (<i>Note 2</i>)	1,242 <i>(890)</i>	556	129	1,927 <i>(890)</i>
30 June 2006 (<i>Note 2</i>)	1,364 <i>(1,015)</i>	588	100	2,052 <i>(1,015)</i>
<i>Aggregate consolidated net profits after taxation and extraordinary items for the year ended:</i>				
30 June 2005 (<i>Note 3</i>)	1,087 <i>(764)</i>	556	113	1,756 <i>(764)</i>
30 June 2006 (<i>Note 3</i>)	1,191 <i>(862)</i>	588	84	1,863 <i>(862)</i>

Notes:

- (1a) comprised in the audited consolidated accounts of the Company.
- (1b) As noted from the Letter from the Board, based on the balance sheets (consolidated where applicable) of the Sale Companies comprised in the audited consolidated accounts of the Company for the six months ended 31 December 2006, the aggregate consolidated net assets attributable to the interests in, and the Shareholder's Loans of, the Sale Companies were approximately HK\$2,850 million and HK\$8,330 million respectively.
- (2) attributable to the interests in the relevant Sale Companies comprised in the audited consolidated accounts of the Company (with the surplus arising from revaluation of investment properties of the Group included therein in italics and brackets, if any)
- (3) attributable to the interests in the relevant Sale Companies comprised in the audited consolidated accounts of the Company (with the surplus arising from revaluation of investment properties of the Group (net of deferred tax) included therein in italics and brackets, if any)

As noted from the table above, when excluding the property revaluation surplus, the majority of the profit of the Sale Companies were generated from those Sale Companies holding interests in listed

securities. We have been advised by the Company and noted that the profit of the Sale Companies holding interests in listed securities mainly comprised the share of results from the two associated companies, being Miramar Hotel and HK Ferry. As disclosed in the annual report of the Company for the year ended 30 June 2006 and the interim report of the Company for the six months ended 31 December 2006, the average leasing rate of the investment properties held by the Group (through the Sale Companies) was maintained at approximately 95% and 94%, respectively.

The consideration for the Disposal

Basis

The consideration for the acquisition of the interest in, and the Shareholder's Loans of, each Sale Company pursuant to the Disposal is equal to the sum of the Attributable Net Asset Value and the amount of the Shareholder's Loans of such Sale Company, and in the case where the sum of the Attributable Net Asset Value and the amount of the Shareholder's Loans of a Sale Company is a negative figure, the consideration payable by HLD to the Company for the interest in, and the Shareholder's Loans of, such Sale Company shall be HK\$1 each. The Attributable Net Asset Value of the Sale Companies refers to the Company's attributable interests in the Sale Companies multiplied by the net tangible asset value (consolidated where applicable) of the Sale Companies based on their respective unaudited balance sheets (consolidated where applicable) as at the Completion Date as adjusted by:

- (a) revaluing the securities listed on the Stock Exchange comprised therein with such value calculated based on the 10-day Average Closing Price of such listed securities;
- (b) revaluing all the property interests comprised therein to the values agreed between HLD and the Company, taking into consideration the valuation prepared by an independent valuer for the purpose of preparation for the interim results of the Company for the six months ended 31 December 2006 (in the case of investment properties) and the internal valuation by the Company taking into consideration, among other things, recent market transactions (in the case of properties other than investment properties);
- (c) deducting an amount equal to any tax on any gain (but not loss) arising if the interests in the properties (being classified as completed stocks in the accounts) were sold at the agreed values on the Completion Date to the extent that provision therefor has not been made in the accounts; and
- (d) not taking into account any deferred tax liability in the computation of liabilities (in respect of which an indemnity will be given by the Company to HLD pursuant to a deed of tax covenant to be entered into on the Completion Date, which also provides for other payments by the Company to HLD in respect of certain tax liabilities relating to events occurring on or before Completion, clawback of commercial building allowances and capital allowances granted up to Completion and re-classification before Completion of the properties in the books of the relevant companies).

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Based on the balance sheets (consolidated where applicable) of the Sale Companies comprised in the audited consolidated accounts of the Company for the six months ended 31 December 2006, the aggregate amount payable by HLD to the Company under the Disposal would have amounted to approximately HK\$12,105.6 million. The Board believes that any difference between the actual aggregate consideration for the Disposal at Completion Date and the reference amount of HK\$12,105.6 million as aforesaid is expected to be relatively immaterial to the Group as the Board does not expect there to be material movement in the aggregate amount of the Shareholder's Loans and the Attributable Net Asset Value of the Sale Companies. Based on the information provided by the Company and on the above bases as agreed upon pursuant to the Agreement, we summarise below, for reference purposes, the simplified computation of the consideration payable for the Disposal:

	Value <i>HK\$ (million)</i>
Interests in properties (including hotel properties)	8,114 (<i>Note 1</i>)
44.21% stake in Miramar Hotel	2,804 (<i>Note 2</i>)
31.36% stake in HK Ferry	938 (<i>Note 3</i>)
Other securities listed on the Stock Exchange	339 (<i>Note 4</i>)
<i>Less: Net liabilities of the Sale Companies as at 31 December 2006</i>	<u>(89) (<i>Note 5</i>)</u>
Total:	<u>12,106</u>

Notes:

1. Being the value of such interests as agreed between the Company and HLD as set out in the Agreement and described in this section above.
2. Calculated by reference to the market capitalisation of Miramar Hotel based on 10-day Average Closing Price of the shares in Miramar Hotel multiplied by the 44.21% interest held by the Sale Companies.
3. Calculated by reference to the market capitalisation of HK Ferry based on the 10-day Average Closing Price of the shares in HK Ferry multiplied by the 31.36% interest held by the Sale Companies.
4. Calculated by reference to the respective market capitalisation of each of the listed securities based on their respective 10-day Average Closing Price of each of the other listed securities multiplied by the respective interests held by the Sale Companies therein.
5. Based on the balance sheets (consolidated where applicable) of the Sale Companies as comprised in the audited consolidated accounts of the Company for the six months ended 31 December 2006 and after making adjustments in accordance with the basis for calculation of the consideration as described in this section above.

As the majority of the Sale Companies' assets comprise interests in properties and listed securities, we consider it appropriate to determine the consideration for the Disposal by reference to the sum of the Attributable Net Asset Value of, and the amount of the Shareholder's Loans of the Sale

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Companies at Completion. On the same basis, we consider the adjustment items listed out in (a) and (b) above to be fair and reasonable. As regards adjustment items (c) and (d), as they principally relate to the tax liability arising from the Disposal or tax liability of the Sale Companies to be covered by a deed of tax covenant, we also consider these adjustment items to be fair and reasonable.

Sale Companies principally engaged in property development and investment and interests in hotel operation

As noted from the valuation report set out in Appendix IV to the Circular, the aggregate value of the property interests (including hotel properties) held by the Sale Companies as at 28 February 2007 amounted to approximately HK\$8,533.9 million (the “Property Revaluation”). We noted from the valuation report that almost all of the property interests held by the Sale Companies are located in Hong Kong. We have been advised by the Board that the amount of all of the property interests held by the Sale Companies (excluding the property interests underlying the two listed associated companies, Miramar Hotel and HK Ferry), as at 31 December 2006 as agreed with HLD amounted to approximately HK\$8,114.1 million, which represents a discount (the “Property Discount”) of approximately 4.92% to the Property Revaluation. Based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date, the Property Discount translates into approximately HK\$0.138 per Share; and approximately 2.76% of the Proposed Distribution of HK\$5.00 per Share assuming the Share Premium Reduction becomes unconditional.

We have discussed with DTZ, the independent valuer as to their bases and assumptions adopted in arriving at the Property Revaluation. As noted from the valuation report set out in Appendix IV to the Circular, DTZ valued the property interests held by the Sale Companies based on direct comparison method by making reference to comparable sales evidence as available in the relevant market, or where appropriate by the investment method. We have discussed with DTZ and understand that they consider the methods used are common valuation methods employed in valuing investment properties generating income or profit including hotel properties. Given this, we have no reason to doubt the appropriateness of those underlying bases and assumptions in arriving at the Property Revaluation. We have also discussed with DTZ on property discount and understand that it is not an uncommon commercial decision for a buyer and a seller to agree upon a discount to property valuation of considerable amount for facilitating a transaction.

Having considered the above and (i) the scale and magnitude of the property interests held by the Sale Companies to be disposed of under the Disposal as compared to the Property Discount; (ii) the cash payment settlement term; and (iii) the market practice of negotiating a transaction at a discount to the property valuation, we consider the Property Discount to be reasonable and acceptable.

Sale Companies principally holding listed securities interests including Miramar Hotel and HK Ferry

We note that the majority value of the listed securities held by the Sale Companies comprises the Group’s interest in Miramar Hotel and HK Ferry. Given this and the fact that nearly all the securities

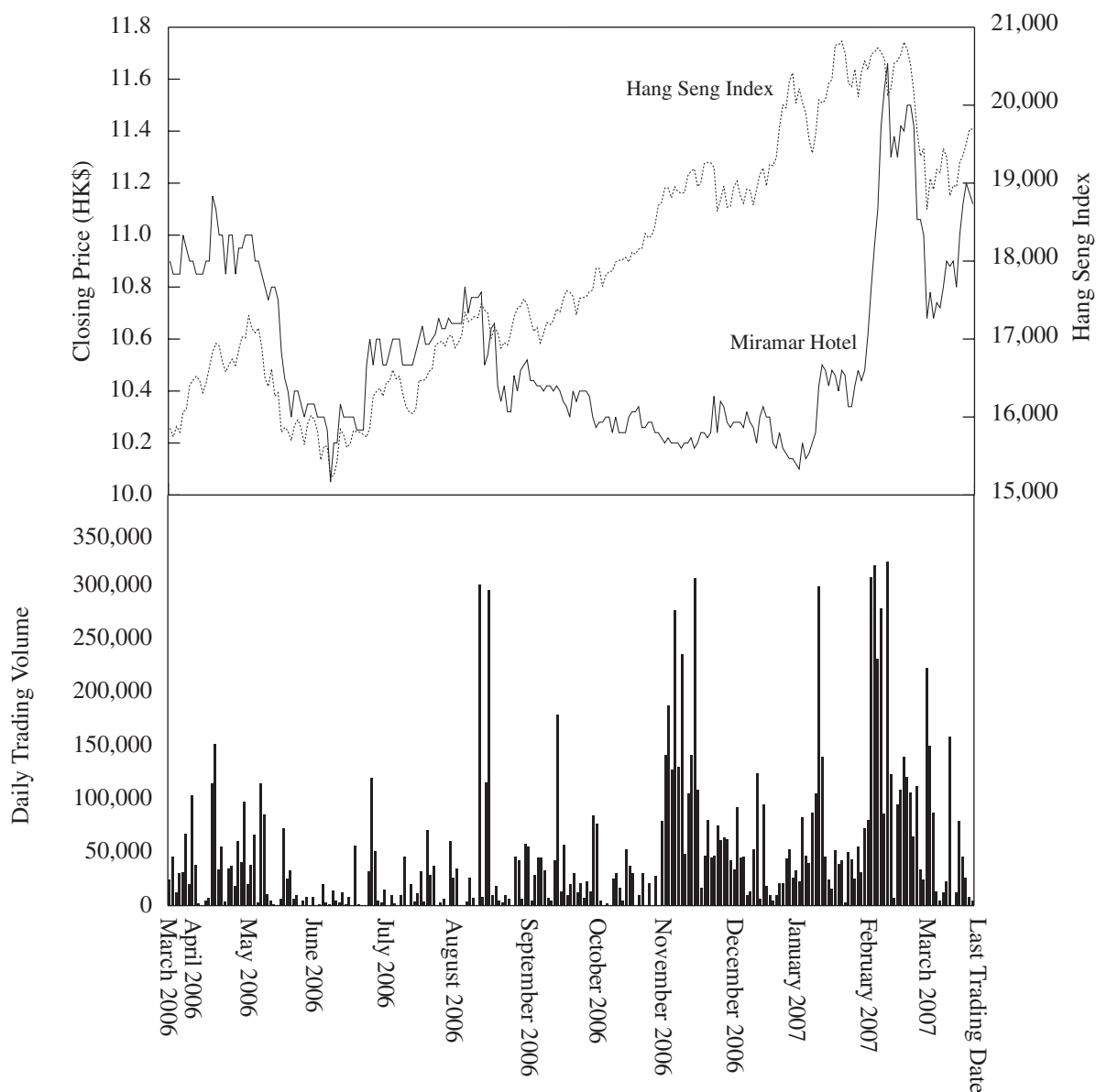
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held are listed on the Stock Exchange, we consider it fair and reasonable to value those Sale Companies holding interests in securities listed on the Stock Exchange by reference to the market price. The 10-day Average Closing Price has been adopted in arriving at the updated valuation of all the securities listed on the Stock Exchange held by the Sale Companies.

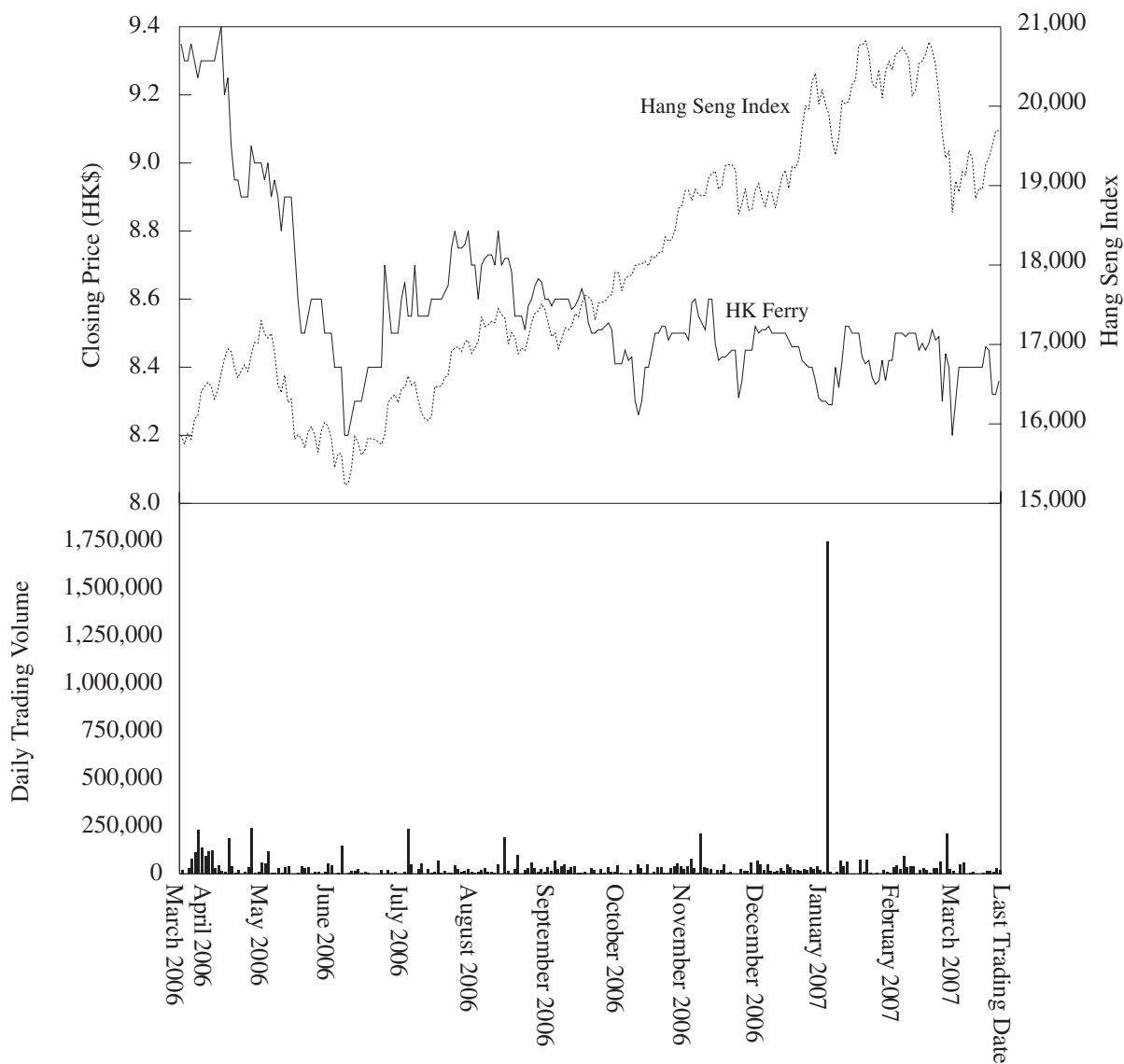
Share price performance of Miramar Hotel and HK Ferry

In light of the weighting of the market value of the minority stake in Miramar Hotel and HK Ferry as compared to other listed securities held by the Sale Companies, we have reviewed the share price performance of Miramar Hotel and HK Ferry with the Hang Seng Index during the period commencing from the date which is 12 months before the date of the Agreement up to the Last Trading Date (the "Review Period") as follows:

Performance of Miramar Hotel and Hang Seng Index



Performance of HK Ferry and Hang Seng Index



As noted from the above, the share price performance of Miramar Hotel and HK Ferry was principally in line with the Hang Seng Index throughout the first half of the Review Period. The Hang Seng Index recorded an increasing trend in the second half of the Review Period whilst the share price performance of HK Ferry and Miramar Hotel continued to trade within a narrow band. Miramar Hotel did not make any announcement as to the reasons for the surge in the share price performance of Miramar Hotel in early February 2007. As regards the trading volume of shares of Miramar Hotel and HK Ferry, we noted that there was no material fluctuation in the average daily trading volume of shares of Miramar Hotel and HK Ferry in 2007 up to the Last Trading Date. The average daily trading volumes of shares in Miramar Hotel and HK Ferry in March 2007 up to the Last Trading Date were approximately 53,193 shares (representing approximately 0.02% of the public float of Miramar Hotel) and approximately 27,349 shares (representing approximately 0.01% of the public float of HK Ferry), respectively.

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The 10-day Average Closing Prices of shares in Miramar Hotel and HK Ferry were HK\$10.988 and HK\$8.391, respectively. On this basis, the consideration for the 44.21% and 31.36% interests in Miramar Hotel and HK Ferry amounts to approximately HK\$2,804.0 million and HK\$937.5 million, respectively. As noted from the charts above, the 10-day Average Closing Prices have captured the recent increasing trend of the share price performance of Miramar Hotel and HK Ferry in March 2007 prior to the Last Trading Date. During the Review Period, share price of Miramar Hotel closed at the lowest of HK\$10.05 (as at 13 June 2006), the highest of HK\$11.66 (as at 13 February 2007) and HK\$11.12 as at the Last Trading Date, whilst share price of HK Ferry closed at the lowest of HK\$8.20 (as at 5 March 2007), the highest of HK\$9.40 (as at 18 April 2006) and HK\$8.36 as at the Last Trading Date.

Comparable analysis

For additional reference, we have also reviewed the share price performance of Miramar Hotel with those of its listed peers. Despite the fact that Miramar Hotel is engaged in hotel operation, a majority of its segment result comprised contributions from property development and investment activities, hence, we have reviewed the performance of the share price against the consolidated net asset value of the comparable listed property companies whose net asset values are similar to those of Miramar Hotel (the “Miramar Comparables”) and whose property portfolio is primarily located in Hong Kong and set out the findings as follows:

Stock code	Name of Miramar Comparables	Net asset value <i>(Note 1)</i> HK\$ million	(Discount) / Premium of closing price to/over net asset value per share <i>(Note 2)</i> %
432	Pacific Century Premium Developments Limited	6,364.00	(8.64)
194	Liu Chong Hing Investment Limited	5,697.17	(25.57)
1036	Winsor Properties Holdings Limited	4,876.35	(29.70)
105	Associated International Hotels Limited	4,527.81	<u>(5.38)</u>
	<i>Average:</i>		<i>(17.33)</i>
	Miramar Hotel	6,189.86 <i>(Note 3)</i>	2.47 <i>(Note 3)</i>

Source: Bloomberg, www.hkex.com.hk (the “Stock Exchange’s Website”), the latest annual reports, interim reports and results announcements of Miramar Comparables.

Notes:

- (1) The respective net asset values reported from the latest published financial results of the Miramar Comparables available on the Last Trading Date.

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- (2) Calculated based on the closing prices of the Miramar Comparables on the Last Trading Date divided by the respective net asset values per share (being the number of shares reported on the Stock Exchange's Website on 28 February 2007) per the latest published financial results of the Miramar Comparables available on the Last Trading Date.
- (3) Based on the unaudited consolidated financial statements of the Miramar Hotel for the six months ended 30 September 2006 and the 10-day Average Closing Price of Miramar Hotel.
- (4) Based on our best efforts, the above list represents the complete appropriate list of the Miramar Comparables.

As noted from above, based on the 10-day Average Closing price of Miramar Hotel, Miramar Hotel traded at a premium of approximately 2.47% over its unaudited net asset value, which favourably compares with the average discount of the Miramar Comparables of approximately 17.33% and implies that Miramar Hotel traded at a value higher than its listed peers. Hence, we consider the 10-day Average Closing Price of Miramar Hotel represents a fair and reasonable basis in determining the value of the Sale Companies' interests in Miramar Hotel and the consideration arrived at thereunder is fair and reasonable.

As regards HK Ferry, we also note that a majority of the segment profit of HK Ferry comprised rental income from investment properties in Hong Kong. We have reviewed the performance of the share price against the consolidated net asset value of the comparable listed property companies whose net asset values are similar to those of HK Ferry (the "Ferry Comparables") and whose property portfolio is primarily located in Hong Kong and set out the findings as follows:

Stock code	Name of Ferry Comparables	Net asset value <i>(Note 1)</i> <i>HK\$ million</i>	(Discount) / premium of closing price to/over net asset value per share <i>(Note 2)</i> <i>%</i>
1036	Winsor Properties Holdings Limited	4,876.35	(29.70)
105	Associated International Hotels Limited	4,527.81	(5.38)
488	Lai Sun Development Company Limited	3,937.12	(2.88)
35	Far East Consortium International Limited	3,736.25	28.39
88	Tai Cheung Holdings Limited	3,346.20	(11.23)
75	Y. T. Realty Group Limited	2,634.15	<u>(55.38)</u>
	<i>Average:</i>		<i>(12.70)</i>
	HK Ferry	3,385.82 <i>(Note 3)</i>	(11.71) <i>(Note 3)</i>

Source: Bloomberg, the Stock Exchange's Website, the latest annual reports, interim reports and results announcements of Ferry Comparables.

Notes:

- (1) The respective net asset values reported from the latest published financial results of the Ferry Comparables available on the Last Trading Date.

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- (2) Calculated based on the closing prices of the Ferry Comparables on the Last Trading Date divided by the respective net asset values per share (being the number of shares reported on the Stock Exchange's Website on 28 February 2007) per the latest published financial results of the Ferry Comparables available on the Last Trading Date.
- (3) Based on the audited consolidated financial statements of HK Ferry for the six months ended 31 December 2006 and the 10-day Average Closing Price of HK Ferry.
- (4) Based on our best efforts, the above list represents the complete appropriate list of the Ferry Comparables.

As noted from above, based on the 10-day Average Closing Price of HK Ferry, HK Ferry traded at a discount of approximately 11.71%, which is comparable to the average discount of the Ferry Comparables of approximately 12.70% and implies that HK Ferry traded at a value comparable with its listed peers. Hence, we consider the 10-day Average Closing Price of HK Ferry represents a fair and reasonable basis in determining the value of the Sale Companies' interests in HK Ferry and the consideration arrived at thereunder is fair and reasonable.

Other listed securities

Based on the information provided by the Company, we noted that apart from Miramar Hotel and HK Ferry, the Sale Companies also hold interests in 15 securities listed on the Stock Exchange, with the holding period ranging from approximately 1 year to 10 years, and the interests ranging from approximately 0.02% to 2.73% of the issued share capital of the respective underlying listed companies as at the Last Trading Date. Based on the 10-day Average Closing Price, the total value of these other listed securities amounts to approximately HK\$339.1 million, representing approximately 2.80% of the estimated total consideration of approximately HK\$12,105.6 million. Given the value of these 15 listed securities as compared to the total consideration payable under the Disposal and the range of percentage interests held by the Sale Companies in the 15 listed companies, we consider it suffice to review the share price performance of these 15 listed securities in March 2007 and noted that there was no material fluctuation in the price of most of these 15 listed securities in March 2007. Given this, we consider it appropriate to value these listed securities based on their respective 10-day Average Closing Prices.

Other net liabilities of the Sale Companies

The audited net liabilities of the Sale Companies amounted to approximately HK\$89.1 million as at 31 December 2006, which mainly represents trade and other payables. As the consideration for the Disposal has been determined based on the sum of the Attributable Net Asset Value and the Shareholder's Loans of each Sale Company, we consider it fair and reasonable to adjust for the net liabilities of the Sale Companies in arriving at the consideration for the Disposal.

The Loan Sale

Pursuant to the Agreement, the Company will assign to HLD the Shareholder's Loan due from each Sale Company at the face value as at the Completion Date provided that if the Attributable Net Asset Value of a Sale Company is a negative figure, the consideration for the assignment of the Shareholder's Loan of that particular Sale Company will be a sum equal to (i) the amount of the

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Shareholder's Loan of such Sale Company less HK\$1 (such HK\$1 being the nominal consideration payable by HLD for the interest in such Sale Company); plus (ii) the Attributable Net Asset Value of that Sale Company, which means the assignment of the Shareholder's Loan of such Sale Company (which is in a net liabilities position based on the Attributable Net Asset Value) will be below its face value as it will adjust for the net liabilities (based on the Attributable Net Asset Value) of such Sale Company. However, where the sum of the Attributable Net Asset Value and the amount of the Shareholder's Loan of a Sale Company is a negative figure, the consideration payable by HLD to the Company for the Disposal of such interest and of such Shareholder's Loan shall be HK\$1 each. Based on the balance sheets (consolidated where applicable) of the Sale Companies comprised in the audited consolidated accounts of the Company for the six months ended 31 December 2006, the Company expects that some of the Shareholder's Loans will be assigned below the face value as the face value of such Shareholder's Loans will be reduced by the amount of net liabilities of certain Sale Companies which are in a net liabilities position. Having regard to the above adjustment mechanism, we consider the basis of consideration for the Loan Sale to be fair and reasonable.

Views

Having taken into account the above, we are of the opinion that the consideration for the Disposal is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

REMAINING BUSINESS AND FUTURE INTENTIONS

The principal businesses of the Remaining Companies are investment holding and infrastructure in the PRC, which comprise:

- shares in China Gas (which shares are listed on the Stock Exchange) representing approximately 38.47% of its issued share capital as at the Latest Practicable Date;
- interests in Hangzhou Qianjiang Third Bridge Co., Ltd.; and
- a highway in Maanshan City, Anhui, the PRC.

Based on the audited consolidated balance sheet of the Group as at 31 December 2006, the net asset value of the Remaining Companies attributable to the Shareholders (assuming that Completion and the Proposed Distribution have occurred and excluding interest in China Gas) shall be approximately i) HK\$1,803 million or HK\$0.59 per Share based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date, assuming the Proposed Distribution of HK\$5.00 per Share; or ii) HK\$5,460 million or HK\$1.79 per Share based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date, assuming the alternative Proposed Distribution of HK\$3.80 per Share. The Board notes that based on the closing market price of China Gas as at the Last Trading Date and the

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3,047,327,395 Shares in issue as at the Latest Practicable Date, the market value of the stake of China Gas attributable to the Shareholders is approximately HK\$36,751 million or HK\$12.06 per Share. The following table sets out the estimated theoretical implied value of the Shares upon Completion and after the Proposed Distribution:

	Proposed Distribution of HK\$5.00 per Share		Proposed Distribution of HK\$3.80 per Share	
	<i>(With Share Premium Reduction)</i>		<i>(Without Share Premium Reduction)</i>	
	<i>HK\$ million</i>	<i>HK\$/Share</i>	<i>HK\$ million</i>	<i>HK\$/Share</i>
The net asset value of the Remaining Companies attributable to the Shareholders (excluding interest in China Gas) would amount to approximately <i>(Note 1)</i>	1,803	0.59	5,460	1.79
The market value of the stake in China Gas attributable to the Shareholders as at the Last Trading Date of approximately <i>(Note 2)</i>	36,751	<u>12.06</u>	36,751	<u>12.06</u>
	Total	<u><u>12.65</u></u>		<u><u>13.85</u></u>

Notes:

- 1) Based on (i) the audited consolidated balance sheet of the Company as at 31 December 2006; (ii) the 3,047,327,395 Shares in issue as at the Latest Practicable Date; (iii) assuming that Completion and the Proposed Distribution have occurred; and (iv) giving effect to the interim dividend of HK\$0.13 per Share for the six months ended 31 December 2006 declared by the Company, which would amount to approximately HK\$396 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date.
- 2) Based on (i) the closing price as of the Last Trading Date and (ii) the 3,047,327,395 Shares in issue as at the Latest Practicable Date.

The Board currently intends that, after Completion, cash dividends received by the Group from China Gas would be fully distributed to the Shareholders, subject to availability of sufficient distributable reserves. This will be the dividend policy of the Company post Completion until and unless the Group invests in new infrastructure or other project(s) in the future.

POSSIBLE FINANCIAL EFFECTS

Asset and liabilities

As stated in the unaudited pro forma consolidated balance sheet of the Remaining Group upon Completion in Appendix III to the Circular, the unaudited pro forma consolidated total assets of the Remaining Group would be approximately HK\$16,208 million if the Proposed Distribution of HK\$5.00 per Share were made or HK\$19,865 million if the Proposed Distribution of HK\$3.80 per Share were made. The unaudited pro forma consolidated total liabilities of the Remaining Group are approximately HK\$591 million regardless of the amount of the Proposed Distribution.

Earnings

As stated in the Letter from the Board, on the basis that the consideration for the Disposal is HK\$12,105.6 million, it is estimated that, upon Completion, the Group would recognise a gain of approximately HK\$926 million from the Disposal, representing the difference between such consideration and the net asset book value of the Sale Companies comprised in the audited consolidated balance sheet of the Group as at 31 December 2006 attributable to the Group coupled with the face value of the Shareholder's Loans as at 31 December 2006. We noted that the majority of the gain relates to the disposal of the Sale Companies with properties which are carried at cost (less depreciation and/or impairment, if any). The actual gain arising from the Disposal will be recognized upon Completion.

Working capital

The consideration will be payable in cash, to be distributed to Shareholders pursuant to the Proposed Distribution. The Board advises that having taken into account the available bank balances and cash of the Remaining Group after the Proposed Distribution, its expected internally generated funds and cash flows and the present banking facilities available, the Disposal and the Proposed Distribution will not have adverse material impact on the working capital position of the Remaining Group.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) Limited

Alex Lau

Flavia Hung

Executive Vice President Senior Vice President

The following is the text of a report, prepared for the purpose of incorporation into this circular, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

20 April 2007

The Directors
Henderson Investment Limited
72 - 76/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Henderson Investment Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 30 June 2006 and the six months ended 31 December 2006 (the “Relevant Periods”) for inclusion in the circular of the Company dated 20 April 2007 (the “Circular”) in connection with the very substantial disposal transaction, whereby the Company disposed of interests in, and the shareholder’s loans of, certain companies as set out below (the “Sale Companies”), pursuant to an agreement dated 27 March 2007 (the “Agreement”) entered into between the Company and Henderson Land Development Company Limited (the “Purchaser”) (the “Disposal”).

The Company was incorporated in Hong Kong on 12 September 1972. The Company is an investment holding company.

As at the date of this report, the Company has the following subsidiaries which are all private limited companies with limited liability. All the subsidiaries are incorporated and operate in Hong Kong unless otherwise stated. None of the subsidiaries had issued any debt securities.

Principal activities	Notes	Particulars of issued share capital		Percentage of shares held by the Company	
		Number of ordinary shares	Par value	Directly	Indirectly
<i>A. Property development</i>					
Alpenhon Limited	7	2	HK\$1	100	—
Bottcher Investment Limited	7	20,000	HK\$100	100	—
Couraud Investment Limited	7	200	HK\$100	100	—
Dashtrend Investment Limited	7	2	HK\$1	100	—
Desormiere Investment Limited	7	20,000	HK\$100	100	—
Fournet Investment Limited	7	10,000	HK\$100	100	—
Full Gain Investment Limited	7	2	HK\$1	100	—
Gesund Investment Company Limited	7	2	HK\$100	100	—
Inness Investment Limited		10,000	HK\$100	100	—
Juliyam Limited	7	2	HK\$1	100	—
Racine Investment Limited	7	4	HK\$100	50	25
Saxophon Limited	7	3,000,000	HK\$1	100	—
Star Flight Company Limited	7	2	HK\$1	100	—
Vignette Investment Limited	7	2	HK\$1	100	—
<i>B. Property investment</i>					
Bour Investment Limited	7,9	2	HK\$100	100	—
	1	1,000	HK\$100	100	—
Century Nice Development Limited	7	2	HK\$1	100	—
Dekker Investment Limited	7,10	2	HK\$1	100	—
	1	2	HK\$1	100	—
Dillinger Investment Limited	7,9	2	HK\$1	100	—
	1	2	HK\$1	100	—
Easefine Development Limited	7	2	HK\$1	100	—
Easeluck Development Limited	7	2	HK\$1	100	—
Faith Limited	7	2	HK\$1	—	100
Fordwise Development Limited	7	1,000	HK\$1	100	—
Gain Super Development Limited		2	HK\$1	—	100
Golden Dragon Development Company, Limited	7	12,200	HK\$100	100	—
Hung Shun Investment Company Limited	7, 13	20,000	HK\$100	100	—

Principal activities	Notes	Particulars of issued share capital		Percentage of shares held by the Company	
		Number of ordinary shares	Par value	Directly	Indirectly
Isherwood Investment Limited	7	2	HK\$1	100	—
Jekyll Investment Limited	7	2	HK\$1	100	—
Mingsway Limited	7,9	2	HK\$1	—	100
Quentin Investment Limited	7	10,000	HK\$1	100	—
Union Fortune Development Limited	7	10,000	HK\$1	—	100
Vansittart Investment Limited	7,13	2	HK\$1	100	—
Victory City Enterprises Limited	7,9	2	HK\$1	—	100
<i>C. Finance</i>					
Henderson Investment Credit Limited		2	HK\$1	—	100
Henderson Investment Finance Limited		1,000	HK\$100	100	—
Henderson Investment Finance (2000) Limited	12	2	HK\$1	100	—
Henderson Investment Credit (2000) Limited	12	2	HK\$1	100	—
Henderson Investment Credit (2004) Limited		2	HK\$1	100	—
Hency Finance Limited	9	2	HK\$1	—	100
Henderson Cyber Finance Limited	9	2	HK\$1	—	100
<i>D. Investment holding</i>					
Ace Winner Development Limited	7	2	HK\$1	100	—
Aynbry Investments Limited (Incorporated in the British Virgin Islands ("BVI"))	6,7	1	US\$1	100	—
Best Selection Investments Limited (Incorporated in BVI)	6	1	US\$1	100	—
Billion Cheer Development Limited		2	HK\$1	—	100
Brilliant Enterprises Limited		2	HK\$1	—	100
Broadway China Development Company Limited	8	31,300,702	HK\$1	—	64.07
Capital Gold Development Limited	7	2	HK\$1	100	—
China Broadway Development Company Limited (Incorporated in BVI)	6	30	US\$1	—	64.07
China Investment Group Limited	8	300,000	HK\$1,000	—	64.07
China Strategy Consulting Limited (Incorporated in BVI)	6	1	US\$1	—	64.07
Citifood Company International Limited (Incorporated in BVI)	6	1	US\$1	—	64.07
Citistore (China) Limited	7	2	HK\$1	—	100

Principal activities	Notes	Particulars of issued share capital		Percentage of shares held by the Company	
		Number of ordinary shares	Par value	Directly	Indirectly
Datacom Technology Limited (Incorporated in BVI)	6	1	US\$1	—	100
Data Tower Holdings Limited (Incorporated in BVI)	6,7	2	US\$1	—	100
Disralei Investment Limited		2	HK\$1	—	100
	1	1,000	HK\$1	—	100
Dowell Limited (Incorporated in BVI)	6,7	1	US\$1	—	100
Evas International Limited (Incorporated in BVI)	6,7	1	US\$1	100	—
Everwin Development Limited		2	HK\$1	100	—
Felix Technology Limited (Incorporated in BVI)	6,7	1	US\$1	—	100
Graf Investment Limited	7	2	HK\$1	—	100
	1	2	HK\$100	—	100
Hansom Technology Limited (Incorporated in BVI)	6,7	1	US\$1	—	100
Heath Developments Limited (Incorporated in BVI)	6	1	US\$1	100	—
Henderson Cyber Limited (Incorporated in Cayman Islands)	9	4,235,913,616	HK\$0.1	—	100
Henderson Cyber Investment Limited	9	2	HK\$1	—	100
Henderton Profits Limited (Incorporated in BVI)	6	1	US\$1	—	64.07
Hugeway Investment Limited (Incorporated in BVI)	6	1	US\$1	100	—
Higgins Holdings Limited (Incorporated in BVI)	6,7	1	US\$1	—	100
Kingsview International Limited (Incorporated in BVI)	6,7	1	US\$1	100	—
Konet Investment Limited (Incorporated in BVI)	6,7	2	US\$1	—	100
Laidstone Investments Limited (Incorporated in BVI)	6,7	1	US\$1	100	—
Luxrich Limited (Incorporated in BVI)	6	10	US\$1	80	12.81
Max-mercan Investment Limited	7	2	HK\$10	100	—
Macrostar Investment Limited		2	HK\$1	100	—
Medley Investment Limited		2	HK\$1	—	100

Principal activities	Notes	Particulars of issued share capital		Percentage of shares held by the Company	
		Number of ordinary shares	Par value	Directly	Indirectly
	1	2	HK\$100	—	100
Midlink Pacific Limited (Incorporated in BVI)	6	1	US\$1	100	—
Mount Sherpa Limited	7	2	HK\$1	—	100
	1	2	HK\$10	—	100
Multiglade Holdings Limited (Incorporated in BVI)	6,7	1	US\$1	—	100
Nation Team Development Limited		2	HK\$1	—	92.81
Newmarket International Limited (Incorporated in BVI)	6	10	US\$1	100	—
Nickwell Investments Limited (Incorporated in BVI)	3,6	1	US\$1	—	38.44
Paillard Investment Limited	7	2	HK\$1	—	100
	1	2	HK\$100	—	100
Pataca Enterprises Limited (Incorporated in BVI)	6,7	1	US\$1	100	—
Podar Limited (Incorporated in BVI)	6,7	1	US\$1	100	—
Positive Start Holdings Limited (Incorporated in BVI)	6	1	US\$1	100	—
Prominence Development Limited (Incorporated in BVI)	6	3,692,100	US\$1	—	64.07
Promise Good Limited (Incorporated in BVI)	3,6	10,000	US\$1	—	38.44
Puretech Investment Limited	7	2	HK\$1	—	100
Raytek Investments Limited (Incorporated in BVI)	3,6	1	US\$1	—	38.44
Rejoice Investments Limited (Incorporated in BVI)	6,7	1	US\$1	100	—
Rena Limited (Incorporated in BVI)	6,7	1	US\$1	—	100
Shiu Kien Development Company Limited	7	1,500	HK\$1	100	—
	1	150,000	HK\$100	100	—
St. Helena Holdings Co. Limited (Incorporated in BVI)	6	3	US\$1	100	—
Startech Investment Limited (Incorporated in BVI)	6	1	US\$1	—	100
Superweb Limited (Incorporated in BVI)	6,7	1	US\$1	—	100

Principal activities	Notes	Particulars of issued share capital		Percentage of shares held by the Company	
		Number of ordinary shares	Par value	Directly	Indirectly
Threadwell Limited (Incorporated in BVI)	6,7	1	US\$1	—	100
Timpani Investments Limited (Incorporated in BVI)	6	1	US\$1	100	—
Topgoal Limited (Incorporated in BVI)	6,7	1	US\$1	—	100
Uniland Development Limited		2	HK\$1	100	—
Vigorous Developments Limited (Incorporated in BVI)	3,6	10,000	US\$1	—	44.84
Winner Glory Development Limited	7	2	HK\$1	100	—
Wise Link Investments Limited (Incorporated in BVI)	3,6	1	US\$1	—	38.44
Wiselin Investment Limited	7	2	HK\$1	—	100
<i>E. Property management</i>					
Goodwill Investment Property Management Limited	7,10	2	HK\$1	100	—
<i>F. Management and agency services</i>					
Henderson Investment Property Agency Limited	7	12,000	HK\$1	—	100
Henderson Investment Agency Limited	10	2	HK\$1	100	—
<i>G. Department store operation</i>					
Citistore Limited	7	2	HK\$1	—	100
<i>H. Hotel management</i>					
Gold Eagle Management Limited	13	2	HK\$1	100	—
Henderson Hotel Management Limited	7,13	2	HK\$1	100	—
<i>I. Hotel operation</i>					
Newton Hotel Hong Kong Limited	7,13	2	HK\$1	100	—
Newton Hotel Kowloon Limited	7,13	2	HK\$1	100	—

Principal activities	Notes	Particulars of issued share capital		Percentage of shares held by the Company	
		Number of ordinary shares	Par value	Directly	Indirectly
<i>J. Cleaning and security guard service</i>					
Elegant Cleaning Services Company Limited	7,12	2	HK\$1	—	100
Megastrength Security Services Company Limited	7	10,000	HK\$1	—	100
	2	400	HK\$1	—	25
<i>K. Infrastructure</i>					
(i) Incorporated and operates in Hong Kong					
Benson Industries Limited	9	2	HK\$1	—	100
(ii) Established and operates in the Mainland China ("PRC")					
				% of equity interest held by the Company	
	Notes	Contributed registered capital		Directly	Indirectly
Sino-Foreign Equity Joint Venture Enterprise					
Hangzhou Henderson Qianjiang Third Bridge Co., Ltd.	14,19	RMB200,000,000		—	55.69
Sino-Foreign Co-operative Joint Venture Enterprise					
Maanshan Huan Tong Highway Development Limited	3,4,15,19	RMB99,450,000		—	31.39
Ningbo Nickwell Highway Development Company Limited	3,4,5,16,19	RMB88,000,000		—	24.98
Ningbo Rayter Highway Development Company Limited	3,4,5,16,19	RMB96,000,000		—	24.98
Ningbo Wise Link Highway Development Company Limited	3,4,5,16,19	RMB56,000,000		—	24.98
Tianjin Wanqiao Project Development Company Limited	3,4,17,19	RMB20,000,000		—	44.84
Tianjin Jinning Roads Bridges Construction Development Company Limited	3,4,16,19	RMB23,680,000		—	44.84

Principal activities	Notes	Particulars of issued share capital		Percentage of shares held by the Company	
		Number of ordinary shares	Par value	Directly	Indirectly
<i>L. Information technology</i>					
Henderson Data Centre Limited	7,9	2	HK\$1	—	100
iCare.com Limited	7,9	2	HK\$1	—	100
Henderson Cyber Management Services Limited	9	2	HK\$1	—	100
<i>M. Manufacturing</i>					
Citifood Company (Hong Kong) Limited	3,8	6,136,842	HK\$1	—	32.68
<i>N. Inactive</i>					
Castle Hill Investment Company Limited		500	HK\$100	100	—
Citistore Properties Limited	7	1	HK\$1	—	100
Fortune Newton Limited	7	2	HK\$1	—	100
Goodfine Investment Limited		2	HK\$1	—	100
Henderson Cyber (Hong Kong) Limited	9	2	HK\$1	—	100
Henderson Utility Investments Limited		1	HK\$1	—	100
Henderson Investment Credit (1997) Limited		2	HK\$1	100	—
I-System Technology Limited (Incorporated in BVI)	6	1	US\$1	100	—
Jetgold Investment Limited		3,000,000	HK\$1	100	—
Jetstar Technology Limited (Incorporated in BVI)	6	1	US\$1	100	—
Manswin Investment Limited	7	2	HK\$1	—	100
New Capital Limited (Incorporated in BVI)	6	1	US\$1	100	—
Newspeed Technology Limited (Incorporated in BVI)	6	1	US\$1	—	100
Oven Supreme Limited	7	2	HK\$1	—	100
Sinobond Investment Limited	7,10	2	HK\$1	—	100
Translink Technology Limited (Incorporated in BVI)	6	1	US\$1	100	—

Established in the PRC

	Notes	Contributed registered capital	% of equity interest held by the Company	
			Directly	Indirectly
Sino-Foreign Equity				
Joint Venture Enterprise				
Zhong Shang Bigway (Guangzhou) Commercial Company, Limited	3,18,19	HK\$71,200,000	—	32.03
Sino-Foreign Co-operative				
Joint Venture Enterprise				
Citistore Guangzhou Limited	7,20	HK\$10,000,000	—	100

Notes:

1. Non-voting deferred shares.
2. Preference shares.
3. The Group can exercise control over these subsidiaries.
4. The percentage of profit sharing of the subsidiaries attributable to the Company is as follows:

Hangzhou Henderson Qianjiang Third Bridge Co., Ltd.	—	60%
Maanshan Huan Tong Highway Development Limited	—	first five years: 80%, second five years: 60% and remaining years: 70%
Ningbo Nickwell Highway Development Company Limited	—	first five years: 80%, second five years: 50% and remaining years: 65%
Ningbo Rayter Highway Development Company Limited	—	first five years: 80%, second five years: 50% and remaining years: 65%
Ningbo Wise Link Highway Development Company Limited	—	first five years: 80%, second five years: 50% and remaining years: 65%
Tianjin Wanqiao Project Development Company Limited	—	70%
Tianjin Jinning Roads Bridges Construction Development Company Limited	—	first five years: 80%, second five years: 60% and remaining years: 70%
5. On 29 March 2006, the Group entered into an agreement with the minority shareholder of the subsidiaries to dispose of its entire interests in the subsidiaries. The subsidiaries are included in disposal group in note 32 to Section I of the accountants' report.
6. No audited financial statements have been prepared for these companies, which are incorporated in a country where there were no statutory audit requirements.
7. Collectively referred to as the Sale Companies (including their subsidiaries).

8. The statutory audited financial statements of these companies for the four years ended 31 December 2006 were audited by Ernst & Young and the audited financial statements were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).
9. The statutory audited financial statements of these companies for the three years ended 30 June 2006 were audited by KPMG and the audited financial statements were prepared in accordance with HKFRS issued by HKICPA.
10. The statutory audited financial statements of these companies for the three years ended 30 June 2006 were audited by W. M. Sum & Co. and the audited financial statements were prepared in accordance with HKFRS issued by HKICPA.
11. The statutory audited financial statements of these companies for the three years ended 30 June 2006 were audited by Dickson Wong and the audited financial statements were prepared in accordance with HKFRS issued by HKICPA.
12. The statutory audited financial statements of these companies for the three years ended 30 June 2006 were audited by Lak & Associates C.P.A. Limited and the audited financial statements were prepared in accordance with HKFRS issued by HKICPA.
13. The statutory audited financial statements of these companies for the year ended 30 June 2004 were audited by PricewaterhouseCoopers and the audited financial statements were prepared in accordance with HKFRS issued by HKICPA.
14. The statutory audited financial statements of this company for each of the four years ended 31 December 2006 were audited by Zhejiang Zhonglei Certified Accountants Co. Ltd. and the audited financial statements were prepared in accordance with generally accepted accounting principles in the Mainland China (“PRC GAAP”).
15. The statutory audited financial statements of this company for each of the four years ended 31 December 2006 were audited by An Hui Trust Us Accounting Co. Ltd. and the audited financial statements were prepared in accordance with PRC GAAP.
16. The statutory audited financial statements of these companies for each of the four years ended 31 December 2006 were audited by Feng Hua Guang Ping Certified Public Accountants and the audited financial statements were prepared in accordance with PRC GAAP.
17. The statutory audited financial statements of this company for each of the four years ended 31 December 2006 were audited by Jiwei Certified Public Accountants and the audited financial statements were prepared in accordance with PRC GAAP.
18. The statutory audited financial statements of this company for each of the four years ended 31 December 2006 were audited by Guangzhou New SuiDong Certified Public Accountants Co., Ltd. and the audited financial statements were prepared in accordance with PRC GAAP.
19. The financial information of these companies established in the PRC are included in the audited consolidated financial statements of China Investment Group Limited.
20. The financial information of this company established in the PRC is included in the audited consolidated financial statements of Henderson Investment Limited.

We have acted as auditors of the companies comprising the Group for each of the Relevant Periods other than the companies mentioned in notes 6 and 8 to 18 above for the Relevant Periods. We have audited the consolidated financial statements of the Company prepared in accordance with HKFRS for each of the three years ended 30 June 2006. For the purpose of this report, we have carried out our independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the HKICPA on the consolidated financial statements of the Company for the six months ended 31 December 2006, which were prepared in accordance with accounting policies in conformity with HKFRS issued by HKICPA.

We have examined the audited consolidated financial statements (the “Underlying Financial Statements”) of the Company for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The financial information of the Group for each of the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 30 June 2004, 2005 and 2006 and 31 December 2006 and of the consolidated results and cash flows of the Group for each of the three years ended 30 June 2006 and the six months ended 31 December 2006.

The comparative consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the six months ended 31 December 2005, together with the notes thereon (the “31 December 2005 Financial Information”), were prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 December 2005 Financial Information in accordance with the Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the HKICPA. Our review consisted principally of making enquiries of group management and applying analytical procedures to the 31 December 2005 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 31 December 2005 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 31 December 2005 Financial Information.

I. FINANCIAL INFORMATION

Consolidated income statements

	NOTES	Year ended 30 June			Six months ended 31 December	
		2004	2005	2006	2005	2006
		HK\$ million (As restated)	HK\$ million (As restated)	HK\$ million	HK\$ million (Unaudited)	HK\$ million
Turnover	7	1,255.8	1,294.4	1,147.1	611.3	507.0
Direct operating costs		<u>(574.9)</u>	<u>(591.8)</u>	<u>(501.8)</u>	<u>(250.1)</u>	<u>(262.0)</u>
Gross profit		680.9	702.6	645.3	361.2	245.0
Other income	9	273.5	97.7	139.3	60.2	122.3
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries	10	—	—	(161.8)	(161.8)	—
Profit for the year/period of disposal group	32	—	—	11.2	—	5.8
Selling and distribution costs		(62.1)	(55.4)	(61.2)	(28.9)	(12.0)
Administrative expenses		(172.4)	(172.1)	(186.8)	(87.0)	(46.2)
Amortisation of goodwill		(59.6)	(74.1)	—	—	—
Negative goodwill/discount on acquisition released to income		<u>9.0</u>	<u>6.3</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit from operations before fair value gain of investment properties		669.3	505.0	386.0	143.7	314.9
Fair value gain of investment properties		<u>160.9</u>	<u>890.3</u>	<u>1,014.9</u>	<u>674.6</u>	<u>219.3</u>
Profit from operations after fair value gain of investment properties		830.2	1,395.3	1,400.9	818.3	534.2
Finance costs	11	(16.2)	(13.0)	(10.0)	(6.1)	(2.1)
Share of results of associates		<u>1,522.3</u>	<u>2,392.1</u>	<u>2,489.1</u>	<u>1,094.6</u>	<u>1,516.4</u>
Profit before taxation		2,336.3	3,774.4	3,880.0	1,906.8	2,048.5
Taxation	12	<u>(109.8)</u>	<u>(201.0)</u>	<u>(184.9)</u>	<u>(97.8)</u>	<u>(66.6)</u>
Profit for the year/period	13	<u>2,226.5</u>	<u>3,573.4</u>	<u>3,695.1</u>	<u>1,809.0</u>	<u>1,981.9</u>
Attributable to:						
Shareholders of the Company		2,132.3	3,507.7	3,667.2	1,802.0	1,951.5
Minority interests		<u>94.2</u>	<u>65.7</u>	<u>27.9</u>	<u>7.0</u>	<u>30.4</u>
Profit for the year/period		<u>2,226.5</u>	<u>3,573.4</u>	<u>3,695.1</u>	<u>1,809.0</u>	<u>1,981.9</u>
Dividends	16	<u>619.8</u>	<u>704.4</u>	<u>818.8</u>	<u>422.6</u>	<u>457.1</u>
Earnings per share	17(a)	<u>HK\$0.76</u>	<u>HK\$1.25</u>	<u>HK\$1.28</u>	<u>HK\$0.64</u>	<u>HK\$0.64</u>
Adjusted earnings per share	17(b)	<u>HK\$0.65</u>	<u>HK\$0.79</u>	<u>HK\$0.72</u>	<u>HK\$0.33</u>	<u>HK\$0.50</u>

Consolidated balance sheets

	NOTES	2004 HK\$ million (As restated)	As at 30 June 2005 HK\$ million (As restated)	2006 HK\$ million	As at 31 December 2006 HK\$ million
Non-current Assets					
Investment properties	18	4,110.3	5,000.7	6,058.0	6,369.8
Property, plant and equipment	19	722.9	685.7	637.7	658.1
Prepaid lease payments	20	82.2	80.6	63.3	62.6
Toll highway operation rights	21	596.2	561.5	171.1	177.8
Interests in associates	22	12,288.2	13,715.6	16,243.0	17,441.0
Other assets	23	393.6	379.4	412.7	480.4
Deferred tax assets	24	—	—	3.2	3.2
		<u>18,193.4</u>	<u>20,423.5</u>	<u>23,589.0</u>	<u>25,192.9</u>
Current Assets					
Inventories	25	286.3	288.2	309.5	239.7
Debtors, deposits and prepayments	23(d)	264.9	351.1	280.4	340.9
Amounts due from affiliates	26	218.4	129.4	142.4	182.3
Pledged bank deposits	34	20.2	20.2	20.2	20.2
Bank balances and cash	34	1,843.6	2,780.0	5,156.8	5,023.6
		<u>2,633.4</u>	<u>3,568.9</u>	<u>5,909.3</u>	<u>5,806.7</u>
Assets classified as held for sale	32	—	—	378.6	404.9
		<u>2,633.4</u>	<u>3,568.9</u>	<u>6,287.9</u>	<u>6,211.6</u>
Current Liabilities					
Creditors and accrued expenses	27	224.0	281.3	281.0	249.4
Amounts due to affiliates	28	147.5	146.1	65.9	65.8
Taxation		167.3	185.3	81.6	50.5
Borrowings	29	98.6	93.1	57.5	72.1
Bank overdrafts	34	29.1	33.8	30.3	2.4
		<u>666.5</u>	<u>739.6</u>	<u>516.3</u>	<u>440.2</u>
Liabilities associated with assets classified as held for sale	32	—	—	240.3	254.8
		<u>666.5</u>	<u>739.6</u>	<u>756.6</u>	<u>695.0</u>
Net current assets		<u>1,966.9</u>	<u>2,829.3</u>	<u>5,531.3</u>	<u>5,516.6</u>
		<u>20,160.3</u>	<u>23,252.8</u>	<u>29,120.3</u>	<u>30,709.5</u>
Capital and reserves					
Share capital	30	563.5	563.5	609.5	609.5
Reserves		18,149.7	20,953.0	27,043.1	28,645.4
Equity attributable to equity holders of the Company		18,713.2	21,516.5	27,652.6	29,254.9
Minority interests		755.8	744.8	627.5	673.0
Total equity		<u>19,469.0</u>	<u>22,261.3</u>	<u>28,280.1</u>	<u>29,927.9</u>
Non-current liabilities					
Borrowings	29	183.2	135.7	26.1	6.0
Deferred tax liabilities	24	435.9	554.7	693.9	728.1
Amount due to a fellow subsidiary	31	72.2	301.1	120.2	47.5
		<u>691.3</u>	<u>991.5</u>	<u>840.2</u>	<u>781.6</u>
		<u>20,160.3</u>	<u>23,252.8</u>	<u>29,120.3</u>	<u>30,709.5</u>

Consolidated statements of changes in equity

	Attributable to equity holders of the Company										
	Share capital HK\$ million	Property revaluation reserve HK\$ million (note)	Capital reserve HK\$ million	Investment revaluation reserve HK\$ million	Exchange reserve HK\$ million	Share premium account HK\$ million	Dividend reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million	Minority interests HK\$ million	Total HK\$ million
At 1 July 2003	563.5	1,826.4	12.9	—	—	6,158.6	309.9	10,768.8	19,640.1	809.8	20,449.9
- as previously reported	—	(1,826.4)	—	—	—	—	—	(613.0)	(2,439.4)	(83.3)	(2,522.7)
- effects of changes in accounting policies (note 3)	563.5	—	12.9	—	—	6,158.6	309.9	10,155.8	17,200.7	726.5	17,927.2
- as restated	—	—	—	—	—	—	—	2,132.3	2,132.3	94.2	2,226.5
Profit for the year and total recognised income	—	—	—	—	—	—	(309.9)	—	(309.9)	—	(309.9)
Final dividend paid	—	—	—	—	—	—	—	(309.9)	(309.9)	—	(309.9)
Interim dividend paid	—	—	—	—	—	—	—	—	—	—	—
Disposal of interests in subsidiaries	—	—	—	—	—	—	—	—	—	1.5	1.5
Final dividend proposed	—	—	—	—	—	—	338.1	(338.1)	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(66.4)	(66.4)
At 30 June 2004	563.5	—	12.9	—	—	6,158.6	338.1	11,640.1	18,713.2	755.8	19,469.0
Profit for the year and total recognised income	—	—	—	—	—	—	—	3,507.7	3,507.7	65.7	3,573.4
Final dividend paid	—	—	—	—	—	—	(338.1)	—	(338.1)	—	(338.1)
Interim dividend paid	—	—	—	—	—	—	—	(366.3)	(366.3)	—	(366.3)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(43.3)	(43.3)
Final dividend proposed	—	—	—	—	—	—	422.6	(422.6)	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(33.4)	(33.4)
At 30 June 2005	563.5	—	12.9	—	—	6,158.6	422.6	14,358.9	21,516.5	744.8	22,261.3
At 1 July 2005	563.5	—	12.9	—	—	6,158.6	422.6	14,358.9	21,516.5	744.8	22,261.3
- as previously reported	—	—	—	—	—	—	—	118.9	118.9	—	118.9
- effects of changes in accounting policies (note 3)	563.5	—	12.9	—	—	6,158.6	422.6	14,477.8	21,635.4	744.8	22,380.2
- as restated	—	—	—	9.8	—	—	—	—	—	—	9.8
Gain on available-for-sale investments	—	—	—	—	—	—	—	1,802.0	1,802.0	7.0	1,809.0
Profit for the period	—	—	—	—	—	—	—	1,802.0	1,802.0	7.0	1,818.8
Total recognised income for the period	—	—	—	9.8	—	—	—	1,802.0	1,811.8	7.0	1,818.8

Attributable to equity holders of the Company

	Share capital HK\$ million	Property revaluation reserve HK\$ million (note)	Capital reserve HK\$ million	Investment revaluation reserve HK\$ million	Exchange reserve HK\$ million	Share premium account HK\$ million	Dividend reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million	Minority interests HK\$ million	Total HK\$ million
Acquisition of additional of interests in subsidiaries	—	—	—	—	—	—	—	—	—	(90.7)	(90.7)
Final dividend paid	—	—	—	—	—	—	(422.6)	—	(422.6)	—	(422.6)
Interim dividend proposed	—	—	—	—	—	—	366.3	(366.3)	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(7.8)	(7.8)
At 31 December 2005	563.5	—	12.9	9.8	—	6,158.6	366.3	15,913.5	23,024.6	653.3	23,677.9
Gain on available-for-sale investments	—	—	—	43.9	—	—	—	—	43.9	—	43.9
Revaluation increase, net of deferred tax	—	12.0	—	—	—	—	—	—	12.0	3.2	15.2
Total income recognised directly in equity	—	12.0	—	43.9	—	—	—	—	55.9	3.2	59.1
Profit for the period	—	—	—	—	—	—	—	1,865.2	1,865.2	20.9	1,886.1
Total recognised income for the period	—	12.0	—	43.9	—	—	—	1,865.2	1,921.1	24.1	1,945.2
Shares issued	46.0	—	—	—	—	3,070.5	—	—	3,116.5	—	3,116.5
Transaction costs attributable to issue of shares	—	—	—	—	—	(13.4)	—	—	(13.4)	—	(13.4)
Interim dividend paid	—	—	—	—	—	—	(366.3)	(29.9)	(396.2)	—	(396.2)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(49.9)	(49.9)
Final dividend proposed	—	—	—	—	—	—	457.1	(457.1)	—	—	—
At 30 June 2006	609.5	12.0	12.9	53.7	—	9,215.7	457.1	17,291.7	27,652.6	627.5	28,280.1
Gain on available-for-sale investments	—	—	—	68.7	—	—	—	—	68.7	—	68.7
Exchange difference arising on translation of foreign operations	—	—	—	—	39.2	—	—	—	—	—	—
Total income recognised directly in equity	—	—	—	68.7	39.2	—	—	—	39.2	30.6	69.8
Profit for the period	—	—	—	—	—	—	—	—	—	—	—
Total recognised income for the period	—	—	—	68.7	39.2	—	—	1,951.5	1,951.5	30.4	1,981.9
Final dividend paid	—	—	—	—	—	—	(457.1)	(457.1)	(457.1)	—	(457.1)
Interim dividend proposed	—	—	—	—	—	—	396.1	(396.1)	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(15.5)	(15.5)
At 31 December 2006	609.5	12.0	12.9	122.4	39.2	9,215.7	396.1	18,847.1	29,254.9	673.0	29,927.9

Note: The balance of property revaluation reserve of the Group at 30 June 2006 and 31 December 2006 represents the revaluation reserve arising from the transfer of previous owner-occupied property to investment property and such revaluation reserve is frozen upon the transfer and will be transferred to retained profits when the relevant properties are disposed of.

Consolidated cash flow statements

	Year ended 30 June			Six months ended	
	2004	2005	2006	2005	2006
	HK\$ million (As restated)	HK\$ million (As restated)	HK\$ million	HK\$ million (Unaudited)	HK\$ million
Operating activities					
Profit before taxation	2,336.3	3,774.4	3,880.0	1,906.8	2,048.5
Adjustments for:					
Amortisation of goodwill	59.6	74.1	—	—	—
Amortisation of toll highway operation rights	34.7	34.7	15.6	17.3	5.1
Depreciation	57.3	57.7	53.1	26.5	17.3
Dividends from investments	(19.1)	(10.1)	(6.7)	(1.0)	(1.0)
Fair value gain of investment properties	(160.9)	(890.3)	(1,014.9)	(674.6)	(219.3)
Finance costs	16.2	13.0	10.0	6.1	2.1
Impairment loss on debtors	3.3	5.7	1.3	0.8	0.7
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries	—	—	161.8	161.8	—
Impairment loss on available-for-sale investments	—	—	0.3	—	—
Impairment loss on property, plant and equipment	0.4	—	4.5	—	—
Interest income	(28.9)	(52.8)	(124.2)	(54.4)	(114.8)
(Gain) loss on write off/disposal of property, plant and equipment, net	(76.1)	2.1	7.8	—	17.4
Gain on disposal of a subsidiary	—	—	—	—	(4.7)
Gain on disposal of investments in securities	(61.9)	—	—	—	—
Negative goodwill/discount on acquisition released to income	(9.0)	(6.3)	—	—	—
Release of prepaid lease payments	1.7	1.7	1.7	0.8	0.7
Reversal of impairment loss on properties held for development	(0.4)	—	—	—	—
Share of results of associates	(1,522.3)	(2,392.1)	(2,489.1)	(1,094.6)	(1,516.4)
Unrealised holding gain on investments in securities	(48.9)	(26.0)	—	—	—
Write back of allowance for completed properties for sale	(17.3)	—	(19.5)	(14.2)	—
Unrealised exchange loss	—	—	—	—	20.7
Operating cash flows before movements in working capital	564.7	585.8	481.7	281.3	256.3
(Increase) decrease in inventories	(0.9)	(2.6)	(4.2)	(8.0)	16.0
Decrease in completed properties for sale	2.6	0.5	2.4	2.4	18.3
(Increase) decrease in debtors, deposits and prepayments	(10.5)	(92.7)	90.0	46.1	(58.7)
(Decrease) increase in creditors and accrued expenses	(28.4)	57.2	1.0	36.4	(30.3)
Cash generated from operations	527.5	548.2	570.9	358.2	201.6
Income taxes paid	(49.8)	(64.1)	(155.8)	(141.9)	(64.6)
Interest paid	(17.3)	(13.0)	(10.0)	(6.1)	(2.1)
Net cash from operating activities	460.4	471.1	405.1	210.2	134.9

	Year ended 30 June			Six months ended	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i> (As restated)	<i>HK\$ million</i> (As restated)	<i>HK\$ million</i>	<i>HK\$ million</i> (Unaudited)	<i>HK\$ million</i>
Investing activities					
Dividends received from associates and available-for-sale investments/investments in securities	885.0	938.2	901.9	325.9	335.6
Interest received	34.4	53.5	123.8	54.6	113.3
Purchase of investment properties	(1.2)	(0.1)	—	—	(92.5)
Purchase of property, plant and equipment	(19.2)	(22.8)	(28.4)	(18.4)	(28.4)
Payments to acquire additional interest in a subsidiary	—	(50.9)	(252.5)	(252.5)	—
Payments to acquire additional interests in associates	—	(23.7)	(814.6)	—	(16.1)
Payments to acquire investments in securities	—	(0.4)	—	—	—
Payments to acquire available-for-sale investments	—	—	(1.0)	(0.3)	—
Proceeds from disposal of property, plant and equipment	6.6	0.2	0.2	0.1	0.5
Proceeds from disposal of investments in securities	804.4	40.8	—	—	—
(Increase) decrease in amounts due from investee companies	—	(0.1)	1.0	1.0	—
(Increase) decrease in amounts due from associates	(0.6)	85.4	(4.1)	(1.9)	(3.8)
(Increase) decrease in amounts due from minority shareholders	(5.3)	3.6	(9.9)	—	(36.1)
Net cash (outflow) inflow from disposal of subsidiaries (note 37)	(0.1)	0.1	—	—	38.8
Net cash from (used in) investing activities	<u>1,704.0</u>	<u>1,023.8</u>	<u>(83.6)</u>	<u>108.5</u>	<u>311.3</u>
Financing activities					
Dividends paid to shareholders	(619.8)	(704.2)	(818.8)	(422.4)	(456.6)
Dividends paid to minority shareholders	(66.4)	(33.4)	(57.7)	(7.8)	(15.5)
(Repayment to) advance from a fellow subsidiary	(127.3)	228.9	(180.9)	(215.0)	(72.7)
(Repayment to) advance from minority shareholders	(10.5)	(4.0)	(8.9)	(2.9)	178.6
(Repayment to) advance from associates	(0.2)	2.5	(1.7)	(1.6)	(0.8)
Repayment to an investee company	(4.1)	—	—	—	—
Issue of shares to minority shareholders	2.3	—	—	—	—
Share issued, net of expenses	—	—	3,103.1	—	—
New bank and other loans raised	6.1	—	33.6	5.6	—
Repayment of bank and other loans	(287.4)	(53.0)	(9.4)	(9.4)	(190.9)
Net cash (used in) from financing activities	<u>(1,107.3)</u>	<u>(563.2)</u>	<u>2,059.3</u>	<u>(653.5)</u>	<u>(557.9)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,057.1</u>	<u>931.7</u>	<u>2,380.8</u>	<u>(334.8)</u>	<u>(111.7)</u>
Cash and cash equivalents at beginning of the year/period	<u>757.4</u>	<u>1,814.5</u>	<u>2,746.2</u>	<u>2,746.2</u>	<u>5,127.0</u>
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7.2</u>
Cash and cash equivalents at end of the year/period	<u>1,814.5</u>	<u>2,746.2</u>	<u>5,127.0</u>	<u>2,411.4</u>	<u>5,022.5</u>
Analysis of balances of cash and cash equivalents					
Bank balances and cash	1,843.6	2,780.0	5,156.8	2,450.9	5,023.6
Bank balances and cash attributable to a disposal group	—	—	0.5	—	1.3
Bank overdrafts	(29.1)	(33.8)	(30.3)	(39.5)	(2.4)
	<u>1,814.5</u>	<u>2,746.2</u>	<u>5,127.0</u>	<u>2,411.4</u>	<u>5,022.5</u>

Notes to the financial information

1. GENERAL

The Company is a public limited liability company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Kingslee S.A., a private limited liability company incorporated in the Republic of Panama. Its intermediate holding company is Henderson Land Development Company Limited, a public limited liability company also incorporated in Hong Kong with its shares listed on the Stock Exchange. Its ultimate holding company is Henderson Development Limited, a private limited liability company incorporated in Hong Kong.

During the Relevant Periods, the Company is an investment holding company and the principal activities of its subsidiaries are property development and investment, investment holding, infrastructure, department store operation, security guard services, hotel operations and information technology development.

The address of the registered office and the principal place of business of the Company is 72-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The financial information is presented in Hong Kong dollars. The Company's functional currency is Hong Kong dollars, while the functional currency of the subsidiaries operating in the Mainland China (the "PRC") is Renminbi.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the year ended 30 June 2004

The Group has adopted the Statement of Standard Accounting Practice ("SSAP") 12 (Revised) *Income taxes* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. Prior to the year ended 30 June 2004, partial provision had to be made for deferred tax using the income statement liability method, i.e. a liability had to be recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific requirements in SSAP 12 (Revised), the revised accounting policy has been applied retrospectively (see note 3 for the financial impact).

For the year ended 30 June 2005

The Group has applied, Hong Kong Financial Reporting Standards ("HKFRS") 3 *Business combinations* which is applicable to business combinations, for which the agreement date is on or after 1 January 2005; and HK Interpretation ("HK Int") 1 *The appropriate accounting policies for infrastructure facilities* which is effective on 1 October 2004. In addition, the Group has early adopted Hong Kong Accounting Standards ("HKAS") 40 *Investment property* and HKAS Interpretation 21 *Income taxes - Recovery of revalued non-depreciable assets*.

The principal effects of the application of HKFRS 3, HK Int 1, HKAS 40 and HKAS - Int 21 to the Group are summarised as follows:

HKFRS 3 Business combinations

HKFRS 3 has been adopted by the Group for business combinations for which the agreement date is on or after 1 January 2005. The transactions to which HKFRS 3 has been applied by the Group are the acquisition of the remaining interest of Shiu Kien Development Company Limited in January 2005 and the acquisition of additional interests in certain associates during the year ended 30 June 2005. By adoption of HKFRS 3, no amortisation for goodwill arising from the above transactions has been charged to the consolidated income statement for the year ended 30 June 2005 and subsequent year/period.

In accordance with the transitional rules of HKFRS 3, the Group has applied the revised accounting policy of goodwill prospectively from the beginning of its first annual financial period beginning on or after 1 January 2005, i.e. the year ended 30 June 2006.

HK Int 1 The appropriate accounting policies for infrastructure facilities

The principal effect of the adoption of HK Int 1 is in relation to the amortisation or depreciation methods in respect of infrastructure facilities, in particular toll roads. Prior to the year ended 30 June 2005, amortisation of toll highway operation rights and depreciation of bridges of the Group were provided for on the basis of a sinking fund method.

By adoption of HK Int 1, amortisation of toll highway operation rights and depreciation of bridges of the Group are provided for on the basis which is similar to a straight-line method. In the absence of any specific transitional requirements in HK Int 1, the revised accounting policy has been applied retrospectively (see note 3 for the financial impact).

HKAS 40 Investment property

Prior to the year ended 30 June 2005, investment property was stated at its open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment property was credited or charged to the property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation increase subsequently arising, this increase was credited to the income statement to the extent of the decrease previously charged. On disposal of an investment property, the balance on the property revaluation reserve attributable to the property was transferred to the income statement. No depreciation was provided on investment property except where the unexpired term of the relevant lease was 20 years or less.

HKAS 40 introduces both cost model and fair value model for the measurement of investment property. Under the fair value model, HKAS 40 requires fair value changes to be recognised directly in the income statement in the period in which they arise. The Group has elected to use the fair value model to account for its investment properties and apply HKAS 40 retrospectively (see note 3 for the financial impact).

HKAS Interpretation 21 Income taxes - Recovery of revalued non-depreciable assets

Prior to the year ended 30 June 2005, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation.

The Group has applied HKAS Interpretation 21 which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively (see note 3 for the financial impact).

For the year ended 30 June 2006

From 1 July 2005 onwards, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005 except for HKAS 40 and Int 21 which the Group has early adopted in 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.

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 Relevant Periods are prepared and presented:

Business combinations

From 1 July 2005, 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 at 30 June 2005, 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 for the year ended 30 June 2006. Comparative figures have not been restated (see note 3 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 (see note 3 for the financial impact).

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 to be 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.

According to the transitional provisions of HKFRS 5, the new accounting policy has been 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 sheets prior to the year ended 30 June 2006. Assets and liabilities of certain subsidiaries (which satisfy the definition of non-current assets held for sale) were therefore classified as held for sale assets and liabilities during the year ended 30 June 2006.

Hotel properties

Prior to the year ended 30 June 2006, 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. From 1 July 2005 onwards, the Group has applied HKAS 16 *Property, plant and equipment*. HKAS 16 requires the residual value of the hotel properties to be measured at 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, 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 on a retrospective basis in accordance with HKAS 8 *Accounting policies, changes in accounting estimates and errors*. Deferred taxation relating to hotel properties has also been restated (see note 3 for the financial impact).

Owner-occupied leasehold interest in land

Prior to the year ended 30 June 2006, 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. From 1 July 2005 onwards, 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 3 for the financial impact).

Financial instruments

From 1 July 2005 onwards, 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 SSAP 24 *Investments in Securities*. 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” were carried at cost less impairment losses (if any) while “other investments” were measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments were 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 (see note 3 for the financial impact).

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 for the year ended 30 June 2006.

Interests in associates

From 1 July 2005 onwards, 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 (see note 3 for the financial impact).

For the six months ended 31 December 2006

The Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods either beginning on or after 1 December 2005, 1 January 2006, 1 March 2006, 1 May 2006 or 1 June 2006. The adoption of the new standards, amendments and interpretations has had no material effect on how the results for the current or prior accounting years are prepared and presented. Accordingly, no prior year adjustment is required.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The Group anticipates that the application of new standards, amendment and interpretations will have no material impact on the financial information of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) - Int 10	Interim financial reporting and impairment ³
HK(IFRIC) - Int 11	HKFRS 2: Group and treasury share transactions ⁴
HK(IFRIC) - Int 12	Service Concession Arrangements ⁵

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 November 2006

⁴ Effective for annual periods beginning on or after 1 March 2007

⁵ Effective for annual periods beginning on or after 1 January 2008

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the Relevant Periods and for the six months ended 31 December 2005 are as follows:

(i) On results

For the year ended 30 June 2004

	HKAS 16 &			HK(SIC)		Total
	SSAP 12	HKAS 17	HKAS 40	Int 21	HK Int 1	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Note 3)	(Note 2)	(Note 1)	(Note 1)	(Note 1)	
Increase in depreciation and amortisation	—	(8.6)	—	—	(21.3)	(29.9)
Decrease in impairment loss on property, plant and equipment	—	—	—	—	53.3	53.3
Increase in fair value gain of investment properties	—	—	160.9	—	—	160.9
(Decrease) increase in share of results of associates	(20.7)	10.0	195.5	(33.0)	—	151.8
(Increase) decrease in deferred tax	(22.4)	0.9	—	(22.7)	3.4	(40.8)
(Decrease) increase in profit	<u>(43.1)</u>	<u>2.3</u>	<u>356.4</u>	<u>(55.7)</u>	<u>35.4</u>	<u>295.3</u>
Attributable to:						
Shareholders of the Company	(32.8)	2.3	356.4	(55.7)	4.6	274.8
Minority interests	<u>(10.3)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>30.8</u>	<u>20.5</u>
	<u>(43.1)</u>	<u>2.3</u>	<u>356.4</u>	<u>(55.7)</u>	<u>35.4</u>	<u>295.3</u>

For the year ended 30 June 2005

	HKAS 16 & HKAS 17	HKAS 40	HK(SIC) Int 21	HK Int 1	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>	
Increase in depreciation and amortisation	(8.4)	—	—	(19.4)	(27.8)
Increase in fair value gain of investment properties	—	890.3	—	—	890.3
Increase in share of results of associates	10.0	635.2	—	—	645.2
Increase in share of tax of associates	—	—	(111.7)	—	(111.7)
Decrease (increase) in deferred tax	0.9	—	(117.7)	2.9	(113.9)
Increase (decrease) in profit	<u>2.5</u>	<u>1,525.5</u>	<u>(229.4)</u>	<u>(16.5)</u>	<u>1,282.1</u>
Attributable to:					
Shareholders of the Company	2.5	1,525.5	(229.4)	(7.9)	1,290.7
Minority interests	—	—	—	(8.6)	(8.6)
	<u>2.5</u>	<u>1,525.5</u>	<u>(229.4)</u>	<u>(16.5)</u>	<u>1,282.1</u>

For the year ended 30 June 2006

	HKAS 16 & HKAS 17	HKFRS 3	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(Note 3)</i>	<i>(Note 3)</i>	
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 discount on acquisition released to income	—	(6.3)	(6.3)
Decrease in deferred tax	0.8	—	0.8
Increase in profit	<u>2.7</u>	<u>67.8</u>	<u>70.5</u>

For the six months ended 31 December 2005 - unaudited

	HKAS 16 & HKAS 17	HKFRS 3	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Increase in depreciation and amortisation	(4.2)	—	(4.2)
Increase in share of results of associates	5.1	(0.7)	4.4
Decrease in amortisation of goodwill	—	30.4	30.4
Decrease in discount on acquisition released to income	—	(4.3)	(4.3)
Decrease in deferred tax	0.4	—	0.4
Increase in profit	<u>1.3</u>	<u>25.4</u>	<u>26.7</u>

(ii) On income statement line items

For the year ended 30 June 2004

	HKAS 16 &			HK(SIC)		Total
	SSAP 12	HKAS 17	HKAS 40	Int 21	HK Int 1	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Note 3)	(Note 2)	(Note 1)	(Note 1)	(Note 1)	
Increase in direct operating costs	—	—	—	—	(21.3)	(21.3)
(Increase) decrease in administrative expenses	—	(8.6)	—	—	53.3	44.7
Increase in fair value gain of investment properties	—	—	160.9	—	—	160.9
(Decrease) increase in share of results of associates	(20.7)	10.0	195.5	(33.0)	—	151.8
(Increase) decrease in taxation	(22.4)	0.9	—	(22.7)	3.4	(40.8)
(Decrease) increase in profit	<u>(43.1)</u>	<u>2.3</u>	<u>356.4</u>	<u>(55.7)</u>	<u>35.4</u>	<u>295.3</u>
Attributable to:						
Shareholders of the Company	(32.8)	2.3	356.4	(55.7)	4.6	274.8
Minority interests	(10.3)	—	—	—	30.8	20.5
	<u>(43.1)</u>	<u>2.3</u>	<u>356.4</u>	<u>(55.7)</u>	<u>35.4</u>	<u>295.3</u>

For the year ended 30 June 2005

	HKAS 16 &		HK(SIC)		Total
	HKAS 17	HKAS 40	Int 21	HK Int 1	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Note 2)	(Note 3)	(Note 3)	(Note 3)	
Increase in direct operating costs	—	—	—	(19.4)	(19.4)
Increase in administrative expenses	(8.4)	—	—	—	(8.4)
Increase in fair value gain of investment properties	—	890.3	—	—	890.3
Increase (decrease) in share of results of associates	10.0	635.2	(111.7)	—	533.5
Decrease (increase) in taxation	0.9	—	(117.7)	2.9	(113.9)
Increase (decrease) in profit	<u>2.5</u>	<u>1,525.5</u>	<u>(229.4)</u>	<u>(16.5)</u>	<u>1,282.1</u>
Attributable to:					
Shareholders of the Company	2.5	1,525.5	(229.4)	(7.9)	1,290.7
Minority interests	—	—	—	(8.6)	(8.6)
	<u>2.5</u>	<u>1,525.5</u>	<u>(229.4)</u>	<u>(16.5)</u>	<u>1,282.1</u>

For the year ended 30 June 2006

	HKAS 16 & HKAS 17	HKFRS 3	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(Note 3)</i>	<i>(Note 3)</i>	
Increase in administrative expenses	(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 discount on acquisition released to income	—	(6.3)	(6.3)
Decrease in taxation	0.8	—	0.8
Increase in profit	<u>2.7</u>	<u>67.8</u>	<u>70.5</u>

For the six months ended 31 December 2005 - unaudited

	HKAS 16 & HKAS 17	HKFRS 3	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Increase in administrative expenses	(4.2)	—	(4.2)
Increase in share of results of associates	5.1	(0.7)	4.4
Decrease in amortisation of goodwill	—	30.4	30.4
Decrease in discount on acquisition released to income	—	(4.3)	(4.3)
Decrease in taxation	0.4	—	0.4
Increase in profit	<u>1.3</u>	<u>25.4</u>	<u>26.7</u>

The cumulative effects of the changes in the accounting policies described in note 2 on the balance sheet items as at respective balance sheet dates are summarised below:

As at 30 June 2004

	As originally stated	Effect of					As restated
		HKAS 1	HKAS 16 & HKAS 17	HKAS 40	HK(SIC) Int 21	HK Int 1	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
		(Note 2)	(Note 2)	(Note 1)	(Note 1)	(Note 1)	
Property, plant and equipment	1,355.4	—	(561.7)	—	—	(70.8)	722.9
Toll highway operation rights	626.2	—	—	—	—	(30.0)	596.2
Prepaid lease payments	—	—	83.9	—	—	—	83.9
Interests in associates	13,501.6	—	(851.2)	—	(362.2)	—	12,288.2
Deferred tax liabilities	(70.2)	—	10.2	—	(399.0)	23.1	(435.9)
Total effects on assets and liabilities		—	(1,318.8)	—	(761.2)	(77.7)	
Property valuation reserve	2,185.7	—	(1,294.0)	(891.7)	—	—	—
Retained profits	11,565.9	—	(24.8)	891.7	(753.0)	(39.7)	11,640.1
Minority interests	—	802.0	—	—	(8.2)	(38.0)	755.8
Total effects on equity		802.0	(1,318.8)	—	(761.2)	(77.7)	
Minority interests	802.0	(802.0)	—	—	—	—	—

As at 30 June 2005 and 1 July 2005

	At 30 June 2005 as originally stated	Effect of		At 30 June 2005 (restated)	Effect of		At 1 July 2005 (restated)
		HKAS 1	HKAS 16 & HKAS 17		HKAS 39	HKFRS 3	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
		(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	
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 2003 are summarised below:

As at 1 July 2003

	Effect of							As restated HK\$ million
	As originally stated HK\$ million	SSAP 12 HK\$ million (Note 3)	HKAS 1 HK\$ million (Note 2)	HKAS 16 & HKAS 17 HK\$ million (Note 2)	HKAS 40 HK\$ million (Note 1)	HK(SIC) Int 21 HK\$ million (Note 1)	HK Int 1 HK\$ million (Note 1)	
Property valuation reserve	1,826.4	(11.0)	—	(1,280.0)	(535.4)	—	—	—
Retained profits	10,768.8	(379.6)	—	(27.2)	535.4	(697.4)	(44.2)	10,155.8
Minority interests	—	—	803.4	—	—	(8.0)	(68.9)	726.5
Total effects on equity		(390.6)	803.4	(1,307.2)	—	(705.4)	(113.1)	
Minority interests	809.8	(6.4)	(803.4)	—	—	—	—	—

Notes:

- The Group has applied these new/revised standards/interpretations in the preparation of the consolidated financial statements for the year ended 30 June 2005 (which were not adjusted in the audited consolidated financial statements of the Group for the year ended 30 June 2004). For the purpose of presenting this accountants' report, the changes in accounting policies have been adjusted retrospectively to the audited consolidated financial statements of the Group for the year ended 30 June 2004.
- The Group has applied these new/revised standards in the preparation of the consolidated financial statements for the year ended 30 June 2006 (which were not adjusted in the audited consolidated financial statements of the Group for the year ended 30 June 2004 and 30 June 2005). For the purpose of presenting this accountants' report, the changes in accounting policies have been adjusted retrospectively to the audited consolidated financial statements of the Group for the year ended 30 June 2004 and 30 June 2005.
- The adjustments were resulted from the adoption of new/revised standards during the three years ended 30 June 2006 and were adjusted to the audited consolidated financial statements of the relevant year.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial information has been prepared in accordance with the principal accounting policies set out below which conform with Hong Kong Financial Reporting Standards issued by the HKICPA.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intercompany transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already an entity controlled by the Company, goodwill arising on such acquisition represents the difference between the consideration paid for the additional interest and the book value of the net assets of the subsidiary attributable to the additional interest acquired.

Goodwill

Goodwill arising on acquisition before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1 July 2001 continues to be held in reserves and will be charged to the retained profits at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or after 1 July 2001 with agreement dated before 31 December 2004 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the interests in associates. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

For previously capitalised goodwill arising on acquisitions of subsidiaries or associates after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill arising on acquisitions of subsidiaries is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired, while such goodwill on acquisitions of associates is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on acquisitions for which the agreement date is on or after 1 January 2005, represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition, is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

As goodwill arising from the acquisition of associates is included in the carrying amount of an investment in an associate and which is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in HKAS 36 *Impairment of assets*. Instead, the entire carrying amount of the investment in an associate is tested under HKAS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. In determining the value in use of the investment, the Group estimates: (a) its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or (b) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

On subsequent disposal of a subsidiary and an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary or an associate for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate is included as income in the determination of the investor's share of results of the associate in the period in which the investment is acquired.

As explained in note 2 above, the discount on acquisitions arising on acquisition of associates as at 1 July 2005 has been derecognised with a corresponding adjustment to the Group's retained earnings.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as deposits from pre-sale of properties under current liabilities.

The fixed portion of rental income under operating leases is recognised on a straight-line basis over the respective lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rent, which is determined based on a factor other than just the passage of time, is recognised when the Group's entitlement to receive payment has been established in accordance with the terms of the agreements.

Sale of goods from the retail business is recognised when goods are delivered and title of goods passes to the purchaser.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Investment income and dividend income from investments are recognised when the rights to receive payment have been established.

Income from hotels and restaurants and management services are recognised when the relevant services are provided.

Income from security guard services/consultancy service and commission income are recognised when services are provided.

Toll fee income is recognised on a cash receipt basis.

Income from customer use of data centre services is recognised on a straight-line basis over the terms of the respective leases.

Revenue from the provision of internet and telecommunication services is recognised at the time when the services are rendered.

Interests in associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled assets

Where a group company undertakes its activities under joint venture arrangements directly constituted as jointly controlled assets, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, together with its share of joint venture expenses are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group.

Non-current assets held for sale

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 asset (or disposal group) is 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' (disposal groups') previous carrying amount and fair value less costs to sell.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the profit or loss in the year/period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year/period in which the item is derecognised.

Toll highway operation rights

Toll highway operation rights are stated at cost less subsequent accumulated amortisation and accumulated impairment losses.

Amortisation is provided to write off the cost of toll highway operation rights using the straight-line method over the operating periods ranging from 25 years to 33 years.

Toll highway operation rights are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of toll highway operation rights are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Inventories

Goods for retails, catering stocks and trading goods

Goods for retails, catering stocks and trading goods are stated at the lower of cost and net realisable value. Costs, which comprise all costs of purchase, are calculated on the weighted average cost method.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes interest, finance charges, professional fees and other direct costs attributable to such properties until they reach a marketable state. Net realisable value is calculated as the estimated selling price less all costs to completion and costs to be incurred in marketing and selling.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, amounts due from associates, minority shareholders and investee companies, bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

The Group's financial liabilities including creditors, amounts due to fellow subsidiaries, associates and minority shareholders and borrowings are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Impairment - other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Owner-occupied leasehold interest in land

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. 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 classified as prepaid lease payments under operating leases, which are carried at cost and released to income statement over the lease term on a straight-line basis.

Development costs

Research and development costs, including website/portal development costs, are charged to the profit or loss as incurred, except in so far as those product development costs that relate to a clearly defined project and the future benefits therefrom are reasonably assured. Such development costs are then deferred and amortised on a straight-line basis over the life of the project from the date of commencement of commercial operation.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement schemes and mandatory provident fund scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year/period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on the greater of their net selling prices and value in use calculation. The value in use calculation requires the use of estimation on future operating cash flows and discount rate adopted in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Allowance for doubtful debts

The Group makes allowances for bad and doubtful debts when there is objective evidence that receivables balances are impaired. The balances of the receivables are based on the present value of estimated future cash flows discounted at the effective rate computed at initial recognition. The directors involved a considerable amount of judgment in assessing the ultimate realisation of these receivables including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their activity to make payments, additional allowance may be required.

6. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, debtors, instalments receivable, bank balances and cash, creditors, amounts due from/to related parties and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and an effective manner.

(i) *Cash flow interest rate risk*

The Group's interest rate risk relates primarily to variable-rate bank borrowings which exposed the Group to cash flow interest rate risk (see note 29). The Group currently does not have an interest rate hedging policy. However, the management monitors closely the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(ii) *Currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's financing and treasury activities were managed centrally at the corporate level. Banking facilities obtained by the Group to finance its Hong Kong operations were mainly denominated in Hong Kong dollars. The Group's bank loans are mainly related to the infrastructure projects in the PRC, and are denominated in Renminbi. The use of financial derivative instruments is strictly controlled and is solely for management of the Group's foreign currency exchange rate exposures in connection with its borrowings. As a whole, the core operations of the Group can be considered as not exposed to foreign exchange rate risk to any significant extent and the Group did not enter into any currency hedging agreement in the Relevant Periods.

The Group has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

(iii) *Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high-credit-ratings.

In order to minimise the credit risk, the management of the Company has also closely monitored the receivable due from the associates and investee companies and implemented monitoring procedures to ensure that follow-up action is taken to recover the outstanding balances.

Other than the above, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(iv) *Price risk*

The Group's available-for-sale investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

(v) *Liquidity risk*

The objective of the Group is to maintain a balance between the continuity of funding and the flexibility through the use of bank borrowings and advances from related parties. In addition, banking facilities have been put in place for general funding purposes.

b. **Fair value**

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Except as indicated in the financial information, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial information approximate to their fair values.

7. **TURNOVER**

	Year ended 30 June			Six months ended	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(restated)	(restated)		(Unaudited)	
Hotel operation	89.9	99.3	95.3	47.0	51.8
Information technology services income	87.3	83.8	56.8	38.1	1.1
Rental income	572.3	609.8	613.8	311.2	192.7
Sale of properties	5.6	1.6	3.6	3.1	28.8
Security guard services	92.8	98.4	64.8	34.4	36.1
Toll fee income	238.8	235.5	136.4	92.4	72.9
Others	169.1	166.0	176.4	85.1	123.6
	<u>1,255.8</u>	<u>1,294.4</u>	<u>1,147.1</u>	<u>611.3</u>	<u>507.0</u>

8. 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
Security guard	—	provision of security guard services
Others	—	investment holding, sale of properties, provision of cleaning, 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 2004

	Property leasing HK\$ million	Hotel operation HK\$ million	Infra- structure HK\$ million	Security guard service HK\$ million	Others HK\$ million	Eliminations HK\$ million	Consolidated HK\$ million (restated)
INCOME AND RESULTS							
Turnover	572.3	89.9	238.8	92.8	262.0	—	1,255.8
Other income	2.9	0.7	3.4	—	31.6	—	38.6
External income	575.2	90.6	242.2	92.8	293.6	—	1,294.4
Inter-segment income	51.9	1.7	—	2.2	2.6	(58.4)	—
Total income	627.1	92.3	242.2	95.0	296.2	(58.4)	1,294.4

Inter-segment sales were charged at prices determined by management with reference to market prices.

Segment results	497.8	(3.4)	150.4	4.7	17.8	—	667.3
Interest income	—	—	12.6	—	16.3	—	28.9
Dividend income from listed investments	—	—	—	—	11.0	—	11.0
Dividend income from unlisted investments	—	—	—	—	8.1	—	8.1
Gain (loss) on disposal of property, plant and equipment	—	—	104.3	—	(28.2)	—	76.1
Gain on disposal of investments in securities	—	—	—	—	61.9	—	61.9
Unrealised holding gain on investment in securities	—	—	—	—	48.9	—	48.9
Unallocated corporate expenses	—	—	—	—	—	—	(21.4)
Finance costs	—	—	—	—	—	—	(16.2)
Share of results of associates	—	—	—	—	—	—	1,522.3
Amortisation of goodwill	—	—	—	—	—	—	(59.6)
Negative goodwill released to income	—	—	—	—	—	—	9.0
Profit before taxation	—	—	—	—	—	—	2,336.3
Taxation	—	—	—	—	—	—	(109.8)
Profit for the year	—	—	—	—	—	—	2,226.5

As at 30 June 2004

	Property leasing	Hotel operation	Infra- structure	Security guard services	Others	Consolidated
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i> (restated)
BALANCE SHEET						
Assets						
Segment assets	4,366.8	282.5	1,225.8	31.4	441.4	6,347.9
Interests in associates						12,288.2
Amounts due from associates						127.5
Unallocated corporate assets						<u>2,063.2</u>
Consolidated total assets						<u><u>20,826.8</u></u>
Liabilities						
Segment liabilities	75.1	6.6	12.6	8.3	110.2	212.8
Unallocated corporate liabilities						<u>1,145.0</u>
Consolidated total liabilities						<u><u>1,357.8</u></u>

For the year ended 30 June 2004

OTHER INFORMATION

Capital additions	1.2	1.1	1.2	0.5	16.4	20.4
Amortisation of toll highway operation rights	—	—	34.7	—	—	34.7
Depreciation	—	8.4	20.5	0.9	27.5	57.3
Impairment loss on debtors	2.1	0.1	—	—	1.1	3.3
Impairment loss on property, plant and equipment	—	—	—	—	0.4	0.4
Gain (loss) on disposal of property, plant and equipment	—	—	104.3	—	(28.2)	76.1
Release of prepaid lease payments	—	1.1	—	—	0.6	1.7

For the year ended 30 June 2005

	Property leasing <i>HK\$ million</i>	Hotel operation <i>HK\$ million</i>	Infra- structure <i>HK\$ million</i>	Security guard service <i>HK\$ million</i>	Others <i>HK\$ million</i>	Eliminations <i>HK\$ million</i>	Consolidated <i>HK\$ million</i> (restated)
INCOME AND RESULTS							
Turnover	609.8	99.3	235.5	98.4	251.4	—	1,294.4
Other income	4.6	0.1	1.9	—	2.2	—	8.8
External income	614.4	99.4	237.4	98.4	253.6	—	1,303.2
Inter-segment income	26.3	—	—	0.1	3.5	(29.9)	—
Total income	640.7	99.4	237.4	98.5	257.1	(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	6.1	(10.5)	—	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)
Discount on acquisition released to income							6.3
Profit before taxation							3,774.4
Taxation							(201.0)
Profit for the year							3,573.4

As at 30 June 2005

	Property leasing	Hotel operation	Infra- structure	Security guard services	Others	Consolidated
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i> (restated)
BALANCE SHEET						
Assets						
Segment assets	5,255.0	279.1	1,253.6	22.6	409.1	7,219.4
Interests in associates						13,715.6
Amounts due from associates						42.0
Unallocated corporate assets						<u>3,015.4</u>
Consolidated total assets						<u><u>23,992.4</u></u>
Liabilities						
Segment liabilities	79.2	18.6	20.1	8.6	141.7	268.2
Amounts due to associates						2.5
Unallocated corporate liabilities						<u>1,460.4</u>
Consolidated total liabilities						<u><u>1,731.1</u></u>

For the year ended 30 June 2005

OTHER INFORMATION

Capital additions	0.1	1.9	1.6	1.1	18.2	22.9
Amortisation of toll highway operation rights	—	—	34.7	—	—	34.7
Depreciation	—	8.1	20.7	0.8	28.1	57.7
Impairment loss on debtors	1.7	(0.2)	—	—	4.2	5.7
Loss on write off/disposal of property, plant and equipment	—	—	2.1	—	—	2.1
Release of prepaid lease payments	—	1.1	—	—	0.6	1.7

For the year ended 30 June 2006

	Property leasing <i>HK\$ million</i>	Hotel operation <i>HK\$ million</i>	Infra- structure <i>HK\$ million</i>	Security guard service <i>HK\$ million</i>	Others <i>HK\$ million</i>	Eliminations <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
INCOME AND RESULTS							
Turnover	613.8	95.3	136.4	64.8	236.8	—	1,147.1
Other income	<u>3.8</u>	<u>0.2</u>	<u>1.0</u>	<u>—</u>	<u>3.4</u>	<u>—</u>	<u>8.4</u>
External income	617.6	95.5	137.4	64.8	240.2	—	1,155.5
Inter-segment income	<u>19.8</u>	<u>—</u>	<u>—</u>	<u>0.5</u>	<u>6.1</u>	<u>(26.4)</u>	<u>—</u>
Total income	<u><u>637.4</u></u>	<u><u>95.5</u></u>	<u><u>137.4</u></u>	<u><u>65.3</u></u>	<u><u>246.3</u></u>	<u><u>(26.4)</u></u>	<u><u>1,155.5</u></u>

Inter-segment sales were charged at prices determined by management with reference to market prices.

Segment results	<u>1,344.3</u>	<u>35.6</u>	<u>81.8</u>	<u>2.3</u>	<u>(173.2)</u>	<u>—</u>	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							<u>2,489.1</u>
Profit before taxation							3,880.0
Taxation							<u>(184.9)</u>
Profit for the year							<u><u>3,695.1</u></u>

As at 30 June 2006

	Property leasing <i>HK\$ million</i>	Hotel operation <i>HK\$ million</i>	Infra- structure <i>HK\$ million</i>	Security guard services <i>HK\$ million</i>	Others <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
BALANCE SHEET						
Assets						
Segment assets	6,316.7	276.4	1,214.5	21.5	430.0	8,259.1
Interests in associates						16,243.0
Amounts due from associates						46.1
Unallocated corporate assets						<u>5,328.7</u>
Consolidated total assets						<u><u>29,876.9</u></u>
Liabilities						
Segment liabilities	87.0	23.0	270.5	5.5	118.7	504.7
Amounts due to associates						0.8
Unallocated corporate liabilities						<u>1,091.3</u>
Consolidated total liabilities						<u><u>1,596.8</u></u>

For the year ended 30 June 2006

OTHER INFORMATION

Capital additions	—	0.8	11.1	0.6	15.9	28.4
Amortisation of toll highway operation rights	—	—	15.6	—	—	15.6
Depreciation	—	8.5	20.5	0.6	23.5	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 write off/disposal of property, plant and equipment	—	—	—	—	7.8	7.8
Release of prepaid lease payments	—	1.1	—	—	0.6	1.7

For the six months ended 31 December 2006

	Property leasing <i>HK\$ million</i>	Hotel operation <i>HK\$ million</i>	Infra- structure <i>HK\$ million</i>	Security guard service <i>HK\$ million</i>	Others <i>HK\$ million</i>	Eliminations <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
INCOME AND RESULTS							
Turnover	192.7	51.8	72.9	36.1	153.5	—	507.0
Other income	<u>0.4</u>	<u>0.1</u>	<u>0.4</u>	<u>—</u>	<u>5.6</u>	<u>—</u>	<u>6.5</u>
External income	193.1	51.9	73.3	36.1	159.1	—	513.5
Inter-segment income	<u>0.1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2.2</u>	<u>(2.3)</u>	<u>—</u>
Total income	<u><u>193.2</u></u>	<u><u>51.9</u></u>	<u><u>73.3</u></u>	<u><u>36.1</u></u>	<u><u>161.3</u></u>	<u><u>(2.3)</u></u>	<u><u>513.5</u></u>

Inter-segment sales were charged at prices determined by management with reference to market prices.

Segment results	<u>353.5</u>	<u>20.9</u>	<u>43.2</u>	<u>2.3</u>	<u>3.7</u>	<u>—</u>	423.6
Interest income	—	—	6.0	—	108.8	—	114.8
Dividend income from listed investments	—	—	—	—	1.0	—	1.0
Profit for the period of disposal group	—	—	5.8	—	—	—	5.8
Unallocated corporate expenses							(11.0)
Finance costs							(2.1)
Share of results of associates							<u>1,516.4</u>
Profit before taxation							2,048.5
Taxation							<u>(66.6)</u>
Profit for the period							<u><u>1,981.9</u></u>

As at 31 December 2006

	Property leasing	Hotel operation	Infra- structure	Security guard services	Others	Consolidated
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
BALANCE SHEET						
Assets						
Segment assets	6,574.1	289.2	1,352.1	20.7	460.0	8,696.1
Interests in associates						17,441.0
Amounts due from associates						49.9
Unallocated corporate assets						5,217.5
Consolidated total assets						<u>31,404.5</u>
Liabilities						
Segment liabilities	87.5	19.9	326.0	5.8	51.6	490.8
Unallocated corporate liabilities						985.8
Consolidated total liabilities						<u>1,476.6</u>

For the six months ended 31 December 2006

OTHER INFORMATION

Capital additions	92.5	—	27.3	0.2	0.9	120.9
Amortisation of toll highway operation rights	—	—	5.1	—	—	5.1
Depreciation	—	4.1	10.7	0.2	2.3	17.3
Impairment loss on debtors	—	0.5	—	—	0.2	0.7
Loss on write off/disposal of property, plant and equipment	—	—	—	—	17.4	17.4
Release of prepaid lease payments	—	0.6	—	—	0.1	0.7

For the six months ended 31 December 2005 - unaudited

	Property leasing	Hotel operation	Infra- structure	Security guard service	Others	Eliminations	Consolidated
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
INCOME AND RESULTS							
Turnover	311.2	47.0	92.4	34.4	126.3	—	611.3
Other income	<u>2.0</u>	<u>—</u>	<u>0.6</u>	<u>—</u>	<u>2.2</u>	<u>—</u>	<u>4.8</u>
External income	313.2	47.0	93.0	34.4	128.5	—	616.1
Inter-segment income	<u>21.3</u>	<u>—</u>	<u>—</u>	<u>0.1</u>	<u>3.0</u>	<u>(24.4)</u>	<u>—</u>
Total income	<u><u>334.5</u></u>	<u><u>47.0</u></u>	<u><u>93.0</u></u>	<u><u>34.5</u></u>	<u><u>131.5</u></u>	<u><u>(24.4)</u></u>	<u><u>616.1</u></u>

Inter-segment sales were charged at prices determined by management with reference to market prices.

Segment results	<u>859.1</u>	<u>17.5</u>	<u>51.7</u>	<u>2.3</u>	<u>(155.2)</u>	<u>—</u>	775.4
Interest income	—	—	5.4	—	49.0	—	54.4
Dividend income from listed investments	—	—	—	—	1.0	—	1.0
Unallocated corporate expenses							(12.5)
Finance costs							(6.1)
Share of results of associates							<u>1,094.6</u>
Profit before taxation							1,906.8
Taxation							<u>(97.8)</u>
Profit for the period							<u><u>1,809.0</u></u>

For the six months ended 31 December 2005 - unaudited

	Property leasing	Hotel operation	Infra- structure	Security guard service	Others	Consolidated
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
OTHER INFORMATION						
Capital additions	—	0.7	2.3	—	15.3	18.3
Amortisation of toll highway operation rights	—	—	17.3	—	—	17.3
Depreciation	—	4.8	10.3	0.3	11.1	26.5
Impairment loss on debtors	—	0.6	—	—	0.2	0.8
Release of prepaid lease payments	—	0.6	—	—	0.2	0.8

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 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 2004

	Hong Kong <i>HK\$ million</i>	PRC <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover	1,015.9	239.9	1,255.8
Other income	<u>34.0</u>	<u>4.6</u>	<u>38.6</u>
External income	<u><u>1,049.9</u></u>	<u><u>244.5</u></u>	<u><u>1,294.4</u></u>

For the year ended 30 June 2005

	Hong Kong <i>HK\$ million</i>	PRC <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover	1,058.9	235.5	1,294.4
Other income	<u>6.9</u>	<u>1.9</u>	<u>8.8</u>
External income	<u><u>1,065.8</u></u>	<u><u>237.4</u></u>	<u><u>1,303.2</u></u>

For the year ended 30 June 2006

	Hong Kong <i>HK\$ million</i>	PRC <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover	1,010.7	136.4	1,147.1
Other income	<u>6.4</u>	<u>2.0</u>	<u>8.4</u>
External income	<u><u>1,017.1</u></u>	<u><u>138.4</u></u>	<u><u>1,155.5</u></u>

For the six months ended 31 December 2006

	Hong Kong <i>HK\$ million</i>	PRC <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover	434.1	72.9	507.0
Other income	<u>6.1</u>	<u>0.4</u>	<u>6.5</u>
External income	<u><u>440.2</u></u>	<u><u>73.3</u></u>	<u><u>513.5</u></u>

For the six months ended 31 December 2005 - unaudited

	Hong Kong <i>HK\$ million</i>	PRC <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover	518.9	92.4	611.3
Other income	<u>4.2</u>	<u>0.6</u>	<u>4.8</u>
External income	<u><u>523.1</u></u>	<u><u>93.0</u></u>	<u><u>616.1</u></u>

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets

	Year ended 30 June			As at 31 December
	2004	2005	2006	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Hong Kong	19,528.4	22,627.8	28,536.6	29,944.9
PRC	<u>1,298.4</u>	<u>1,364.6</u>	<u>1,340.3</u>	<u>1,459.6</u>
	<u><u>20,826.8</u></u>	<u><u>23,992.4</u></u>	<u><u>29,876.9</u></u>	<u><u>31,404.5</u></u>

Additions to investment properties

	Year ended 30 June			Six months ended 31 December
	2004	2005	2006	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Hong Kong	<u>1.2</u>	<u>0.1</u>	<u>—</u>	<u>92.5</u>

Additions to property, plant and equipment

	Year ended 30 June			Six months ended 31 December
	2004	2005	2006	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Hong Kong	18.0	21.2	17.3	1.1
PRC	<u>1.2</u>	<u>1.6</u>	<u>11.1</u>	<u>27.3</u>
	<u><u>19.2</u></u>	<u><u>22.8</u></u>	<u><u>28.4</u></u>	<u><u>28.4</u></u>

9. OTHER INCOME

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Compensation for early termination of tenancy agreements	0.2	0.3	0.4	0.2	0.2
Dividend income from listed investments	11.0	5.4	6.7	1.0	1.0
Dividend income from unlisted investments	8.1	4.7	—	—	—
Exchange gain, net	—	0.1	0.5	0.2	0.1
Interest income (note 1)	28.9	52.8	124.2	54.4	114.8
Gain on settlement of derivative	22.1	—	—	—	—
Sponsorship fee	1.4	1.4	1.4	0.7	0.1
Gain on disposal of property, plant and equipment, net (note 2)	76.1	—	—	—	—
Gain on disposal of a subsidiary (note 3)	—	—	—	—	4.7
Gain on disposal of investments in securities	61.9	—	—	—	—
Sundry income	14.9	7.0	6.1	3.7	1.4
Unrealised holding gain on investments in securities	48.9	26.0	—	—	—
	<u>273.5</u>	<u>97.7</u>	<u>139.3</u>	<u>60.2</u>	<u>122.3</u>

Notes:

- Included in interest income are amounts of HK\$11.5 million, HK\$9.8 million, HK\$8.9 million, HK\$4.7 million and HK\$4.6 million for each of the three years ended 30 June 2006 and the six months ended 31 December 2005 and 2006 respectively from deferred instalment receivables.
- On 10 March 2004, the Group entered into two agreements with 天津市貸款道路建設車輛通行費徵收辦公室 (“Tianjin Toll Collection Office”), a department of the Tianjin municipal government, pursuant to which the Group’s toll collection right of certain toll bridges were transferred to Tianjin Toll Collection Office effective from 1 June 2003 at a total consideration of approximately RMB283.7 million (equivalent to approximately HK\$264.5 million) (the “Consideration”). The gain on disposal was HK\$104.3 million. The Consideration will be received by instalments at RMB28.1 million (equivalent to HK\$26.2 million) per annum and RMB16.0 million (equivalent to HK\$14.9 million) per annum for the period from 1 June 2003 to 27 October 2010 and from 28 October 2010 to 20 July 2015, respectively. Accordingly, the Group calculated the discounted value of the instalment receivables in the future using the prevailing interest rate for a similar financial instrument offered by an issuer in the PRC with a similar credit rating. Total discounted value of the instalment receivables in the future is HK\$176.0 million.

The remaining balance of HK\$28.2 million was the loss on disposal of other property, plant and equipment.

- During the six months ended 31 December 2006, the Group disposed of its entire interest in a subsidiary to Sunlight Real Estate Investment Trust for a cash consideration of HK\$38.8 million, resulting in a gain on disposal of HK\$4.7 million.

10. IMPAIRMENT LOSS ON GOODWILL ARISING FROM ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

After assessing the prospects of the various business segments of Henderson Cyber Limited (“Henderson Cyber”), a subsidiary of the Company, Henderson Land Development Company Limited, the intermediate holding company of the Company, The Hong Kong and China Gas Company Limited (“Hong Kong China Gas”), an associate of the Company, Henderson Cyber and the Company jointly announced in August 2005 the privatisation of Henderson Cyber by Hong Kong China Gas and the Company, involving the cancellation and extinguishments of the relevant shares of Henderson Cyber at a price of HK\$0.42 in cash per share. The privatisation became effective on 8 December 2005. In view of the cash flow forecast and the expected synergies of the privatisation of Henderson Cyber, the directors considered that the goodwill arising on the extinguishments of the relevant shares of Henderson Cyber by acquisition of additional interest in Henderson Cyber by the Company amounting to HK\$161.8 million was impaired.

11. FINANCE COSTS

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Interest on:					
Bank loans and overdrafts wholly repayable within five years	14.4	11.5	9.0	5.8	1.0
Other borrowings wholly repayable within five years	<u>1.8</u>	<u>1.5</u>	<u>1.0</u>	<u>0.3</u>	<u>1.1</u>
	<u>16.2</u>	<u>13.0</u>	<u>10.0</u>	<u>6.1</u>	<u>2.1</u>

12. TAXATION

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i> (restated)	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i> (Unaudited)	<i>HK\$ million</i>
The charge comprises:					
Current tax					
Hong Kong	48.7	57.2	57.5	30.7	23.3
Other regions in the PRC	20.8	28.1	12.1	8.6	7.6
	<u>69.5</u>	<u>85.3</u>	<u>69.6</u>	<u>39.3</u>	<u>30.9</u>
(Over)underprovision in prior years/periods					
Hong Kong	(0.5)	(3.5)	(17.5)	(17.5)	1.5
Other region in the PRC	—	0.4	—	—	—
	<u>(0.5)</u>	<u>(3.1)</u>	<u>(17.5)</u>	<u>(17.5)</u>	<u>1.5</u>
Deferred tax (note 24)					
Current year/period	40.8	118.8	132.8	88.8	34.2
Overprovision in prior year/periods	—	—	—	(12.8)	—
	<u>40.8</u>	<u>118.8</u>	<u>132.8</u>	<u>76.0</u>	<u>34.2</u>
	<u>109.8</u>	<u>201.0</u>	<u>184.9</u>	<u>97.8</u>	<u>66.6</u>

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

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/period.

The taxation charge for the year/period can be reconciled to the profit before taxation as follows:

	Year ended 30 June			Six months ended 31 December	
	2004 <i>HK\$ million</i>	2005 <i>HK\$ million</i>	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i> (Unaudited)	2006 <i>HK\$ million</i>
Profit before taxation	<u>2,336.3</u>	<u>3,774.4</u>	<u>3,880.0</u>	<u>1,906.8</u>	<u>2,048.5</u>
Tax at the Hong Kong Profits					
Tax rate of 17.5%	408.9	660.5	679.0	333.7	358.5
Tax effect of share of results of associates	(266.4)	(418.6)	(435.6)	(191.6)	(265.4)
Tax effect of expenses not deductible for tax purpose	22.7	41.1	30.9	29.7	10.5
Tax effect of income not taxable for tax purpose	(9.2)	(28.7)	(33.8)	(4.0)	(14.9)
Net (over)underprovision in respect of prior years/periods	(0.5)	(3.1)	(17.5)	(30.3)	1.5
Tax effect of deferred tax assets not recognised	(3.4)	(7.2)	(0.1)	—	1.0
Tax effect of tax losses not recognised	7.1	8.0	14.4	4.6	4.1
Tax effect of utilisation of tax losses previously not recognised	6.4	(36.6)	(25.6)	(35.9)	(9.7)
Tax effect of utilisation of deferred tax assets previously not recognised	(12.2)	—	(8.4)	—	(0.8)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(30.6)	(7.5)	(4.7)	(5.8)	(17.1)
Effect of tax exemptions granted to certain PRC subsidiaries	(10.0)	(7.0)	(13.9)	(2.6)	(2.3)
Others	<u>(3.0)</u>	<u>0.1</u>	<u>0.2</u>	<u>—</u>	<u>1.2</u>
	<u><u>109.8</u></u>	<u><u>201.0</u></u>	<u><u>184.9</u></u>	<u><u>97.8</u></u>	<u><u>66.6</u></u>

13. PROFIT FOR THE YEAR/PERIOD

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit for the year/period has been arrived at after charging:					
Amortisation of goodwill	59.6	74.1	—	—	—
Amortisation of toll highway operation rights (included in administrative expenses)	34.7	34.7	15.6	17.3	5.1
Depreciation	57.3	57.7	53.1	26.5	17.3
	92.0	92.4	68.7	43.8	22.4
Auditors' remuneration	2.9	3.3	2.9	0.8	1.7
Cost of inventories recognised as an expense	124.3	125.8	125.4	64.4	31.0
Cost of properties recognised as an expense	2.7	0.5	2.8	2.4	18.3
Impairment loss on debtors	3.3	5.7	1.3	0.8	0.7
Impairment loss on available-for-sale investments	—	—	0.3	—	—
Impairment loss on property, plant and equipment	0.4	—	4.5	—	—
Loss on write off/disposal of property, plant and equipment	—	2.1	7.8	—	17.4
Minimum leases payments under operating leases in respect of					
Rented premises	86.5	90.1	98.7	46.8	1.2
Telecommunications network facilities	5.2	3.8	2.7	1.3	0.5
Release of prepaid lease payments	1.7	1.7	1.7	0.8	0.7
Staff costs including directors emoluments	229.8	230.0	202.5	100.5	70.0
Share of taxation attributable to associates (included in share of results of associates)	319.4	488.8	369.8	142.2	269.6
and after crediting:					
Rental from investment properties net of outgoings (notes a and d)	212.0	220.5	224.6	126.8	124.4
Negative goodwill/discount on acquisition released to income	9.0	6.3	—	—	—
Other rental income less outgoings (notes a and b)	90.7	109.3	100.4	50.9	9.4
Written back of allowance for completed properties for sale (note c)	17.3	—	19.5	14.2	—

Notes:

- a. Including contingent rental income of HK\$94.9 million, HK\$116.7 million, HK\$103.8 million, HK\$49.7 million and HK\$1.3 million for each of the three years ended 30 June 2006 and the six months ended 31 December 2005 and 2006, respectively, from investment properties and other properties.

- b. Including rental income of HK\$1.6 million, HK\$1.8 million, HK\$1.9 million, HK\$0.9 million and HK\$0.9 million from jointly controlled assets less expenses of HK\$0.6 million, HK\$0.5 million, HK\$0.5 million, HK\$0.3 million and HK\$0.3 million for each of the three years ended 30 June 2006 and the six months ended 31 December 2005 and 2006, respectively.
- c. The directors reviewed the net realisable value of the completed properties for sale by reference to professional valuations on 30 June 2004 and 2006 and the allowances previously made were written back during the years ended 30 June 2004 and 2006.
- d. Including outgoings of HK\$107.3 million, HK\$104.9 million, HK\$109.9 million, HK\$45.1 million and HK\$52.5 million for each of the three years ended 30 June 2006 and for the six months ended 31 December 2005 and 2006, respectively.

14. DIRECTORS' EMOLUMENTS

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contribution to retirement benefits schemes <i>HK\$'000</i>	Year ended 30 June 2004 Total emoluments <i>HK\$'000</i>
<i>Executive directors:</i>				
Lee Chau Kee	40	—	—	40
Lee Ka Kit	40	—	—	40
Colin Lam Ko Yin	40	—	—	40
Lee Ka Shing	40	—	—	40
Lee Tat Man	20	—	—	20
Lee King Yue	20	—	—	20
Eddie Lau Yum Chuen	20	—	—	20
Li Ning	20	—	—	20
Patrick Kwok Ping Ho	20	—	—	20
Ho Wing Fun	20	—	—	20
Lau Chi Keung	20	—	—	20
Donald Cheung Ping Keung	20	—	—	20
Augustine Wong Ho Ming	20	—	—	20
Suen Kwok Lam	20	—	—	20
Sit Pak Wing	20	—	—	20
<i>Independent non-executive directors:</i>				
Woo Po Shing	20	—	—	20
Philip Yuen Pak Yiu	20	50	—	70
Leung Hay Man	20	50	—	70
	<u>440</u>	<u>100</u>	<u>—</u>	<u>540</u>

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contribution to retirement benefits schemes <i>HK\$'000</i>	Year ended 30 June 2005 Total emoluments <i>HK\$'000</i>
<i>Executive directors:</i>				
Lee Shau Kee	40	—	—	40
Lee Ka Kit	40	—	—	40
Colin Lam Ko Yin	40	—	—	40
Lee Ka Shing	40	—	—	40
Lee Tat Man	20	—	—	20
Lee King Yue	20	—	—	20
Eddie Lau Yum Chuen	20	—	—	20
Li Ning	20	—	—	20
Patrick Kwok Ping Ho	20	—	—	20
Ho Wing Fun	20	—	—	20
Lau Chi Keung	20	—	—	20
Donald Cheung Ping Keung	20	—	—	20
Augustine Wong Ho Ming	20	—	—	20
Suen Kwok Lam	20	—	—	20
Sit Pak Wing	20	—	—	20
<i>Non-executive directors:</i>				
Woo Po Shing	20	—	—	20
Philip Yuen Pak Yiu	20	50	—	70
Leung Hay Man	20	230	—	250
<i>Independent non-executive directors:</i>				
Gordon Kwong Che Keung	20	180	—	200
Alex Wu Shu Chih	20	90	—	110
Ko Ping Keung	40	260	—	300
Wu King Cheong	20	90	—	110
	<u>540</u>	<u>900</u>	<u>—</u>	<u>1,440</u>

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contribution to retirement benefits schemes <i>HK\$'000</i>	Year ended 30 June 2006 Total emoluments <i>HK\$'000</i>
<i>Executive directors:</i>				
Lee Shau Kee	60	6,291	—	6,351
Lee Ka Kit	60	—	—	60
Colin Lam Ko Yin	60	—	—	60
Lee Ka Shing	60	—	—	60
Lee Tat Man	20	—	—	20
Lee King Yue	20	—	—	20
Eddie Lau Yum Chuen	20	—	—	20
Li Ning	20	—	—	20
Patrick Kwok Ping Ho	20	—	—	20
Ho Wing Fun	20	—	—	20
Lau Chi Keung	20	—	—	20
Augustine Wong Ho Ming	20	—	—	20
Suen Kwok Lam	20	—	—	20
Sit Pak Wing	20	—	—	20
<i>Non-executive directors:</i>				
Woo Po Shing	20	—	—	20
Philip Yuen Pak Yiu	20	—	—	20
Leung Hay Man	20	180	—	200
<i>Independent non-executive directors:</i>				
Gordon Kwong Che Keung	20	180	—	200
Ko Ping Keung	55	320	—	375
Wu King Cheong	20	180	—	200
	<u>595</u>	<u>7,151</u>	<u>—</u>	<u>7,746</u>

	Fees	Salaries and other benefits	Contribution to retirement benefits schemes	Six months ended 31 December 2005 Total emoluments
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Executive directors:</i>				
Lee Shau Kee	20	—	—	20
Lee Ka Kit	20	—	—	20
Colin Lam Ko Yin	20	—	—	20
Lee Ka Shing	20	—	—	20
Lee Tat Man	—	—	—	—
Lee King Yue	—	—	—	—
Eddie Lau Yum Chuen	—	—	—	—
Li Ning	—	—	—	—
Patrick Kwok Ping Ho	—	—	—	—
Ho Wing Fun	—	—	—	—
Lau Chi Keung	—	—	—	—
Donald Cheung Ping Keung	—	—	—	—
Augustine Wong Ho Ming	—	—	—	—
Suen Kwok Lam	—	—	—	—
Sit Pak Wing	—	—	—	—
<i>Non-executive directors:</i>				
Woo Po Shing	—	—	—	—
Philip Yuen Pak Yiu	—	—	—	—
Leung Hay Man	—	—	—	—
<i>Independent non-executive directors:</i>				
Gordon Kwong Che Keung	—	—	—	—
Ko Ping Keung	20	80	—	100
Wu King Cheong	—	—	—	—
	<u>100</u>	<u>80</u>	<u>—</u>	<u>180</u>

	Fees	Salaries and other benefits	Contribution to retirement benefits schemes	Six months ended 31 December 2006 Total emoluments
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Executive directors:</i>				
Lee Shau Kee	—	4,410	—	4,410
Lee Ka Kit	—	—	—	—
Colin Lam Ko Yin	—	—	—	—
Lee Ka Shing	—	—	—	—
Lee Tat Man	—	—	—	—
Lee King Yue	—	—	—	—
Eddie Lau Yum Chuen	—	—	—	—
Li Ning	—	—	—	—
Patrick Kwok Ping Ho	—	—	—	—
Ho Wing Fun	—	—	—	—
Lau Chi Keung	—	—	—	—
Augustine Wong Ho Ming	—	—	—	—
Suen Kwok Lam	—	—	—	—
Sit Pak Wing	—	—	—	—
<i>Non-executive directors:</i>				
Woo Po Shing	—	—	—	—
Philip Yuen Pak Yiu	—	—	—	—
Leung Hay Man	—	—	—	—
<i>Independent non-executive directors:</i>				
Gordon Kwong Che Keung	—	—	—	—
Ko Ping Keung	—	—	—	—
Wu King Cheong	—	—	—	—
	<u>—</u>	<u>4,410</u>	<u>—</u>	<u>4,410</u>

Except for directors' fees of HK\$60,000, HK\$100,000, HK\$95,000, HK\$20,000 and nil for each of the three years ended 30 June 2006 and for the six months ended 31 December 2005 and 2006 and other emoluments of HK\$100,000, HK\$620,000, HK\$680,000, HK\$80,000 and nil for each of the three years ended 30 June 2006 and for the six months ended 31 December 2005 and 2006, no emoluments were paid to the independent non-executive directors.

There was no arrangement under which a director had waived or agreed to waive any emoluments during the Relevant Periods. There was no contributions to pension schemes for directors during the Relevant Periods.

Certain of the directors received remuneration from the Company's intermediate holding company for services provided to the Group headed by the intermediate holding company of which the Company is a member. No apportionment has been made as the directors are of the opinion that it is impracticable to apportion this amount between their services to the Company's intermediate holding company and each of that company's subsidiaries.

15. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals in the Group, none of whom is a director, are as follows:

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
				(Unaudited)	
Basic salaries, allowances and benefits in kind	5.5	5.2	5.2	2.7	2.7
Contributions to retirement benefit schemes	0.2	0.2	0.1	0.1	0.1
Bonus	0.4	0.6	0.6	—	—
	<u>6.1</u>	<u>6.0</u>	<u>5.9</u>	<u>2.8</u>	<u>2.8</u>

Their emoluments are within the following bands:

Bands	Number of employees				
	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
				(Unaudited)	
Nil - HK\$1,000,000	2	3	3	4	4
HK\$1,000,001 - HK\$1,500,000	2	1	1	1	1
HK\$1,500,001 - HK\$2,500,000	1	1	1	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

16. DIVIDENDS

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Interim dividend of HK11 cents, HK13 cents and HK13 cents per share in respect of year ended 30 June 2004, 2005 and 2006	309.9	366.3	396.2	—	—
Final dividend of HK11 cents, HK12 cents and HK15 cents per share in respect of year ended 30 June 2003, 2004, 2005 and, HK15 cents per share in respect of both period ended 30 June 2005 and 2006	309.9	338.1	422.6	422.6	457.1
	<u>619.8</u>	<u>704.4</u>	<u>818.8</u>	<u>422.6</u>	<u>457.1</u>

17. EARNINGS PER SHARE

(a) Reported earnings per share

The calculation of earnings per share is based on the profit for the year/period of HK\$2,132.3 million, of HK\$3,507.7 million, HK\$3,667.2 million, HK\$1,802.0 million and HK\$1,951.5 million for each of the three years ended 30 June 2006 and for the six months ended 31 December 2005 and 2006, respectively, attributable to the shareholders of the Company and on weighted average number of 2,817,327,395, 2,817,327,395, 2,858,916,436, 2,817,327,395 and 3,047,327,395 ordinary shares in issue for each of the three years ended 30 June 2006 and for the six months ended 31 December 2005 and 2006, respectively. Diluted earnings per share is not shown as there were no dilutive potential shares in existence during the Relevant Periods.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policies shown in notes 2 and 3 above, is as follows:

	Basic			
	Year ended 30 June			Six months ended
	2004	2005	2006	31 December 2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)			
Figure before adjustments	0.65	0.79	1.26	0.63
Adjustment arising from changes of accounting policies in respective years/period	(0.01)	0.46	0.02	0.01
Adjustments made for the purpose of presenting the accountants' report	<u>0.12</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restated	<u>0.76</u>	<u>1.25</u>	<u>1.28</u>	<u>0.64</u>

(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:

	Basic				
	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
				(Unaudited)	
Profit attributable to equity shareholders of the Company	2,132.3	3,507.7	3,667.2	1,802.0	1,951.5
Effect of fair value gain of investment properties	(160.9)	(890.3)	(1,014.9)	(674.6)	(219.3)
Effect of deferred tax on fair value gain of investment properties	22.7	126.6	153.1	75.2	38.4
Effect of share of fair value gain of investment properties net of related deferred taxation of associates	<u>(162.4)</u>	<u>(523.6)</u>	<u>(739.3)</u>	<u>(258.9)</u>	<u>(260.3)</u>
Adjusted earnings for calculation of adjusted earning per share	<u>1,831.7</u>	<u>2,220.4</u>	<u>2,066.1</u>	<u>943.7</u>	<u>1,510.3</u>
Adjusted earnings per share	<u>HK\$0.65</u>	<u>HK\$0.79</u>	<u>HK\$0.72</u>	<u>HK\$0.33</u>	<u>HK\$0.50</u>

18. INVESTMENT PROPERTIES

	As at 30 June			As at
	2004	2005	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
At beginning of the year/period	3,948.2	4,110.3	5,000.7	6,058.0
Additions	1.2	0.1	—	92.5
Transfer from prepaid lease payments	—	—	16.0	—
Transfer from property, plant and equipment	—	—	26.4	—
Increase in fair value during the year/period	<u>160.9</u>	<u>890.3</u>	<u>1,014.9</u>	<u>219.3</u>
At end of the year/period	<u>4,110.3</u>	<u>5,000.7</u>	<u>6,058.0</u>	<u>6,369.8</u>
Representing leasehold properties situated in Hong Kong:				
Long-term	1,076.2	1,369.4	1,615.9	1,656.5
Medium-term	<u>3,034.1</u>	<u>3,631.3</u>	<u>4,442.1</u>	<u>4,713.3</u>
	<u>4,110.3</u>	<u>5,000.7</u>	<u>6,058.0</u>	<u>6,369.8</u>

Investment properties were revalued on 30 June 2004 on an open market value basis by Mr. Augustine Wong, a fellow member of The Hong Kong Institute of Surveyors, a Chartered Valuation Surveyor of Henderson Valuation and Agency Limited, a fellow subsidiary of the Company.

The fair value of the Group's investment properties at 30 June 2005 and 2006 and at 31 December 2006 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected with the Group. Directors of DTZ Debenham Tie Leung Limited carrying out the valuation of investment properties are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties, and based on certain valuation assumptions. The resulting increase in fair value of investment properties has been recognised directly in the consolidated income statement.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Most of the investment properties of the Group are rented out under operating leases.

Investment properties in Hong Kong with total carrying values of HK\$404.6 million, HK\$455.9 million, HK\$543.6 million and HK\$606.6 million as at 30 June 2004, 2005 and 2006 and as at 31 December 2006, respectively, were co-owned with certain fellow subsidiaries as tenants in common. The carrying values represent the Group's proportionate share in the valuation of the relevant properties.

19. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties <i>HK\$ million</i>	Other buildings <i>HK\$ million</i>	Bridges <i>HK\$ million</i>	Construction in progress <i>HK\$ million</i>	Leasehold improvements, equipment, furniture, fixtures and motor vehicles <i>HK\$ million</i>	Total <i>HK\$ million</i>
COST OR VALUATION						
At 1 July 2003						
- as previously reported	736.0	55.0	655.8	—	391.9	1,838.7
- prior period adjustments	(438.5)	(30.0)	—	—	—	(468.5)
- as restated	297.5	25.0	655.8	—	391.9	1,370.2
Additions	—	—	—	0.5	18.7	19.2
Disposal of subsidiaries	—	—	—	—	(36.0)	(36.0)
Disposals	—	—	(94.8)	—	(93.8)	(188.6)
At 30 June 2004	297.5	25.0	561.0	0.5	280.8	1,164.8
Additions	—	—	—	—	22.8	22.8
Reclassification	—	—	—	(0.5)	0.5	—
Disposals	—	—	(11.7)	—	(18.3)	(30.0)
At 30 June 2005	297.5	25.0	549.3	—	285.8	1,157.6
Additions	—	—	10.5	—	17.9	28.4
Surplus on revaluation	—	18.4	—	—	—	18.4
Reclassified to investment properties	—	(30.1)	—	—	—	(30.1)
Transfer to assets classified as held for sale	—	(3.8)	—	—	(2.0)	(5.8)
Disposals	—	—	—	—	(52.7)	(52.7)
At 30 June 2006	297.5	9.5	559.8	—	249.0	1,115.8
Additions	—	—	27.3	—	1.1	28.4
Disposals	—	—	—	—	(96.1)	(96.1)
Exchange realignment	—	—	38.1	—	0.8	38.9
At 31 December 2006	297.5	9.5	625.2	—	154.8	1,087.0
DEPRECIATION AND IMPAIRMENT						
At 1 July 2003						
- as previously reported	—	9.0	80.0	—	281.0	370.0
- prior period adjustments	74.4	(2.0)	61.7	—	—	134.1
- As restated	74.4	7.0	141.7	—	281.0	504.1
Provided for the year	7.4	0.7	19.0	—	30.2	57.3
Impairment loss	—	0.4	—	—	—	0.4
Eliminated on disposal of subsidiaries	—	—	—	—	(31.3)	(31.3)
Eliminated on disposals	—	—	(27.6)	—	(61.0)	(88.6)
At 30 June 2004	81.8	8.1	133.1	—	218.9	441.9
Provided for the year	7.4	0.7	19.1	—	30.5	57.7
Eliminated on disposals	—	—	(9.7)	—	(18.0)	(27.7)
At 30 June 2005	89.2	8.8	142.5	—	231.4	471.9
Provided for the year	7.4	0.5	19.0	—	26.2	53.1
Reclassified to investment properties	—	(3.7)	—	—	—	(3.7)
Impairment loss (note)	—	—	—	—	4.5	4.5
Transfer to assets classified as held for sale	—	(1.3)	—	—	(1.7)	(3.0)
Eliminated on disposals	—	—	—	—	(44.7)	(44.7)
At 30 June 2006	96.6	4.3	161.5	—	215.7	478.1
Provided for the period	3.7	0.1	10.0	—	3.5	17.3
Eliminated on disposals/written off	—	—	—	—	(78.2)	(78.2)
Exchange realignment	—	—	11.1	—	0.6	11.7
At 31 December 2006	100.3	4.4	182.6	—	141.6	428.9
CARRYING VALUES						
At 31 December 2006						
	197.2	5.1	442.6	—	13.2	658.1
At 30 June 2006	200.9	5.2	398.3	—	33.3	637.7
At 30 June 2005	208.3	16.2	406.8	—	54.4	685.7
At 30 June 2004	215.7	16.9	427.9	0.5	61.9	722.9

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Hotel properties and other buildings	Over the shorter of the term of the lease or 40 years
Bridges	Over the operating periods
Leasehold improvements, equipment furniture, fixtures and motor vehicles	10% to 50%

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

The carrying value of properties shown above comprises:

	Hotel properties				
	2004	As at 30 June		As at	
	2005	2006	31 December		
	2004	2005	2006	2006	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
In Hong Kong					
- Long lease	78.4	75.7	73.1	71.8	
- Medium-term lease	137.3	132.6	127.8	125.4	
	<u>215.7</u>	<u>208.3</u>	<u>200.9</u>	<u>197.2</u>	
	Other buildings				
	2004	As at 30 June		As at	
	2005	2006	31 December		
	2004	2005	2006	2006	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
In Hong Kong					
- Medium-term lease	13.8	13.3	4.9	4.8	
Outside Hong Kong					
- Long lease	0.4	0.4	0.3	0.3	
- Medium-term lease	2.7	2.5	—	—	
	<u>16.9</u>	<u>16.2</u>	<u>5.2</u>	<u>5.1</u>	

Bridges

	As at 30 June			As at 31 December
	2004	2005	2006	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Outside Hong Kong				
- Medium-term lease	<u>427.9</u>	<u>406.8</u>	<u>398.3</u>	<u>442.6</u>

Note: During the year ended 30 June 2006, the operating environment of the information technology services was difficult and the operation had been down-sized. Based on the Group's assessment of the recoverable amount of the related assets, which was determined on the basis of their subsequent selling price, the carrying amount of the data centre and network equipment and facilities were written down by HK\$4.5 million.

20. PREPAID LEASE PAYMENTS

	As at 30 June			As at 31 December
	2004	2005	2006	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
The Group's prepaid lease payments comprise:				
Leasehold land in Hong Kong:				
Long lease	16.9	16.7	16.5	16.4
Medium-term lease	<u>67.0</u>	<u>65.6</u>	<u>48.1</u>	<u>47.5</u>
	<u>83.9</u>	<u>82.3</u>	<u>64.6</u>	<u>63.9</u>

Analysed for reporting purposes as:

Current asset (included in debtors, deposits and prepayments)	1.7	1.7	1.3	1.3
Non-current asset	<u>82.2</u>	<u>80.6</u>	<u>63.3</u>	<u>62.6</u>
	<u>83.9</u>	<u>82.3</u>	<u>64.6</u>	<u>63.9</u>

The prepaid lease payments were previously included in the property, plant and equipment. For the purpose of presenting the financial information, certain leasehold interest in land has been reclassified from property, plant and equipment as at 1 July 2003 in accordance with the requirement under HKAS 17. Details are stated in note 3.

21. TOLL HIGHWAY OPERATION RIGHTS

HK\$ million

COST

At 1 July 2003, 30 June 2004, 30 June 2005	789.5
Transfer to assets classified as held for sale	(557.7)
At 30 June 2006	231.8
Exchange realignment	15.8
At 31 December 2006	247.6
AMORTISATION	
At 1 July 2003	158.6
Provided for the year	34.7
At 30 June 2004	193.3
Provided for the year	34.7
At 30 June 2005	228.0
Provided for the year	15.6
Written back to assets classified as held for sale	(182.9)
At 30 June 2006	60.7
Provided for the period	5.1
Exchange realignment	4.0
At 31 December 2006	69.8
CARRYING VALUES	
At 31 December 2006	177.8
At 30 June 2006	171.1
At 30 June 2005	561.5
At 30 June 2004	596.2

The Group's toll highway operation rights are pledged as securities for certain bank loans.

The toll highway operation rights were granted by The People's Government of Anhui Province (安徽省人民政府) to the Group for a period of 25 years since 16 December 1999. During the 25-year toll highway concession period, the Group has the rights of management of Maanshan Huan Tong Highway and the toll-collection rights thereof. The Group is required to maintain and operate the toll highway in accordance with the regulations promulgated by the relevant government authority.

For the purpose of presenting the financial information, toll highway operation rights have been reclassified from property, plant and equipment as at 1 July 2003 in accordance with the requirement under HK Int 1. Details are stated in note 3.

22. INTERESTS IN ASSOCIATES

	2004	As at 30 June		As at
	2005	2006	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(restated)	(restated)		
Unlisted				
Cost of investments	165.0	165.0	165.0	165.0
Share of post-acquisition profits, net of dividends received	273.8	317.8	398.8	444.2
Prior period adjustment on				
- adoption on HK(SIC) Int 21 (note 3)	(58.1)	—	—	—
	<u>380.7</u>	<u>482.8</u>	<u>563.8</u>	<u>609.2</u>
Listed in Hong Kong				
Cost of investment	8,249.3	8,212.6	9,146.1	9,162.2
Share of post-acquisition profits, reserves, net of dividends received	4,813.5	5,861.4	6,533.1	7,669.6
Prior period adjustment on				
- adoption on HKAS 16 and HKAS 17 (note 3)	(851.2)	(841.2)	—	—
- adoption on HK(SIC) Int 21 (note 3)	(304.1)	—	—	—
	<u>11,907.5</u>	<u>13,232.8</u>	<u>15,679.2</u>	<u>16,831.8</u>
	<u>12,288.2</u>	<u>13,715.6</u>	<u>16,243.0</u>	<u>17,441.0</u>
Market value of listed investments	<u>29,372.2</u>	<u>36,845.5</u>	<u>39,760.4</u>	<u>40,621.0</u>

The interests in associates as at 30 June 2004 and 2005 have been decreased from HK\$13,501.6 million and HK\$14,556.8 million by HK\$1,213.4 million and HK\$841.2 million respectively as result of adoption of HKAS 16 and 17 and HK(SIC) Int 21.

Included in the cost of interest in associates of the Group is goodwill arising on acquisition of associates in prior years. The movement of goodwill is set out below.

	<i>HK\$ million</i>
COST	
At 1 July 2003 and at 30 June 2004	1,216.8
Arising on acquisition of associates	<u>286.0</u>
At 30 June 2005	1,502.8
Elimination of accumulated amortisation upon the application of HKFRS 3	(230.6)
Arising on acquisition of associates	<u>1,016.8</u>
At 30 June 2006	2,289.0
Arising on acquisition of associates	<u>13.0</u>
At 31 December 2006	<u>2,302.0</u>
AMORTISATION	
At 1 July 2003	104.5
Charge for the year	<u>59.6</u>
At 30 June 2004	164.1
Charge for the year	<u>66.5</u>
At 30 June 2005	230.6
Elimination of accumulated amortisation upon the application of HKFRS 3	<u>(230.6)</u>
At 30 June 2006 and at 31 December 2006	<u>—</u>
CARRYING VALUES	
At 31 December 2006	<u><u>2,302.0</u></u>
At 30 June 2006	<u><u>2,289.0</u></u>
At 30 June 2005	<u><u>1,272.2</u></u>
At 30 June 2004	<u><u>1,052.7</u></u>

Until 30 June 2005, goodwill had been amortised over 20 years.

Negative goodwill with carrying amounts of HK\$116.1 million and HK\$118.9 million as at 30 June 2004 and 30 June 2005 respectively was presented as deduction from the cost of interests in associates. Prior to the year ended 30 June 2005, negative goodwill was released to income statement on a straight-line basis of 20 years, representing the remaining weighted average useful life of the depreciable assets acquired. The amounts of negative goodwill released to the income statement for the year ended 30 June 2004 and 2005 were HK\$9.0 million and HK\$6.3 million respectively. All negative goodwill was derecognised on 1 July 2005 upon the application of HKFRS 3.

The summarised financial information in respect of the Group's associates which are accounted for using the equity method is set out below:

Operating results:

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
				(Unaudited)	
Turnover	10,221.5	11,010.1	12,276.8	5,417.1	9,407.5
Profit for the year/period	<u>3,790.1</u>	<u>6,238.9</u>	<u>6,393.6</u>	<u>2,545.5</u>	<u>3,756.7</u>

Financial position:

	As at 30 June			As at 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
				(Unaudited)	
Non-current assets	26,496.6	28,116.4	31,841.3	27,239.8	32,289.8
Current assets	8,748.8	9,911.0	13,284.6	13,410.1	16,246.5
Current liabilities	(4,618.1)	(7,728.7)	(5,691.1)	(8,620.3)	(8,019.5)
Non-current liabilities	<u>(3,094.8)</u>	<u>(4,244.3)</u>	<u>(10,082.0)</u>	<u>(6,616.0)</u>	<u>(9,669.1)</u>
Net assets	<u>27,532.5</u>	<u>26,054.4</u>	<u>29,352.8</u>	<u>25,413.6</u>	<u>30,847.7</u>

Particulars of the principal associates, all of which are incorporated and operate in Hong Kong, are as follows:

	Percentage of issued ordinary shares held by the Group	Principal activities
<i>Listed</i>		
The Hong Kong and China Gas Company Limited	38.47	Towngas supply
Hong Kong Ferry (Holdings) Company Limited	31.36	Property development and investment
Miramar Hotel & Investment Company Limited	44.21	Hotel operation
<i>Unlisted</i>		
Lucky Country Development Limited	50.00	Property investment
Mandy Investment Company Limited	50.00	Property development
Star Play Development Limited	33.33	Property investment

The above list gives the principal associates of the Group which, in the opinion of the directors, materially affect the profits and net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

23. OTHER ASSETS

	As at 30 June			As at 31 December
	2004	2005	2006	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Investments in securities (note a)	256.3	241.6	—	—
Held-to-maturity investments (note b)	—	—	11.5	11.5
Available-for-sale investments (note c)	—	—	284.5	353.2
Debtors, deposits and prepayments (note d)	137.3	137.8	116.7	115.7
	<u>393.6</u>	<u>379.4</u>	<u>412.7</u>	<u>480.4</u>

(a) Investments in securities

Investments in securities as at 30 June 2004 and 30 June 2005 are set out below. Upon the application of HKAS 39 on 1 July 2005, investments in securities were reclassified to appropriate categories under HKAS 39 (See note 3 for details).

As at 30 June 2004

	Held-to-maturity securities <i>HK\$ million</i>	Investment securities <i>HK\$ million</i>	Other investments <i>HK\$ million</i>	Total <i>HK\$ million</i>
Equity securities				
Listed in Hong Kong	—	—	166.0	166.0
Unlisted	—	7.6	30.1	37.7
	<u>—</u>	<u>7.6</u>	<u>196.1</u>	<u>203.7</u>
Debt securities				
Listed outside Hong Kong	11.5	—	—	11.5
Unlisted	41.1	—	—	41.1
	<u>52.6</u>	<u>—</u>	<u>—</u>	<u>52.6</u>
	<u>52.6</u>	<u>7.6</u>	<u>196.1</u>	<u>256.3</u>
Market value of listed securities	<u>11.9</u>	<u>—</u>	<u>166.0</u>	<u>177.9</u>

As at 30 June 2005

	Held-to-maturity securities <i>HK\$ million</i>	Investment securities <i>HK\$ million</i>	Other investments <i>HK\$ million</i>	Total <i>HK\$ million</i>
Equity securities				
Listed in Hong Kong	—	—	200.6	200.6
Unlisted	—	7.6	21.9	29.5
	<u>—</u>	<u>7.6</u>	<u>222.5</u>	<u>230.1</u>
Debt securities				
Listed outside Hong Kong	11.5	—	—	11.5
	<u>11.5</u>	<u>7.6</u>	<u>222.5</u>	<u>241.6</u>
Market value of listed securities	<u>11.1</u>	<u>—</u>	<u>200.6</u>	<u>211.7</u>

(b) **Held-to-maturity investments**

Upon the application of HKAS 39 on 1 July 2005, investments in debt securities listed outside Hong Kong of HK\$11.5 million were reclassified to held-to-maturity investments.

	As at 30 June 2006	As at 31 December 2006
	<i>HK\$ million</i>	<i>HK\$ million</i>
Debt securities listed outside Hong Kong	<u>11.5</u>	<u>11.5</u>

The market price of the listed debt securities as at 30 June 2006 and 31 December 2006 amounted to HK\$11.1 million and HK\$11.5 million respectively. The held-to-maturity investments carry interest at 4.5% (At 30 June 2006: 4.5%) per annum and are to be matured on 6 March 2032.

(c) **Available-for-sale investments**

Available-for-sale investments as at 30 June 2006 and 31 December 2006 comprise:

	As at 30 June 2006	As at 31 December 2006
	<i>HK\$ million</i>	<i>HK\$ million</i>
Equity securities:		
Listed in Hong Kong	255.1	323.7
Unlisted	<u>29.4</u>	<u>29.5</u>
	<u>284.5</u>	<u>353.2</u>
Market value of listed securities	<u>255.1</u>	<u>323.7</u>

As at the above balance sheet dates, all available-for-sale investments are stated at fair value, except for those unlisted equity investments of which their fair values cannot be measured reliably. Fair values of listed investments have been determined by reference to bid prices quoted in active markets.

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(d) **Debtors, deposits and prepayments**

The Group maintains a defined credit policy. Considerations 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 is payable in advance by tenants. In respect of retailing, most of the transactions are on a 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:

	As at 30 June			As at
	2004	2005	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	2006
				<i>HK\$ million</i>
Under 1 month overdue	47.3	115.0	31.2	40.4
1 to 3 months overdue	19.7	16.4	35.3	47.8
More than 3 months overdue but less than 6 months overdue	4.2	4.4	17.0	16.6
Over 6 months overdue	<u>7.2</u>	<u>32.4</u>	<u>89.5</u>	<u>130.1</u>
Trade debtors	78.4	168.2	173.0	234.9
Deposits, prepayments and other receivables				
- current portion	<u>186.5</u>	<u>182.9</u>	<u>107.4</u>	<u>106.0</u>
	264.9	351.1	280.4	340.9
Deposits, prepayments and other receivables				
- non-current portion	<u>137.3</u>	<u>137.8</u>	<u>116.7</u>	<u>115.7</u>
	<u>402.2</u>	<u>488.9</u>	<u>397.1</u>	<u>456.6</u>

At 30 June 2004, 2005 and 2006 and 31 December 2006, included in deposits, prepayments and other receivables of HK\$169.5 million, HK\$155.4 million, HK\$140.4 million and HK\$133.0 million respectively representing the discounted instalment receivables in future arising from the disposal of toll bridges during the year ended 30 June 2004, out of which, HK\$38.1 million, HK\$22.5 million, HK\$23.7 million and HK\$17.3 million respectively were classified as current assets. Details of the disposal are set out in note 9.

24. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) of the Group recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation <i>HK\$ million</i>	Gain on disposal of property, plant and equipment <i>HK\$ million</i>	Gain on change in fair value of investment properties <i>HK\$ million</i>	Tax losses <i>HK\$ million</i>	Others <i>HK\$ million</i>	Total <i>HK\$ million</i>
At 1 July 2003						
- as originally stated	—	—	—	—	—	—
- effect of change in accounting policies (note 3)	28.2	—	376.3	(10.4)	1.0	395.1
- as restated	28.2	—	376.3	(10.4)	1.0	395.1
(Credit) charge to income for the year	(1.8)	15.2	22.7	3.8	0.9	40.8
At 30 June 2004	26.4	15.2	399.0	(6.6)	1.9	435.9
(Credit) charge to income for the year	(1.1)	(0.6)	126.6	(6.1)	—	118.8
At 30 June 2005	25.3	14.6	525.6	(12.7)	1.9	554.7
Charge to property revaluation reserve for the year	—	—	3.2	—	—	3.2
(Credit) charge to income for the year	(3.9)	(0.7)	153.1	(16.8)	1.1	132.8
At 30 June 2006	21.4	13.9	681.9	(29.5)	3.0	690.7
Exchange realignment	1.0	—	—	—	—	1.0
Disposal of a subsidiary	(1.0)	—	—	—	—	(1.0)
Charge (credit) to income for the period	2.6	(0.1)	38.4	(5.7)	(1.0)	34.2
At 31 December 2006	<u>24.0</u>	<u>13.8</u>	<u>720.3</u>	<u>(35.2)</u>	<u>2.0</u>	<u>724.9</u>

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances of the Group for financial reporting purposes:

	2004	As at 30 June		As at
	2005	2006	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Deferred tax assets	—	—	(3.2)	(3.2)
Deferred tax liabilities	435.9	554.7	693.9	728.1
	<u>435.9</u>	<u>554.7</u>	<u>690.7</u>	<u>724.9</u>

The tax losses position of the Group are as follows:

	2004	As at 30 June		As at
	2005	2006	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Tax losses agreed	409.2	391.4	350.9	344.3
Tax losses not yet agreed by relevant tax authorities	1,024.4	917.8	990.6	998.1
Total tax losses	1,433.6	1,309.2	1,341.5	1,342.4
Recognised tax losses	(37.8)	(72.8)	(169.0)	(201.7)
Unrecognised tax losses	<u>1,395.8</u>	<u>1,236.4</u>	<u>1,172.5</u>	<u>1,140.7</u>
Represented by:				
- tax losses carried forward indefinitely	1,373.6	1,188.6	1,097.5	1,050.4
- tax losses that can be carried forward for up to five years from the year in which they were incurred	22.2	47.8	75.0	90.3
Unrecognised tax losses	<u>1,395.8</u>	<u>1,236.4</u>	<u>1,172.5</u>	<u>1,140.7</u>

The deductible temporary differences of the Group are as follows:

	As at 30 June			As at
	2004	2005	2006	31 December
	HK\$ million	HK\$ million	HK\$ million	2006
				HK\$ million
Deductible temporary differences	96.7	52.4	21.7	21.4
Recognised portion	—	—	(17.9)	(3.4)
Unrecognised portion	<u>96.7</u>	<u>52.4</u>	<u>3.8</u>	<u>18.0</u>

Subject to the agreement of the relevant tax authorities, the tax losses were available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams.

No deferred tax asset has been recognised in respect of the remaining deductible temporary differences as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

25. INVENTORIES

	As at 30 June			As at
	2004	2005	2006	31 December
	HK\$ million	HK\$ million	HK\$ million	2006
				HK\$ million
Goods for retails, catering stocks and trading goods	26.7	29.1	33.3	17.3
Completed properties for sale	<u>259.6</u>	<u>259.1</u>	<u>276.2</u>	<u>222.4</u>
	<u>286.3</u>	<u>288.2</u>	<u>309.5</u>	<u>239.7</u>

Completed properties for sale with total carrying values of HK\$28.7 million, HK\$28.4 million, HK\$28.4 million as at 30 June 2004, 2005 and 2006, respectively were co-owned with certain fellow subsidiaries as tenants in common and the carrying value represents the Group's proportionate share in the total cost of the relevant properties.

26. AMOUNTS DUE FROM AFFILIATES

	As at 30 June			As at
	2004	2005	2006	31 December
	HK\$ million	HK\$ million	HK\$ million	2006
				HK\$ million
Amounts due from associates	127.5	42.0	46.1	49.9
Amounts due from investee companies	6.4	6.5	5.5	5.5
Amounts due from minority shareholders	<u>84.5</u>	<u>80.9</u>	<u>90.8</u>	<u>126.9</u>
	<u>218.4</u>	<u>129.4</u>	<u>142.4</u>	<u>182.3</u>

The amounts are unsecured and repayable on demand.

27. 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:

	As at 30 June			As at
	2004	2005	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	2006 <i>HK\$ million</i>
Due within 1 month or on demand	96.8	123.5	103.0	42.9
Due after 1 month but within 3 months	31.0	43.0	39.2	37.6
Due after 3 months but within 6 months	0.8	3.3	2.8	8.4
Due after 6 months	6.3	7.9	9.4	8.0
Trade creditors	134.9	177.7	154.4	96.9
Rental deposits and other payables	89.1	103.6	126.6	152.5
Total creditors and accrued expenses	<u>224.0</u>	<u>281.3</u>	<u>281.0</u>	<u>249.4</u>

28. AMOUNTS DUE TO AFFILIATES

	As at 30 June			As at
	2004	2005	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	2006 <i>HK\$ million</i>
Amounts due to associates	—	2.5	0.8	—
Amounts due to minority shareholders	147.5	143.6	65.1	65.8
	<u>147.5</u>	<u>146.1</u>	<u>65.9</u>	<u>65.8</u>

The amounts are unsecured and repayable on demand.

29. BORROWINGS

	As at 30 June			As at
	2004	2005	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	2006 <i>HK\$ million</i>
Bank loans	255.5	228.8	83.6	78.1
Other loans	26.3	—	—	—
	<u>281.8</u>	<u>228.8</u>	<u>83.6</u>	<u>78.1</u>
Secured	237.4	228.8	55.6	48.1
Unsecured	44.4	—	28.0	30.0
	<u>281.8</u>	<u>228.8</u>	<u>83.6</u>	<u>78.1</u>

The Group's bank and other borrowings bear interest at prevailing market rates and are repayable as follows:

	As at 30 June			As at
	2004	2005	2006	31 December
	HK\$ million	HK\$ million	HK\$ million	2006
				HK\$ million
Within one year	98.6	93.1	57.5	72.1
Between one to two years	47.5	50.0	20.6	—
Between two to three years	50.0	53.1	—	6.0
Between three to four years	53.1	32.6	5.5	—
Between four to five years	32.6	—	—	—
	<u>281.8</u>	<u>228.8</u>	<u>83.6</u>	<u>78.1</u>
Less: Amount due within one year and included in current liabilities	<u>(98.6)</u>	<u>(93.1)</u>	<u>(57.5)</u>	<u>(72.1)</u>
Amount due after one year	<u>183.2</u>	<u>135.7</u>	<u>26.1</u>	<u>6.0</u>
	0.36% to	5.70% to	5.02% to	5.76% to
Effective interest rate	<u>6.00%</u>	<u>5.76%</u>	<u>7.02%</u>	<u>7.93%</u>

The Group's bank loans are denominated in Renminbi. All the Group's bank borrowings are at floating rates.

The other loans at 30 June 2004 were denominated in Hong Kong dollars and were raised from an independent third party with interest rate of 1% over the Hong Kong Prime Lending Rate.

30. SHARE CAPITAL

	As at 30 June			As at
	2004	2005	2006	31 December
	HK\$ million	HK\$ million	HK\$ million	2006
				HK\$ million
Authorised:				
3,000,000,000 ordinary shares as at 30 June 2004; 3,600,000,000 ordinary shares as at 30 June 2005 and 2006; 5,000,000,000 ordinary shares as at 31 December 2006 of HK\$0.2 each	<u>600.0</u>	<u>720.0</u>	<u>720.0</u>	<u>1,000.0</u>
Issued and fully paid:				
2,817,327,395 ordinary shares as at 30 June 2004 and 2005; 3,047,327,395 ordinary shares as at 30 June 2006 and 31 December 2006 of HK\$0.2 each	<u>563.5</u>	<u>563.5</u>	<u>609.5</u>	<u>609.5</u>

Pursuant to an ordinary resolution passed at the annual general meeting held on 6 December 2004, the authorised share capital of the Company was increased from HK\$600 million to HK\$720 million by the creation of 600,000,000 additional new ordinary shares of HK\$0.2 each.

On 18 April 2006, 230,000,000 ordinary shares were placed and issued at HK\$13.55 per share to the shareholders of the Company. The net proceed received, net of expenses of HK\$13.4 million, on the placement is HK\$3,103.1 million. The new ordinary shares rank pari passu to the then existing shares of the Company.

Pursuant to an ordinary resolution passed at the annual general meeting held on 12 December 2006, the authorised share capital of the Company was increased from HK\$720 million to HK\$1,000 million by the creation of 1,400,000,000 additional new ordinary shares of HK\$0.20 each (with a total nominal value of HK\$280 million) ranking in all respects pari passu with the existing shares.

31. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount is unsecured and bears interest at Hong Kong Inter-bank Offer Rate per annum. The fellow subsidiary has agreed that no repayment will be demanded within the next twelve months from the balance sheet date and accordingly, the amount is shown as non-current.

32. DISPOSAL GROUP

During the year ended 30 June 2006, the Group had decided to dispose of its entire indirect interest of 24.98% in Ningbo Nickwell Highway Development Company Limited, Ningbo Wise Link Highway Development Company Limited and Ningbo Rayter Highway Development Company Limited (collectively known as the "Ningbo Subsidiaries") to the minority shareholder of the Ningbo Subsidiaries. The Ningbo Subsidiaries were classified as a disposal group held for sale. On 29 March 2006, the Group entered into the agreement with the minority shareholder to dispose of its entire interests in the Ningbo Subsidiaries at a consideration of HK\$65.3 million, and the transaction should be completed on or before 31 December 2006. The Group remains committed to the plan to sell the Ningbo Subsidiaries and expects the transaction to be completed on or before 30 June 2007.

The results of the Ningbo Subsidiaries since they were classified as a disposal group are presented below:

	Year ended 30 June 2006 <i>HK\$ million</i>	Six months ended 31 December 2006 <i>HK\$ million</i>
Revenue	15.6	9.2
Expenses	<u>(4.4)</u>	<u>(3.4)</u>
Profit for the year/period of the disposal group	<u><u>11.2</u></u>	<u><u>5.8</u></u>

The major classes of assets of the Ningbo Subsidiaries classified as held for sale are as follows:

	As at 30 June 2006	As at 31 December 2006
	<i>HK\$ million</i>	<i>HK\$ million</i>
Assets		
Property, plant and equipment	2.8	3.1
Toll highway operation rights	374.8	400.4
Debtors, deposits and prepayments	0.5	0.1
Bank balances and cash	0.5	1.3
Assets classified as held for sale	<u>378.6</u>	<u>404.9</u>

The major classes of liabilities of the Ningbo Subsidiaries classified as held for sale are as follows:

	As at 30 June 2006	As at 31 December 2006
	<i>HK\$ million</i>	<i>HK\$ million</i>
Liabilities		
Accrued expenses	1.3	2.7
Bank loans, secured (note)	169.4	—
Amount due to a minority shareholder	69.6	252.1
Liabilities associated with the assets classified as held for sale	<u>240.3</u>	<u>254.8</u>
Net assets associated with the disposal group	<u>138.3</u>	<u>150.1</u>

Note: The average effective borrowing rate is 5.76% per annum.

The net cash (outflow) inflow incurred by Ningbo Subsidiaries are as follows:

	Year ended 30 June 2006	Six months ended 31 December 2006
	<i>HK\$ million</i>	<i>HK\$ million</i>
Operating activities	9.5	1.7
Financing activities	<u>(9.7)</u>	<u>11.8</u>
	<u>(0.2)</u>	<u>13.5</u>

33. JOINTLY CONTROLLED ASSETS

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i> (Unaudited)	<i>HK\$ million</i>
Income related to jointly controlled assets	1.6	1.8	10.3	0.9	0.9
Expenses related to jointly controlled entities	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>	<u>0.3</u>	<u>0.3</u>

	As at 30 June			As at 31 December	
	2004	2005	2006	2006	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Carrying value of completed properties for sale related to share of interest in jointly controlled assets	21.3	21.3	35.5	—	
Share of liabilities (included in creditors and accrued expenses)	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>	<u>—</u>	

34. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFT

Of the pledged bank deposits and bank balances and cash items of the Group, total sums being the equivalent of HK\$71.2 million, HK\$110.8 million, HK\$125.7 million and HK\$107.5 million as at 30 June 2004, 2005 and 2006 and as at 31 December 2006, respectively were kept in other regions of the PRC and are subject to exchange control regulations.

The deposits carry fixed interest rate of 0.28% to 1.3%, 1.62% to 3.75%, 1.62% to 5.28% and 3.75% to 5.25% per annum as at 30 June 2004, 2005, 2006 and as at 31 December 2006, respectively.

35. EMPLOYEES RETIREMENT SCHEMES

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

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

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. The amounts of forfeited contributions utilised were HK\$0.2 million, HK\$0.2 million, HK\$0.1 million, HK\$0.07 million and HK\$0.01 million for each of the three years ended 30 June 2006 and for the six months ended 31 December 2005 and 2006, respectively. There was no such balance at 30 June 2004, 2005, 2006 and 31 December 2006.

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

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The amount of forfeited contributions utilised during the year ended 30 June 2004 was HK\$0.1 million. No forfeited contributions were utilised afterwards.

The Group's retirement costs charged to the consolidated income statement were HK\$9.1 million, HK\$9.3 million, HK\$8.1 million, HK\$3.8 million and HK\$2.2 million during each of the three years ended 30 June 2006 and for the six months ended 31 December 2005 and 2006, respectively.

36. SHARE OPTION SCHEMES

Under the Pre-IPO Share Option Plan ("Option Plan") of Henderson Cyber, a subsidiary of the Company, options to subscribe for an aggregate of 32,000,000 shares of Henderson Cyber were granted to certain directors and employees of Henderson Cyber, its holding companies, subsidiaries, fellow subsidiaries and affiliated company on 28 June 2000 at the consideration of HK\$1.00 for each grant of options.

Subject to the terms and conditions of the Option Plan, each of the grantees was entitled to exercise at the price of HK\$1.25 per share (i) thirty per cent of the share options so granted at any time after the expiry of 12 months from 14 July 2000, (ii) a further thirty per cent of the share options so granted at any time after the expiry of 24 months from 14 July 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 14 July 2000 and, in each case, not later than four years from 14 July 2000.

Share options granted under the Option Plan lapsed on 14 July 2004.

Under the Share Option Scheme ("Share Option Scheme") of Henderson Cyber, options to subscribe for an aggregate of 150,000 shares of Henderson Cyber were granted to certain employees of the Group on 4 October 2000 at the consideration of HK\$1.00 for each grant of options.

Subject to the terms and conditions of the Share Option Scheme, each of the grantees was entitled to exercise at the price of HK\$0.89 per share (i) thirty per cent of the share options so granted at any time after the expiry of 12 months from 16 October 2000 (the date of acceptance of the share options), (ii) a further thirty per cent of the share options so granted at any time after the expiry of 24 months from 16 October 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 16 October 2000 and, in each case, not later than four years from 16 October 2000.

Share options granted under the Share Option Scheme lapsed on 16 October 2004.

	Number of share option				
	At 1 July 2003	Lapsed during the year	At 30 June 2004	Lapsed during the year	At 30 June 2005
Option Plan					
Directors	9,200,000	—	9,200,000	(9,200,000)	—
Employees	1,850,000	—	1,850,000	(1,850,000)	—
Other participants	16,600,000	(150,000)	16,450,000	(16,450,000)	—
	<u>27,650,000</u>	<u>(150,000)</u>	<u>27,500,000</u>	<u>(27,500,000)</u>	<u>—</u>
Share Option Scheme					
Employees	<u>100,000</u>	<u>—</u>	<u>100,000</u>	<u>(100,000)</u>	<u>—</u>

37. DISPOSAL OF SUBSIDIARIES

	Year ended 30 June 2004 <i>HK\$ million</i>	Six months ended 31 December 2006 <i>HK\$ million</i>
Net assets disposed of:		
Property, plant and equipment	4.7	—
Completed properties for sale	—	35.6
Debtors, deposits and prepayments	2.2	0.1
Bank balances and cash	0.2	—
Creditors and accrued expenses	(8.5)	(0.6)
Deferred taxation	—	(1.0)
Minority interests	1.5	—
Gain on disposal	<u>—</u>	<u>4.7</u>
Total consideration	<u>0.1</u>	<u>38.8</u>
Satisfied by:		
Consideration receivable/received	<u>0.1</u>	<u>38.8</u>
Net cash (outflow) inflow arising on disposal:		
Bank balances and cash (disposed of) acquired	<u>(0.1)</u>	<u>38.8</u>

The subsidiaries disposed of during the year ended 30 June 2004 and the six months ended 31 December 2006 have insignificant contribution to the Group's turnover, profits from operations and cash flows.

38. CAPITAL COMMITMENTS

	As at 30 June			As at
	2004	2005	2006	31 December
	HK\$ million	HK\$ million	HK\$ million	2006
				HK\$ million
Contracted commitments for acquisition of property, plant and equipment and for property development and renovation expenditure	14.6	21.0	34.2	47.2
Contracted commitments for system development costs	0.9	0.3	—	—
	<u>0.9</u>	<u>0.3</u>	<u>—</u>	<u>—</u>

39. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 June			As at
	2004	2005	2006	31 December
	HK\$ million	HK\$ million	HK\$ million	2006
				HK\$ million
Not later than one year	56.5	22.3	12.2	2.1
Later than one year and not later than five years	33.4	15.3	5.4	2.2
	<u>89.9</u>	<u>37.6</u>	<u>17.6</u>	<u>4.3</u>

Operating lease commitments represent rentals payable by the Group for retail shopping centre, telecommunication network facilities and certain of its office premises. The leases for retail shopping centre and office premises are negotiated for terms of six months to ten years at fixed rental. Some of the leases for telecommunications network facilities are with no specific terms while the remaining leases typically run for an initial period of three months to four years, with an option to renew the lease upon the expiry of the initial lease term. None of the leases for telecommunication network facilities includes contingent rentals.

The Group as lessor

At the balance sheet date, the following assets were rented out under operating leases:

	As at 30 June			As at
	2004	2005	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>2006</i> <i>HK\$ million</i>
Investment properties	4,105.9	4,996.2	6,053.5	6,365.3
Completed properties for sale	<u>207.3</u>	<u>213.4</u>	<u>225.6</u>	<u>171.8</u>

These assets were leased out for periods of one to six years with an option to renew the lease and terms are subject to re-negotiation upon expiry.

Contingent rental income were calculated based on the excess of certain percentages of turnover of the relevant operation that occupied the premises/properties over the fixed portion of the monthly rentals.

At the respective balance sheet dates, the future minimum lease payments under non-cancellable operating leases for each of the following periods are:

	As at 30 June			As at
	2004	2005	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>2006</i> <i>HK\$ million</i>
Not later than one year	331.9	313.5	345.9	252.2
Later than one year and not later than five years	140.5	117.9	140.5	135.9
Later than five years	<u>1.6</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>474.0</u>	<u>431.4</u>	<u>486.4</u>	<u>388.1</u>

	As at 30 June			As at
	2004	2005	2006	31 December
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>2006</i> <i>HK\$ million</i>
Fellow subsidiaries				
Amounts due to				
- interest bearing (note 1)	72.2	301.1	120.2	47.5
Rental deposits paid	<u>—</u>	<u>2.5</u>	<u>—</u>	<u>—</u>
Associate				
Amounts due from				
- interest free	67.5	42.0	46.1	49.9
- interest bearing (note 1)	60.0	—	—	—
Amounts due to				
- interest free	<u>—</u>	<u>2.5</u>	<u>0.8</u>	<u>—</u>
Investee companies				
Amounts due from				
- interest free	0.1	0.2	5.5	5.5
- interest bearing (note 2)	<u>6.3</u>	<u>6.3</u>	<u>—</u>	<u>—</u>

Notes:

- The balances bear interest at Hong Kong Inter-Bank Offer Rate per annum.
- The balance bore interest at 5% per annum for each of the two years ended 30 June 2005.
- The Company's holding company performed administrative services comprising company secretarial, accounting and personnel to certain group companies at no charge as the directors consider that the costs involved were not significant.

Compensation of key management personnel

Except for the directors' fees and the salaries and other benefits paid to the independent non-executive directors disclosed in note 14, certain of the directors and key management personnel received their remuneration from the Company's intermediate holding company for their services provided to the Group headed by the intermediate holding company of which the Company is a member, no other remuneration was paid to the directors and key management personnel of the Company. No apportionment has been made as the directors are of the opinion that it is impracticable to apportion this amount between their services to the Company's intermediate holding company and each of that company's subsidiaries.

41. SUBSEQUENT EVENTS

On 27 March 2007, the Company and the Purchaser entered into the Agreement pursuant to which (i) the Purchaser acquires from the Group interests in the Sale Companies and (ii) the Purchaser and the Company agree to the Loan Sale as defined in the Circular.

The consideration payable by the Purchaser to the Company for the acquisition of the interest in, and the Shareholder's Loan as defined in the Circular of, each Sale Company pursuant to the Agreement is equal to the sum of the Attributable Net Asset Value as defined in the Circular and the amount of the Shareholder's Loan of the Sale Companies as detailed in the Circular. For the purpose of reference only, based on the unaudited balance sheets (consolidated where applicable) of the Sale Companies as at 31 December 2006, the aggregate amount payable by the Purchaser to the Company under the Agreement would have amounted to approximately HK\$12,105.6 million.

- (i) Included in the consolidated balance sheet of the Group are the following unaudited balances of the assets and liabilities attributable to the Sale Companies as at respective balance sheet dates which are presented on a combined basis after elimination of intra-entities balances:

	As at 30 June			As at 31 December
	2004	2005	2006	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Non-current assets				
Investment properties	4,110.3	5,000.7	6,058.0	6,369.8
Property, plant and equipment	285.7	269.0	234.4	211.3
Prepaid lease payments	82.2	80.6	63.3	62.6
Interests in associates	3,383.6	3,900.3	4,550.2	4,695.7
Other assets	226.5	219.8	274.0	342.8
Deferred tax assets	—	—	3.1	3.1
	<u>8,088.3</u>	<u>9,470.4</u>	<u>11,183.0</u>	<u>11,685.3</u>
Current assets				
Inventories	253.6	255.9	262.9	238.8
Debtors, deposits and prepayments	156.1	152.9	83.9	79.9
Amounts due from affiliates	42.6	42.1	46.2	50.2
Bank balances and cash	12.0	11.1	11.3	11.1
	<u>464.3</u>	<u>462.0</u>	<u>404.3</u>	<u>380.0</u>
Current liabilities				
Creditors and accrued expenses	187.7	237.8	224.3	143.7
Amounts due to affiliates	2.3	2.3	—	—
Taxation	130.6	143.2	63.2	25.2
Borrowings	26.3	—	—	—
Bank overdrafts	25.7	32.5	30.1	2.4
	<u>372.6</u>	<u>415.8</u>	<u>317.6</u>	<u>171.3</u>
Net current assets	<u>91.7</u>	<u>46.2</u>	<u>86.7</u>	<u>208.7</u>
Total assets less current liabilities	8,180.0	9,516.6	11,269.7	11,894.0
Non-current liabilities				
Deferred tax liabilities	420.4	540.1	679.0	714.4
Total assets and liabilities	<u>7,759.6</u>	<u>8,976.5</u>	<u>10,590.7</u>	<u>11,179.6</u>
Equity attributable to equity holders of the Company	7,712.6	8,976.5	10,588.4	11,179.6
Minority interests	47.0	—	2.3	—
Total equity	<u>7,759.6</u>	<u>8,976.5</u>	<u>10,590.7</u>	<u>11,179.6</u>

- (ii) Included in the consolidated income statement of the Group are the following unaudited results attributable to the Sale Companies during the Relevant Periods and for the six months ended 31 December 2005 which are presented on a combined basis after elimination of intra-entities transactions:

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	977.0	1,032.8	985.2	505.6	400.5
Direct operating costs	<u>(482.8)</u>	<u>(505.4)</u>	<u>(457.9)</u>	<u>(223.7)</u>	<u>(219.7)</u>
Gross profit	494.2	527.4	527.3	281.9	180.8
Other income	155.0	47.2	13.3	4.2	2.4
Selling and distribution costs	(47.5)	(45.6)	(52.3)	(24.3)	(7.4)
Administrative expenses	<u>(125.3)</u>	<u>(127.0)</u>	<u>(141.1)</u>	<u>(62.1)</u>	<u>(29.2)</u>
Profit from operations before fair value gain of investment properties	476.4	402.0	347.2	199.7	146.6
Fair value gain of investment properties	<u>160.9</u>	<u>890.3</u>	<u>1,014.9</u>	<u>674.6</u>	<u>219.3</u>
Profit from operations after fair value gain of investment properties	637.3	1,292.3	1,362.1	874.3	365.9
Finance costs	(1.6)	(0.9)	—	(0.3)	—
Share of results of associates	390.1	636.7	690.2	255.3	226.6
Amortisation of goodwill	—	(7.5)	—	—	—
Negative goodwill released to income	<u>9.0</u>	<u>6.4</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit before taxation	1,034.8	1,927.0	2,052.3	1,129.3	592.5
Taxation	<u>(66.8)</u>	<u>(171.0)</u>	<u>(188.9)</u>	<u>(105.7)</u>	<u>(58.3)</u>
Profit for the year/period	<u>968.0</u>	<u>1,756.0</u>	<u>1,863.4</u>	<u>1,023.6</u>	<u>534.2</u>
Attributable to:					
Shareholders of the Company	964.8	1,754.0	1,863.4	1,023.6	534.2
Minority interests	<u>3.2</u>	<u>2.0</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the year/period	<u>968.0</u>	<u>1,756.0</u>	<u>1,863.4</u>	<u>1,023.6</u>	<u>534.2</u>

- (iii) Included in the consolidated cash flow statement of the Group are the following unaudited condensed consolidated cash flows attributable to the Sale Companies during the Relevant Periods and for six months ended 31 December 2005 which are presented on a combined basis after elimination of intra-entities transactions:

	Year ended 30 June			Six months ended 31 December	
	2004	2005	2006	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash from operating activities	302.3	397.7	150.3	176.6	49.8
Net cash from (used in) investing activities	933.6	160.0	145.8	60.1	(16.2)
Net cash used in financing activities	<u>(1,221.7)</u>	<u>(565.4)</u>	<u>(293.5)</u>	<u>(241.3)</u>	<u>(6.1)</u>
Net increase (decrease) in cash and cash equivalents	14.2	(7.7)	2.6	(4.6)	27.5
Cash and cash equivalents at beginning of the year/period	<u>(27.9)</u>	<u>(13.7)</u>	<u>(21.4)</u>	<u>(21.4)</u>	<u>(18.8)</u>
Cash and cash equivalents at end of the year/period	<u><u>(13.7)</u></u>	<u><u>(21.4)</u></u>	<u><u>(18.8)</u></u>	<u><u>(26.0)</u></u>	<u><u>8.7</u></u>
Analysis of balances of cash and cash equivalents					
Bank balances and cash	12.0	11.1	11.3	13.5	11.1
Bank overdrafts	<u>(25.7)</u>	<u>(32.5)</u>	<u>(30.1)</u>	<u>(39.5)</u>	<u>(2.4)</u>
	<u><u>(13.7)</u></u>	<u><u>(21.4)</u></u>	<u><u>(18.8)</u></u>	<u><u>(26.0)</u></u>	<u><u>8.7</u></u>

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2006.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
 Hong Kong

INDEBTEDNESS

At the close of business on 28 February 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$51 million, comprising bank borrowings of approximately HK\$49 million and bank overdrafts of approximately HK\$2 million. The Group's bank borrowings of approximately HK\$49 million were secured by toll highway operating rights of the Group with net book value of HK\$179 million and bank deposits of approximately HK\$20 million.

As at the close of business on 28 February 2007, save as disclosed in this section headed "Indebtedness" and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the Group, the Group did not have any outstanding mortgages, charges, debentures, loan capital or other similar indebtedness, or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 28 February 2007. The Directors have confirmed that there has been no material changes in the Company's indebtedness and contingent liability positions since 28 February 2007.

WORKING CAPITAL

The Board is of the opinion that, taking into account bank balances and cash of the Remaining Group, its expected internally generated funds and cash flows, the present available banking facilities of the Remaining Group and in the absence of unforeseen circumstances, the Remaining Group will have sufficient working capital for its present requirements for the next 12 months from the date of this circular.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Review of Results

The Remaining Group's principal businesses included infrastructure business in Mainland China and investment holding. The Remaining Group held shares in China Gas representing approximately 38.47% of its issued share capital as at the Latest Practicable Date.

For the six months ended 31 December 2006 (the "Period") and based on the unaudited pro forma income statement in Appendix III to this circular, the Remaining Group's turnover amounted to approximately HK\$107 million. The Remaining Group recorded profit attributable to Shareholders (excluding the gain arising from the Disposal) of approximately HK\$1,418 million.

During the Period, the turnover was principally contributed by the infrastructure business in Mainland China which was approximately HK\$73 million. The profit contribution from this segment was approximately HK\$43 million. The Remaining Group's share of after tax profits from China Gas amounted to approximately HK\$1,290 million.

Financial Resources, Liquidity and Capital Structure

Assuming that the Disposal had been completed and the Share Premium Reduction had become unconditional on 31 December 2006, the Remaining Group would have received cash consideration of approximately HK\$12,106 million from the Disposal, and the Remaining Group would also have distributed HK\$5.00 per Share or approximately HK\$15,237 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date to Shareholders as dividend. Taking into consideration the Remaining Group's total bank borrowings of approximately HK\$78 million, the Remaining Group would be in a net cash position of approximately HK\$1,824 million on 31 December 2006.

Alternatively, assuming that the Disposal had been completed but the Share Premium Reduction had not become unconditional on 31 December 2006, the Remaining Group would have received cash consideration of approximately HK\$12,106 million from the Disposal, and the Remaining Group would also have distributed HK\$3.80 per Share or approximately HK\$11,580 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date to Shareholders as dividend. Taking into consideration the Remaining Group's total bank borrowings of approximately HK\$78 million, the Remaining Group would be in a net cash position of approximately HK\$5,481 million on 31 December 2006.

At 31 December 2006, bank borrowings of HK\$72 million were repayable within one year; while the remaining balance of HK\$6 million was repayable after two but within three years. Calculated on the basis of total net bank borrowings as a ratio of the equity attributable to Shareholders as at 31 December 2006, the Remaining Group's gearing ratio was nil as it was in a net cash position.

Significant Investment

A significant investment of the Remaining Group was represented by its interests in China Gas. During the Period, the Remaining Group's share of after tax profits from China Gas amounted to approximately HK\$1,290 million.

Interest Rate Exposure and Exchange Rate Exposure

The Remaining Group's financing and treasury activities were centrally managed at the corporate level. Bank borrowings of the Remaining Group were principally floating rate in nature and were obtained from banks in Mainland China. Such borrowings were in Renminbi to support the Remaining Group's business activities in Mainland China. Apart from its investments in Mainland China which were denominated in Renminbi and not hedged, the Remaining Group had no other material open foreign exchange positions as at 31 December 2006. The Remaining Group did not make use of any derivative instruments for speculative purposes.

Pledge on Assets

As at 31 December 2006, certain assets with carrying value of approximately HK\$198 million of the Remaining Group were pledged to secure a portion of project financing facilities that were extended by banks to a subsidiary of the Remaining Group which engaged in infrastructural projects in Mainland China.

Contingent Liabilities

As at 31 December 2006, the Remaining Group did not have significant contingent liabilities.

Capital Commitment

As at 31 December 2006, capital commitments of the Remaining Group amounted to approximately HK\$33 million.

Employees and Remuneration Policies

At 31 December 2006, the Remaining Group had approximately 402 employees. Total employee costs for the Period amounted to approximately HK\$10 million. In addition to the provision of discretionary bonuses based on employees' individual performance, the benefits to employees of the Remaining Group included retirement scheme, medical insurance and training programme. The remuneration policy and packages were also reviewed by the management from time to time.

VALUE OF INVESTMENT PROPERTIES OF THE GROUP

The aggregate value of the investment properties of the Group based on the audited consolidated accounts of the Company for the six months ended 31 December 2006 amounted to approximately HK\$6,369.8 million. The aggregate value of the investment properties of the Group as at 28 February 2007 (which properties being the same as that as at 31 December 2006) based on the valuation carried out by DTZ amounted to approximately HK\$6,369.8 million, being the sub-total of the value of the property interests held for investment set out under Group I(B) in Appendix IV to this circular in the sum of HK\$7,988.1 million less the value of Hollywood Plaza, Newton Hotel Kowloon and Newton Hotel Hong Kong which were not classified as investment properties in the audited consolidated accounts of the Company for the six months ended 31 December 2006.

APPENDIX II ADDITIONAL FINANCIAL INFORMATION ON THE GROUP

A reconciliation of the net book value of the property interests of the Sale Companies and their subsidiaries as at 31 December 2006 to the valuation of the property interests of the Sale Companies and their subsidiaries as set out under Group I in Appendix IV to this circular is as follows:

	HK\$million
Net book value as at 31 December 2006	6,858.4
Movements for the period from 1 January 2007 to 28 February 2007	
— Depreciation	<u>(1.5)</u>
Net book value as at 28 February 2007	6,856.9
Net valuation appreciation	907.1
Valuation of property interests of associated companies as at 28 February 2007 as set out under Group I (property interest nos. 29 and 32) in Appendix IV to this circular	<u>769.9</u>
Valuation as at 28 February 2007 as set out under Group I in Appendix IV to this circular	<u><u>8,533.9</u></u>

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

The accompanying unaudited pro forma financial information has been prepared in accordance with rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purposes of illustrating the effect of the Disposal as if it had taken place on 31 December 2006 for the unaudited pro forma consolidated balance sheet and 1 July 2006 for the unaudited pro forma consolidated income statement and consolidated cash flow statement under the following two scenarios:

- assuming that the Proposed Distribution of HK\$5.00 per Share (or approximately HK\$15,236.6 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date) had been approved and the Share Premium Reduction had become unconditional, as appropriate, on 1 July 2006 or 31 December 2006 (referred to as “Scenario A”); and
- assuming that the Proposed Distribution of HK\$3.80 per Share (or approximately HK\$11,579.8 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date) had been approved and the Share Premium Reduction had not become unconditional, as appropriate, on 1 July 2006 or 31 December 2006 (referred to as “Scenario B”).

The unaudited pro forma consolidated balance sheets of the Remaining Group under Scenario A and Scenario B are based upon the audited consolidated balance sheet of the Group as at 31 December 2006, which has been extracted from the audited consolidated financial statements of the Group for the six months ended 31 December 2006 set out in Appendix I to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the Disposal and (ii) factually supportable.

The unaudited pro forma consolidated income statements and consolidated cash flow statements of the Remaining Group under Scenario A and Scenario B are based upon the audited consolidated income statement and audited consolidated cash flow statement of the Group for the six months ended 31 December 2006, which have been extracted from the audited consolidated financial statements of the Group for the six months ended 31 December 2006 set out in Appendix I to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the Disposal, (ii) expected to have a continuing impact on the Remaining Group and (iii) factually supportable.

The unaudited pro forma financial information on the Remaining Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma financial information on the Remaining Group does not purport to describe the actual financial position and results of the Remaining Group that would have been attained had the Disposal been completed on 31 December 2006 and 1 July 2006 respectively. The unaudited pro forma financial information on the Remaining Group does not purport to predict the future financial position and results of the Remaining Group.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the historical information of the Group set out in the audited consolidated financial statements of the Group for the six months ended 31 December 2006 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and results of the Group had the Disposal been completed on 31 December 2006 and 1 July 2006 respectively or at any future date.

(I) SCENARIO A

Unaudited pro forma consolidated balance sheet

HK\$ million	The Group consolidated balance sheet at 31 December 2006	Pro forma adjustments		Pro forma Remaining Group before Proposed Distribution	Pro forma adjustment	Pro forma Remaining Group after Proposed Distribution
		Note (a)	Note (b)			
Non-current assets						
Investment properties	6,369.8	(6,369.8)		—		—
Property, plant and equipment	658.1	(211.3)		446.8		446.8
Prepaid lease payments	62.6	(62.6)		—		—
Toll highway operation rights	177.8			177.8		177.8
Interests in associates	17,441.0	(4,695.7)		12,745.3		12,745.3
Other assets	480.4	(342.8)		137.6		137.6
Deferred tax assets	3.2	(3.1)		0.1		0.1
	<u>25,192.9</u>			<u>13,507.6</u>		<u>13,507.6</u>
Current assets						
Inventories	239.7	(238.8)		0.9		0.9
Debtors, deposits and prepayments	340.9	(79.9)		261.0		261.0
Amounts due from affiliates	182.3	(50.2)		132.1		132.1
Pledged bank deposits	20.2			20.2		20.2
Bank balances and cash	<u>5,023.6</u>	(11.1)	12,105.6	<u>17,118.1</u>	(15,236.6)	<u>1,881.5</u>
	5,806.7			17,532.3		2,295.7
Assets classified as held for sale	<u>404.9</u>			<u>404.9</u>		<u>404.9</u>
	<u>6,211.6</u>			<u>17,937.2</u>		<u>2,700.6</u>

Unaudited pro forma consolidated balance sheet (continued)

HK\$ million	The Group consolidated balance sheet at 31 December 2006	Pro forma adjustments		Pro forma Remaining Group before Proposed Distribution	Pro forma adjustment	Pro forma Remaining Group after Proposed Distribution
		<i>Note (a)</i>	<i>Note (b)</i>			
Current liabilities						
Creditors and accrued expenses	249.4	(143.7)		105.7		105.7
Amounts due to affiliates	65.8			65.8		65.8
Taxation	50.5	(25.2)		25.3		25.3
Borrowings	72.1			72.1		72.1
Bank overdrafts	<u>2.4</u>	(2.4)		<u>—</u>		<u>—</u>
	440.2			268.9		268.9
Liabilities associated with assets classified as held for sale	<u>254.8</u>			<u>254.8</u>		<u>254.8</u>
	<u>695.0</u>			<u>523.7</u>		<u>523.7</u>
Net current assets	<u>5,516.6</u>			<u>17,413.5</u>		<u>2,176.9</u>
	<u><u>30,709.5</u></u>			<u><u>30,921.1</u></u>		<u><u>15,684.5</u></u>
Capital and reserves						
Share capital	609.5			609.5		609.5
Reserves	<u>28,645.4</u>	(11,179.6)	12,105.6	<u>29,571.4</u>	(15,236.6)	<u>14,334.8</u>
Equity attributable to equity holders of the Company	29,254.9			30,180.9		14,944.3
Minority interests	<u>673.0</u>			<u>673.0</u>		<u>673.0</u>
Total equity	<u>29,927.9</u>			<u>30,853.9</u>		<u>15,617.3</u>
Non-current liabilities						
Borrowings	6.0			6.0		6.0
Deferred tax liabilities	728.1	(714.4)		13.7		13.7
Amount due to a fellow subsidiary	<u>47.5</u>			<u>47.5</u>		<u>47.5</u>
	<u>781.6</u>			<u>67.2</u>		<u>67.2</u>
	<u><u>30,709.5</u></u>			<u><u>30,921.1</u></u>		<u><u>15,684.5</u></u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

Unaudited pro forma consolidated income statement

HK\$ million	The Group consolidated income statement for the six months ended 31 December 2006	Pro forma adjustments		Pro forma Remaining Group
		<i>Note (d)</i>	<i>Note (e)</i>	
Turnover	507.0	(400.5)		106.5
Direct operating costs	<u>(262.0)</u>	219.7		<u>(42.3)</u>
Gross profit	245.0			64.2
Other income	122.3	(2.4)		119.9
Profit for the period of disposal group	5.8			5.8
Selling and distribution costs	(12.0)	7.4		(4.6)
Administrative expenses	<u>(46.2)</u>	29.2		<u>(17.0)</u>
Profit from operations before fair value gain of investment properties	314.9			168.3
Fair value gain of investment properties	<u>219.3</u>	(219.3)		<u>—</u>
Profit from operations after fair value gain of investment properties	534.2			168.3
Finance costs	(2.1)			(2.1)
Share of results of associates	1,516.4	(226.6)		1,289.8
Gain on disposal of Sale Companies	<u>—</u>		1,514.4	<u>1,514.4</u>
Profit before taxation	2,048.5			2,970.4
Taxation	<u>(66.6)</u>	58.3		<u>(8.3)</u>
Profit for the period	<u>1,981.9</u>			<u>2,962.1</u>
Attributable to:				
Equity holders of the Company	1,951.5	(534.2)	1,514.4	2,931.7
Minority interests	<u>30.4</u>			<u>30.4</u>
Profit for the period	<u>1,981.9</u>			<u>2,962.1</u>

Unaudited pro forma consolidated cash flow statement

HK\$ million	The Group consolidated cash flow statement for the six months ended 31 December 2006	Pro forma adjustments		Pro forma Remaining Group before Proposed Distribution	Pro forma Remaining Group after Proposed Distribution
		<i>Note (f)</i>	<i>Note (g)</i>	Pro forma adjustment <i>Note (h)</i>	
Operating activities					
Profit before taxation	2,048.5	(592.5)	1,514.4	2,970.4	2,970.4
Adjustments for:					
Amortisation of toll highway operation rights	5.1			5.1	5.1
Depreciation	17.3	(5.8)		11.5	11.5
Dividends from investments	(1.0)	1.0		—	—
Fair value gain of investment properties	(219.3)	219.3		—	—
Finance costs	2.1			2.1	2.1
Impairment loss on debtors	0.7	(0.7)		—	—
Interest income	(114.8)	1.5		(113.3)	(113.3)
Loss on write off/disposal of property, plant and equipment	17.4	(17.4)		—	—
Gain on disposal of subsidiary	(4.7)		(1,514.4)	(1,519.1)	(1,519.1)
Release of prepaid lease payments	0.7	(0.7)		—	—
Share of results of associates	(1,516.4)	226.6		(1,289.8)	(1,289.8)
Unrealised exchange loss	20.7			20.7	20.7
Operating cash flows before movements in working capital	256.3			87.6	87.6
Decrease in inventories	16.0	(15.9)		0.1	0.1
Decrease in completed properties for sale	18.3	(8.2)		10.1	10.1
Increase in debtors, deposits and prepayments	(58.7)	(4.5)		(63.2)	(63.2)
(Decrease) increase in creditors and accrued expenses	(30.3)	86.5		56.2	56.2
Cash generated from operations	201.6			90.8	90.8
Income taxes paid	(64.6)	61.0		(3.6)	(3.6)
Interest paid	(2.1)			(2.1)	(2.1)
Net cash from operating activities	134.9			85.1	85.1
Investing activities					
Dividends received from associates and available-for-sale investments	335.6	(81.3)		254.3	254.3
Interest received	113.3			113.3	113.3
Purchase of investment properties	(92.5)	92.5		—	—
Purchase of property, plant and equipment	(28.4)	0.7		(27.7)	(27.7)
Payments to acquire additional interests in associates	(16.1)	0.8		(15.3)	(15.3)

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

Unaudited pro forma consolidated cash flow statement (continued)

HK\$ million	The Group consolidated cash flow statement for the six months ended 31 December 2006	Pro forma adjustments		Pro forma Remaining Group before Proposed Distribution	Pro forma adjustment	Pro forma Remaining Group after Proposed Distribution
		<i>Note (f)</i>	<i>Note (g)</i>		<i>Note (h)</i>	
Investing activities						
Proceeds from disposal of property, plant and equipment	0.5	(0.5)		—		—
(Increase) decrease in amounts due from associates	(3.8)	4.0		0.2		0.2
Increase in amounts due from minority shareholders	(36.1)			(36.1)		(36.1)
Proceeds from disposal of subsidiary/Sale Companies	<u>38.8</u>	18.8	12,105.6	<u>12,163.2</u>		<u>12,163.2</u>
Net cash from investing activities	311.3			12,451.9		12,451.9
Financing activities						
Dividends paid to shareholders	(456.6)			(456.6)	(15,236.6)	(15,693.2)
Dividends paid to minority shareholders	(15.5)	4.9		(10.6)		(10.6)
Repayment to a fellow subsidiary	(72.7)	1.2		(71.5)		(71.5)
Advances from minority shareholders	178.6			178.6		178.6
Repayment to associates	(0.8)			(0.8)		(0.8)
Repayment of bank and other loans	<u>(190.9)</u>			<u>(190.9)</u>		<u>(190.9)</u>
Net cash used in financing activities	<u>(557.9)</u>			<u>(551.8)</u>		<u>(15,788.4)</u>
Net (decrease) increase in cash and cash equivalents	(111.7)			11,985.2		(3,251.4)
Cash and cash equivalents at the beginning of the period	5,127.0			5,127.0		5,127.0
Effect of foreign exchange rate changes	<u>7.2</u>			<u>7.2</u>		<u>7.2</u>
Cash and cash equivalents at the end of the period	<u>5,022.5</u>			<u>17,119.4</u>		<u>1,882.8</u>
Analysis of balances of cash and cash equivalents						
Bank balances and cash	5,023.6	(11.1)	12,105.6	17,118.1	(15,236.6)	1,881.5
Bank balances and cash attributable to a disposal group	1.3			1.3		1.3
Bank overdrafts	<u>(2.4)</u>	2.4		<u>—</u>		<u>—</u>
	<u>5,022.5</u>			<u>17,119.4</u>		<u>1,882.8</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

(II) SCENARIO B

Unaudited pro forma consolidated balance sheet

HK\$ million	The Group consolidated balance sheet at 31 December 2006	Pro forma adjustments		Pro forma Remaining Group before Proposed Distribution	Pro forma adjustment	Pro forma Remaining Group after Proposed Distribution
		<i>Note (a)</i>	<i>Note (b)</i>		<i>Note (i)</i>	
Non-current assets						
Investment properties	6,369.8	(6,369.8)		—		—
Property, plant and equipment	658.1	(211.3)		446.8		446.8
Prepaid lease payments	62.6	(62.6)		—		—
Toll highway operation rights	177.8			177.8		177.8
Interests in associates	17,441.0	(4,695.7)		12,745.3		12,745.3
Other assets	480.4	(342.8)		137.6		137.6
Deferred tax assets	3.2	(3.1)		0.1		0.1
	<u>25,192.9</u>			<u>13,507.6</u>		<u>13,507.6</u>
Current assets						
Inventories	239.7	(238.8)		0.9		0.9
Debtors, deposits and prepayments	340.9	(79.9)		261.0		261.0
Amounts due from affiliates	182.3	(50.2)		132.1		132.1
Pledged bank deposits	20.2			20.2		20.2
Bank balances and cash	5,023.6	(11.1)	12,105.6	17,118.1	(11,579.8)	5,538.3
	5,806.7			17,532.3		5,952.5
Assets classified as held for sale	404.9			404.9		404.9
	<u>6,211.6</u>			<u>17,937.2</u>		<u>6,357.4</u>
Current liabilities						
Creditors and accrued expenses	249.4	(143.7)		105.7		105.7
Amounts due to affiliates	65.8			65.8		65.8
Taxation	50.5	(25.2)		25.3		25.3
Borrowings	72.1			72.1		72.1
Bank overdrafts	2.4	(2.4)		—		—
	440.2			268.9		268.9
Liabilities associated with assets classified as held for sale	254.8			254.8		254.8
	<u>695.0</u>			<u>523.7</u>		<u>523.7</u>
Net current assets	<u>5,516.6</u>			<u>17,413.5</u>		<u>5,833.7</u>
	<u><u>30,709.5</u></u>			<u><u>30,921.1</u></u>		<u><u>19,341.3</u></u>

Unaudited pro forma consolidated balance sheet (continued)

HK\$ million	The Group consolidated balance sheet at 31 December 2006	Pro forma adjustments		Pro forma Remaining Group before Proposed Distribution	Pro forma adjustment	Pro forma Remaining Group after Proposed Distribution
		<i>Note (a)</i>	<i>Note (b)</i>			
Capital and reserves						
Share capital	609.5			609.5		609.5
Reserves	<u>28,645.4</u>	(11,179.6)	12,105.6	<u>29,571.4</u>	(11,579.8)	<u>17,991.6</u>
Equity attributable to equity holders of the Company	29,254.9			30,180.9		18,601.1
Minority interests	<u>673.0</u>			<u>673.0</u>		<u>673.0</u>
Total equity	<u>29,927.9</u>			<u>30,853.9</u>		<u>19,274.1</u>
Non-current liabilities						
Borrowings	6.0			6.0		6.0
Deferred tax liabilities	728.1	(714.4)		13.7		13.7
Amount due to a fellow subsidiary	<u>47.5</u>			<u>47.5</u>		<u>47.5</u>
	<u>781.6</u>			<u>67.2</u>		<u>67.2</u>
	<u>30,709.5</u>			<u>30,921.1</u>		<u>19,341.3</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

Unaudited pro forma consolidated income statement

HK\$ million	The Group consolidated income statement for the six months ended 31 December 2006	Pro forma adjustments		Pro forma Remaining Group
		<i>Note (d)</i>	<i>Note (e)</i>	
Turnover	507.0	(400.5)		106.5
Direct operating costs	<u>(262.0)</u>	219.7		<u>(42.3)</u>
Gross profit	245.0			64.2
Other income	122.3	(2.4)		119.9
Profit for the period of disposal group	5.8			5.8
Selling and distribution costs	(12.0)	7.4		(4.6)
Administrative expenses	<u>(46.2)</u>	29.2		<u>(17.0)</u>
Profit from operations before fair value gain of investment properties	314.9			168.3
Fair value gain of investment properties	<u>219.3</u>	(219.3)		<u>—</u>
Profit from operations after fair value gain of investment properties	534.2			168.3
Finance costs	(2.1)			(2.1)
Share of results of associates	1,516.4	(226.6)		1,289.8
Gain on disposal of Sale Companies	<u>—</u>		1,514.4	<u>1,514.4</u>
Profit before taxation	2,048.5			2,970.4
Taxation	<u>(66.6)</u>	58.3		<u>(8.3)</u>
Profit for the period	<u>1,981.9</u>			<u>2,962.1</u>
Attributable to:				
Equity holders of the Company	1,951.5	(534.2)	1,514.4	2,931.7
Minority interests	<u>30.4</u>			<u>30.4</u>
Profit for the period	<u>1,981.9</u>			<u>2,962.1</u>

Unaudited pro forma consolidated cash flow statement

HK\$ million	The Group consolidated cash flow statement for the six months ended 31 December 2006	Pro forma adjustments		Pro forma Remaining Group before Proposed Distribution	Pro forma adjustment <i>Note (j)</i>	Pro forma Remaining Group after Proposed Distribution
		<i>Note (f)</i>	<i>Note (g)</i>			
Operating activities						
Profit before taxation	2,048.5	(592.5)	1,514.4	2,970.4		2,970.4
Adjustments for:						
Amortisation of toll highway operation rights	5.1			5.1		5.1
Depreciation	17.3	(5.8)		11.5		11.5
Dividends from investments	(1.0)	1.0		—		—
Fair value gain of investment properties	(219.3)	219.3		—		—
Finance costs	2.1			2.1		2.1
Impairment loss on debtors	0.7	(0.7)		—		—
Interest income	(114.8)	1.5		(113.3)		(113.3)
Loss on write off / disposal of property, plant and equipment	17.4	(17.4)		—		—
Gain on disposal of subsidiary	(4.7)		(1,514.4)	(1,519.1)		(1,519.1)
Release of prepaid lease payments	0.7	(0.7)		—		—
Share of results of associates	(1,516.4)	226.6		(1,289.8)		(1,289.8)
Unrealised exchange loss	20.7			20.7		20.7
Operating cash flows before movements in working capital	256.3			87.6		87.6
Decrease in inventories	16.0	(15.9)		0.1		0.1
Decrease in completed properties for sale	18.3	(8.2)		10.1		10.1
Increase in debtors, deposits and prepayments	(58.7)	(4.5)		(63.2)		(63.2)
(Decrease) increase in creditors and accrued expenses	(30.3)	86.5		56.2		56.2
Cash generated from operations	201.6			90.8		90.8
Income taxes paid	(64.6)	61.0		(3.6)		(3.6)
Interest paid	(2.1)			(2.1)		(2.1)
Net cash from operating activities	134.9			85.1		85.1
Investing activities						
Dividends received from associates and available-for-sale investments	335.6	(81.3)		254.3		254.3
Interest received	113.3			113.3		113.3
Purchase of investment properties	(92.5)	92.5		—		—
Purchase of property, plant and equipment	(28.4)	0.7		(27.7)		(27.7)
Payments to acquire additional interests in associates	(16.1)	0.8		(15.3)		(15.3)

Unaudited pro forma consolidated cash flow statement (continued)

HK\$ million	The Group consolidated cash flow statement for the six months ended 31 December 2006	Pro forma adjustments		Pro forma Remaining Group before Proposed Distribution	Pro forma adjustment <i>Note (j)</i>	Pro forma Remaining Group after Proposed Distribution
		<i>Note (f)</i>	<i>Note (g)</i>			
Investing activities						
Proceeds from disposal of property, plant and equipment	0.5	(0.5)		—		—
(Increase) decrease in amounts due from associates	(3.8)	4.0		0.2		0.2
Increase in amounts due from minority shareholders	(36.1)			(36.1)		(36.1)
Proceeds from disposal of subsidiary/Sale Companies	38.8	18.8	12,105.6	12,163.2		12,163.2
Net cash from investing activities	311.3			12,451.9		12,451.9
Financing activities						
Dividends paid to shareholders	(456.6)			(456.6)	(11,579.8)	(12,036.4)
Dividends paid to minority shareholders	(15.5)	4.9		(10.6)		(10.6)
Repayment to a fellow subsidiary	(72.7)	1.2		(71.5)		(71.5)
Advances from minority shareholders	178.6			178.6		178.6
Repayment to associates	(0.8)			(0.8)		(0.8)
Repayment of bank and other loans	(190.9)			(190.9)		(190.9)
Net cash used in financing activities	(557.9)			(551.8)		(12,131.6)
Net (decrease) increase in cash and cash equivalents	(111.7)			11,985.2		405.4
Cash and cash equivalents at the beginning of the period	5,127.0			5,127.0		5,127.0
Effect of foreign exchange rate changes	7.2			7.2		7.2
Cash and cash equivalents at the end of the period	5,022.5			17,119.4		5,539.6
Analysis of balances of cash and cash equivalents						
Bank balances and cash	5,023.6	(11.1)	12,105.6	17,118.1	(11,579.8)	5,538.3
Bank balances and cash attributable to a disposal group	1.3			1.3		1.3
Bank overdrafts	(2.4)	2.4		—		—
	<u>5,022.5</u>			<u>17,119.4</u>		<u>5,539.6</u>

Notes to the unaudited pro forma financial information

- (a) The adjustment relates to the assets and liabilities of the Sale Companies, assuming that the Disposal had taken place on 31 December 2006.
- (b) The adjustment reflects (i) the cash consideration received of HK\$12,105.6 million for the Disposal and (ii) the estimated gain of approximately HK\$926.0 million resulting from the Disposal, assuming that the Disposal had taken place on 31 December 2006.

The consideration is equal to the sum of the Attributable Net Asset Value and the amount of the Shareholder's Loan of such Sale Company (and where the sum of the Attributable Net Asset Value and the amount of the Shareholder's Loan of a Sale Company is a negative figure, the consideration for the Disposal of such interest and of such Shareholder's Loan shall be HK\$1 each).

Attributable Net Asset Value means, in relation to a Sale Company, the Company's percentage interest in such company multiplied by the net tangible asset value (consolidated where applicable) of such company based on its unaudited balance sheet (consolidated where applicable) as at the Completion Date (as adjusted by (a) replacing the value of securities listed on the Stock Exchange comprised therein with such value calculated based on the 10-day Average Closing Price of such listed securities; (b) replacing the value of the interests in the properties comprised therein with the value of such interests as agreed between HLD and the Company and set out in the Agreement; (c) deducting an amount equal to any tax on any gain (but not loss) arising if the interests in the properties (being classified as completed stocks in the accounts) were sold at the agreed values on the Completion Date to the extent that provision therefor has not been made in the accounts; and (d) not taking into account any deferred tax liability in the computation of liabilities (in respect of which an indemnity will be given by the Company to HLD pursuant to a deed of tax covenant, which also provides for other payments by the Company to HLD in respect of certain tax liabilities relating to events occurring on or before Completion, clawback of commercial building allowances and capital allowances granted up to Completion and re-classification before Completion of the properties in the books of the relevant companies)).

For the purpose of reference only, based on the balance sheets (consolidated where applicable) of the Sale Companies comprised in the audited consolidated accounts of the Company for the six months ended 31 December 2006, the aggregate amount payable by HLD to the Company under the Agreement would have amounted to approximately HK\$12,105.6 million.

- (c) The adjustment represents the Proposed Distribution of HK\$5.00 per Share (or approximately HK\$15,236.6 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date) on 31 December 2006 under Scenario A, assuming that the Disposal had taken place and the Share Premium Reduction had become unconditional on 31 December 2006.
- (d) The adjustment relates to the results of the Sale Companies for the six months ended 31 December 2006, assuming that the Disposal had taken place on 1 July 2006.
- (e) The adjustment reflects the estimated gain of approximately HK\$1,514.4 million resulting from the Disposal, assuming that the Disposal had taken place on 1 July 2006.
- (f) The adjustment relates to the cash flows of the Sale Companies, assuming that the Disposal had taken place on 1 July 2006.
- (g) The adjustment reflects the cash inflow amounting to approximately HK\$12,105.6 million and the estimated gain on disposal of HK\$1,514.4 million resulting from the Disposal, assuming that the Disposal had taken place on 1 July 2006.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

- (h) The adjustment reflects the cash outflow resulting from the Proposed Distribution of HK\$5.00 per Share (or approximately HK\$15,236.6 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date) on 1 July 2006 under Scenario A, assuming that the Disposal had taken place and the Share Premium Reduction had become unconditional on 1 July 2006.
- (i) The adjustment represents the Proposed Distribution of HK\$3.80 per Share (or approximately HK\$11,579.8 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date) on 31 December 2006 under Scenario B, assuming that the Disposal had taken place and the Share Premium Reduction had not become unconditional on 31 December 2006.
- (j) The adjustment reflects the cash outflow resulting from the Proposed Distribution of HK\$3.80 per Share (or approximately HK\$11,579.8 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date) on 1 July 2006 under Scenario B, assuming that the Disposal had taken place and the Share Premium Reduction had not become unconditional on 1 July 2006.
- (k) The final amount of consideration, assets and liabilities of the Sale Companies and the gain arising from the Disposal will be different from those amounts as presented above.
- (l) Except for the Disposal and the Proposed Distribution, no adjustment has been made to reflect any trading result or other transactions of the Group or the Sale Companies entered into subsequent to 31 December 2006, including interim dividend declared of HK13 cents per Share or approximately HK\$396.2 million in total based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date.

2. LETTER FROM THE REPORTING ACCOUNTANTS OF THE COMPANY

The following is the text of a report received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF HENDERSON INVESTMENT LIMITED**

We report on the unaudited pro forma financial information of Henderson Investment Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the very substantial disposal transactions, whereby the Company disposed of interests in, and the shareholder’s loans of, certain companies in the Group, pursuant to an agreement dated 27 March 2007 entered into between the Company and Henderson Land Development Company Limited and the Proposed Distribution might have affected the financial information presented, for inclusion in Appendix III to the circular dated 20 April 2007 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out on pages III-1 to III-13 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29 of Chapter 4 of the Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted

primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 31 December 2006 or any future date; or
- the results and cash flows of the Group for the six months ended 31 December 2006 or any future period.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 April 2007

The following is the text of the letter, summary of valuations and valuation certificates extracted from the property valuation report received from DTZ, prepared for the purpose of incorporation into this circular in connection with DTZ's valuation of the property interests of the Sale Companies, Miramar Hotel, HK Ferry and their respective subsidiaries.



10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

20 April 2007

The Directors
Henderson Investment Limited
72nd to 76th Floors, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value certain property interests which are held by:

(a) the following companies in which Henderson Investment Limited (“HIL”) is interested:

Alpenhon Limited, Bottcher Investment Limited, Bour Investment Limited, Century Nice Development Limited, Couraud Investment Limited, Dashtrend Investment Limited, Dekker Investment Limited, Desormiere Investment Limited, Dillinger Investment Limited, Easefine Development Limited, Easeluck Development Limited, Faith Limited, Fordwise Development Limited, Fournet Investment Limited, Full Gain Investment Limited, Gesund Investment Company Limited, Golden Dragon Development Company, Limited, Hung Shun Investment Company Limited, Isherwood Investment Limited, Jekyll Investment Limited, Juliyam Limited, Laidstone Investments Limited, Quentin Investment Limited, Racine Investment Limited, Saxophon Limited, Shiu Kien Development Company Limited, Star Flight Company Limited, Vansittart Investment Limited, Vignette Investment Limited, Mandy Investment Company Limited, Star Play Development Limited, Ace Winner Development Limited, Aynbury Investments Limited, Capital Gold Development Limited, Kingsview International Limited, Pataca Enterprises Limitd, Podar Limited, Rejoice Investments Limited, Topgoal Limited, Winner Glory Development Limited, Evas International Limited, Felix Technology Limited, Fortune Newton Limited, Goodwill Investment Property Management Limited, Henderson Hotel Management Limited, Konet Investment Limited, Manswin Investment Limited, Max-mercan Investment Limited, Newton Hotel Hong Kong Limited and Newton Hotel Kowloon Limited (hereinafter together referred to as the “Sale Companies”);

(b) Miramar Hotel and Investment Company, Limited; and

(c) Hong Kong Ferry (Holdings) Company Limited

and their respective subsidiaries (hereinafter together referred to as the “Sale Group”) in Hong Kong, the People’s Republic of China (the “PRC”) and the United States of America (the “USA”) as set out in the attached Summary of Valuations, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such property interests as at 28 February 2007 (the “date of valuation”).

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Valuation Standards on Properties issued by the Hong Kong Institutes of Surveyors.

Our valuation of each property interest represents its market value which, in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuation of each property interest excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the property interests situated in the PRC, we have assumed that transferable land use rights in respect of each of the property interests for its specific term at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Sale Group and the legal adviser to the Sale Group as to PRC law, Commerce & Finance Law Offices (hereinafter referred to as the “PRC Legal Adviser”) regarding the title to each of the property interests and the interests of the Sale Group in each of the property interests. We have, with reference to the PRC legal opinion, prepared our valuations on the bases that the Sale Group has enforceable title to each of the property interests and has free and uninterrupted rights to use, occupy or assign each of the property interests for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In valuing the property interests situated in Hong Kong the Government Leases of which expired before 30 June 1997, we have taken into account that under the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance such leases have been extended without premium until 30 June 2047 and that rents of three per cent. of the rateable value are charged per annum from the date of extension.

We have valued the property interests by direct comparison method by making reference to comparable sales evidence as available in the relevant market, or where appropriate by investment method by capitalizing the net incomes shown on the schedules provided to us by the Sale Group with due provisions for reversionary income potential.

All the property interests leased to the Sale Group are considered to have no commercial value due mainly to the prohibitions against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

We have relied to a very considerable extent on the information given by the Sale Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, floor areas, number of parking spaces, identification of property interest, interest attributable to the Sale Group and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Sale Group and are therefore only approximations. No on-site measurement has been carried out.

We have not been provided with copies of the title documents relating to the property interests but have caused searches to be made at the appropriate Land Registries in respect of the property interests in Hong Kong and the USA. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximations.

We have, wherever possible, inspected the exterior of the property interests. However, no structural survey has been made, but in the course of our inspection we did not note any serious defects. We are not, however, able to report whether the property interests are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

For those properties held under development, we have not carried out any soil or site investigation. In undertaking our valuations, we have assumed that the property interests are suitable for development and no extraordinary costs or delays will be incurred during construction.

Unless otherwise stated, all monetary amounts stated in our valuations are in Hong Kong dollars. The exchange rates adopted in our valuations are HK\$1=RMB1 and US\$1=HK\$7.8 both of which were approximately the prevailing exchange rate as at the date of valuation.

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited

K.B. Wong
Registered Professional Surveyor (General Practice Division)
China Real Estate Appraiser
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 20 years' experience in the valuation of properties in Hong Kong, the PRC and the USA.

SUMMARY OF VALUATIONS

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
Group I The Sale Companies and their subsidiaries			
(A) Property interests held for sale in Hong Kong			
1. The whole of Royal Commercial Centre (except Units 2 and 3 on 5th Floor, Unit 1 on 10th and 13th Floors, Unit 5 on 11th Floor, Unit 3 on 18th Floor, Unit 5 on 19th Floor and the whole of 20th Floor), 56 Parkes Street, Tsimshatsui, Kowloon	173,000	100	173,000
2. A domestic unit in Castle Road, Mid-Levels, Hong Kong	24,900	100	24,900
3. A unit in Castle Road, Mid-Levels, Hong Kong	8,400	100	8,400
4. Various units and parking spaces in MacDonnell Road, Mid-Levels, Hong Kong	7,200	100	7,200
5. A domestic unit in Robinson Road, Mid-Levels, Hong Kong	5,000	100	5,000
6. A unit in Seymour Road, Mid-Levels, Hong Kong	23,500	100	23,500
7. 604 Shanghai Street, Mongkok, Kowloon	16,000	100	16,000
8. A domestic unit in Yin Chong Street, Mongkok, Kowloon	1,000	100	1,000

Property interest	Capital value in existing state as at 28 February 2007 HK\$('000)	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL HK\$('000)
9. A factory unit in Wang Lung Street, Tsuen Wan, New Territories	4,800	100	4,800
10. Shop No. 4 on Ground Floor, Ching Fai Terrace, 4-8 Ching Wah Street, North Point, Hong Kong	1,800	100	1,800
11. 100 Car Parking Spaces at Tycoon Court, 8 Conduit Road, Mid-Levels, Hong Kong	25,000	100	25,000
12. Flat F on 36th Floor together with portion of the Roof thereabove, and Car Parking Space Nos. 1 to 11 on Ground Floor, Car Parking Space Nos. 1 to 17 on 1st Floor, Car Parking Space Nos. 6, 11, 13 and 16 on 2nd Floor, Car Parking Space Nos. 2, 3, 7 and 19 on 3rd Floor, Car Parking Space Nos. 8 to 13 and 19 on 4th Floor and Car Parking Space Nos. 1 to 15 on 5th Floor, Royal Court, 9M Kennedy Road, Mid-Levels, Hong Kong	28,000	100	28,000
13. 23rd Floor, Car Parking Space No. 4 on Ground Floor and Portion of Spaces on Car Park "1" (also known as Car Parking Space Nos. 2 and 3 on Car Park "1"), Hoover Court, 7-9 MacDonnell Road, Mid-Levels, Hong Kong	24,000	100	24,000

Property interest	Capital value in existing state as at 28 February 2007 HK\$('000)	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL HK\$('000)
14. Flats A and B and Flat Roofs on 1st Floor, Flat B on 3rd Floor, Duplex Flat A on 23rd and 24th Floors, Car Parking Space Nos. 7 and 7A, 8 and 8A, 15, 17 and 19 on Ground Floor, Car Parking Space Nos. 31, 36 and 37 on 1st Lower Ground Floor and Car Parking Space Nos. 42 to 44, 50, 57 to 59 and 62 on 2nd Lower Ground Floor, Suncrest Tower, 1 Monmouth Terrace, Wanchai, Hong Kong	64,000	100	64,000
15. 4 shop units, 10 domestic units and 4 duplex units, 65 car parking spaces and 6 motor cycle spaces at Palatial Crest, 3 Seymour Road, Mid-Levels, Hong Kong	228,000	0.49	1,117
16. Car Parking Space No. 6 on Car Park Ground Floor, Silver Star Court, 22-26 Village Road, Happy Valley, Hong Kong	400	100	400
17. Shop 3 on Ground Floor, Victor Court, 14-28 Wang On Road, North Point, Hong Kong	4,000	100	4,000
18. Units 1 to 8 on 1st Floor and Units 1, 3 and 4 on 2nd Floor, Lai Kwan Court, 438 Castle Peak Road, Cheung Sha Wan, Kowloon	6,000	100	6,000

Property interest	Capital value in existing state as at 28 February 2007 HK\$('000)	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL HK\$('000)
19. Shop No. 19 on Ground Floor and the yard appertaining thereto, Florence Plaza, 23 Cheung Wah Street, Cheung Sha Wan, Kowloon	5,000	75	3,750
20. Shop No. 15 on 1st Floor, Shop Nos. 13 and 15 on 2nd Floor, Wing On Building, 206 Fuk Wa Street, Shamshuipo, Kowloon	1,100	100	1,100
21. All shop units and all car parking spaces in Wonderland Villas, 9 Wah King Hill Road, Kwai Chung, New Territories	518,000	9.1288	47,287
22. 37 Car Parking Spaces on Level 2, Greenery Plaza, 3 Chui Yi Street, Tai Po, New Territories	7,400	100	7,400
23. Workshop Units A, B, E and G on 3rd Floor, Workshop Unit P on 5th Floor and Workshop Unit E on 9th Floor, 9 Car Parking Spaces on Ground Floor and 19 Car Parking Spaces and 23 Lorry Parking Spaces on 1st Floor, Houston Industrial Building, 32-40 Wang Lung Street, Tsuen Wan, New Territories	30,000	100	30,000
24. Shop No. 12 on Ground Floor, Brilliant Garden, 250 Castle Peak Road, San Hui, Tuen Mun, New Territories	5,100	100	5,100

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
25. 26 Car Parking Spaces on Ground and Lower Ground Floors, The Rainbow Garden, 351 Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories	3,380	100	3,380
26. 18 Car Parking Spaces on First Floor, Tak Lee Industrial Centre, 8 Tsing Yeung Circuit, Tuen Mun, New Territories	2,700	100	2,700
27. Unit 4 on 14th Floor, Chit Lee Commercial Building, 30-36 Shaukeiwan Road, Shau Kei Wan, Hong Kong	520	100	520
28. Shop 14A on Level 1, Jade Plaza, 3 On Chee Road, Tai Po, New Territories	500	100	500
29. Car Parking Spaces Nos. 5, 13, 14, 16, 19, 69, 95, 97, 101 to 104, 107 to 110, 180, 188, 212, 219, 254, 257 to 260, 264, 266, 269 to 271, 277 and 278 on Basement, Tai Po Garden, 1 Mui Shu Hang Road, Tai Po, New Territories	3,200	50	1,600
Sub-total:	1,221,900		521,454

Property interest	Capital value in existing state as at 28 February 2007 HK\$('000)	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL HK\$('000)
(B) Property interests held for investment in Hong Kong			
30. All shop units on Level Three, the Remaining Parts at Level One and various Car Parking Spaces on Levels One and Two of the Podium, Shatin Centre, 2-16 Wang Pok Street, Shatin, New Territories (<i>Note 1</i>)	2,092,000	100	2,092,000
31. Shop units on Levels One to Three of the Shopping Podiums of North and South Wings, Cinema "A" and Cinema "B", the external walls of the podium and Car Parking Space Nos. 1 to 78 on Basement and Bicycle Parking Space Nos. 1 to 64 on Level One, Trend Plaza, 2 Tuen Lung Street, Tuen Mun, New Territories (<i>Note 1</i>)	1,446,000	100	1,446,000
32. Hollywood Plaza, 610 Nathan Road, Mongkok, Kowloon (<i>Note 1</i>)	2,305,000	33.333	768,326
33. Eva Court, 36 MacDonnell Road, Mid-Levels, Hong Kong (<i>Note 1</i>)	908,000	100	908,000
34. Shops Nos. G1, G2, G3, G4, G5, G6, G7A, G7B, G8, G9, G10, G11, G12, G17, G18A, G18B, G19, G20, G21, G22, G23, G30, G31, G32 and G33 on Ground Floor of the Commercial Development, Town Square (currently known as City Landmark II), 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories (<i>Note 1</i>)	364,000	100	364,000

Property interest	Capital value in existing state as at 28 February 2007 HK\$('000)	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL HK\$('000)
35. Block C and all Car Parking Spaces on Second Floor, Hang Wai Industrial Centre, 6 Kin Tai Street, Tuen Mun, New Territories (<i>Note 1</i>)	128,400	100	128,400
36. Shops on Ground and First Floors, Kindergarten, Wet Market, Cinema and Plaza on Ground Floor, Lorry Parking Spaces and Car Parking Spaces on Ground and First Floors, Fanling Centre, 33 San Wan Road, Fanling, New Territories (<i>Note 1</i>)	747,000	23.04	172,109
37. 85 Car Parking Spaces in Basement, Town Square (currently known as City Landmark II), 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories (<i>Note 1</i>)	25,000	26	6,500
38. 14 Lorry Parking Spaces and 96 Car Parking Spaces on Basement and 7 Lorry Parking Spaces and 161 Bicycle Storage Spaces on Level 1 of the Shopping Podium, Jade Plaza, 3 On Chee Road, Tai Po, New Territories (<i>Note 1</i>)	23,000	19.48	4,480
39. Kowloon Building, 555 Nathan Road, Yaumatei, Kowloon (<i>Note 1</i>)	689,000	100	689,000
40. Newton Hotel Kowloon, 58-66 Boundary Street, Mongkok, Kowloon	250,000	100	250,000

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
41. Newton Hotel Hong Kong, 200-218 Electric Road, North Point, Hong Kong	600,000	100	600,000
42. Shop Nos. 1 to 11 on Ground Floor and Shop Nos. 1 and 2 on Lower Ground Floor, Fairview Height, 1 Seymour Road, Mid-Levels, Hong Kong <i>(Note 1)</i>	168,000	35.42	59,506
43. The whole of Well Tech Centre (except 16th to 19th Floors), 9 Pat Tat Street, San Po Kong, Kowloon <i>(Note 1)</i>	286,700	100	286,700
44. The whole of Big Star Centre (except 3rd Floor), 8 Wang Kwong Road, Kowloon Bay, Kowloon <i>(Note 1)</i>	166,700	100	166,700
45. 18th and 19th Floors, Well Tech Centre, 9 Pat Tat Street, San Po Kong, Kowloon <i>(Note 1)</i>	24,300	100	24,300
46. Workshop on 3rd Floor, Big Star Centre, 8 Wang Kwong Road, Kowloon Bay, Kowloon <i>(Note 1)</i>	22,100	100	22,100
Sub-total:	10,245,200		7,988,121

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
(C) Property interests held for owner occupation in Hong Kong			
47. Units 1, 2, 3, 4 and 5 on 16th and the whole of 17th Floor, Well Tech Centre, 9 Pat Tat Street, San Po Kong, Kowloon	23,400	100	23,400
(D) Miscellaneous property interests held in Hong Kong			
48. Car Parking Space No. 23 and Area A and Area B on Ground Floor, Hamford Court, 335 Prince Edward Road West, Kowloon City, Kowloon	250	100	250
49. Flat Roofs 1 and 2 on 3rd Floor, Tak Sun Building, 442-448 Ma Tau Wai Road, Kowloon City, Kowloon	150	100	150
50. Portion of Ground Floor presently occupied by staircase of the building, Ming Fai Building, 20-36 Wharf Road, North Point, Hong Kong	No commercial value		No commercial value
Sub-total:	400		400
(E) Property interests leased to the Sale Companies and their subsidiaries in Hong Kong			
51. 6 property interests leased to the Sale Companies and their subsidiaries in Hong Kong	No commercial value		No commercial value

Property interest	Capital value in existing state as at 28 February 2007 HK\$('000)	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL HK\$('000)
(F) Property interest held for owner occupation in the PRC			
52. Unit E on 13th Floor, Block B, Taojin Garden, No. 110 Hengfu Road, Tianhe District, Guangzhou, Guangdong Province	550	100	550
Total of Group I:	<u>11,491,450</u>		<u>8,533,925</u>

Note 1: The total capital value of the property interests held by the Sale Companies and their subsidiaries for investment (Property interest Nos. 30 to 39 and 42 to 46) as at 31 December 2006 was at a sum of HK\$9,395,200,000.

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(A) Property interests held for investment in Hong Kong			
53. Hotel Miramar, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon	2,738,000	44.21	1,210,470
54. Miramar Tower and Miramar Shopping Centre (including Knutsford Step), 132 Nathan Road and 1 Kimberley Road, Tsim Sha Tsui, Kowloon	7,037,000	44.21	3,111,058
55. First Floor, Champagne Court, 16 Kimberley Road, Tsim Sha Tsui, Kowloon	27,700	44.21	12,246
56. Shops 10, 11 and 12 on Ground Floor, Kam Tong Building, 12-14 and 18-34 Mok Cheong Street, 68 and 70 Pak Tai Street, To Kwa Wan, Kowloon	13,000	41.7519	5,428
57. Ground Floor, Fuk Wo Industrial Building, 5 Sheung Hei Street, San Po Kong, Kowloon	5,700	44.21	2,520
58. The Whole Flats on 1st and 2nd Floors, the Roof and the Exterior Wall of 5th to 20th Floors (inclusive), Winner House, 310 King’s Road, North Point, Hong Kong	43,000	44.21	19,010

Property interest	Capital value in existing state as at 28 February 2007 HK\$('000)	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL HK\$('000)
59. Basement, South China Building, 1 Wyndham Street, Central, Hong Kong	60,000	44.21	26,526
60. No. 6 Knutsford Terrace, Tsim Sha Tsui, Kowloon	148,000	44.21	65,431
Sub-total:	10,072,400		4,452,689
(B) Property interests held for owner occupation in Hong Kong			
61. Car Parking Spaces 1, 2, 5, 6, 7, 8, 9, 11, 13, 14, 15, 23, 24 and 26, Chi Lan Yuen, 173 Argyle Street, Mong Kok, Kowloon	2,800	44.21	1,238
62. 3rd Floor, 47 and 49 Sa Po Road, Kowloon City, Kowloon	2,400	44.21	1,061
63. Factory Unit Nos. 2101 to 2108 on 21st Floor and Vehicle Parking Spaces 20 and 102 on First Floor, Tsuen Wan Industrial Centre, 220-248 Texaco Road, Tsuen Wan, New Territories	9,800	44.21	4,333
64. Portion A3 on 13th Floor, United Mansion, 37E-37H and 37J-37K Jordan Road and 95-103 Shanghai Street, Yau Ma Tei, Kowloon	1,800	44.21	796
65. Apartment A on 1st Level of Beach Chalet No. 5 of The Sea Ranch, Lantau Island, New Territories	1,000	44.21	442

Property interest	Capital value in existing state as at 28 February 2007 HK\$('000)	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL HK\$('000)
66. Commercial Units or Portion on Ground Floor, Bedford Gardens, 151-173 Tin Hau Temple Road, North Point, Hong Kong	10,000	44.21	4,421
Sub-total:	27,800		12,291
(C) Property interests leased to Miramar Hotel Group in Hong Kong			
67. 9 property interests leased to Miramar Hotel Group in Hong Kong	No commercial value		No commercial value
(D) Property interests held for investment in the PRC			
68. Level 1, portion of Zones A & B on Level 2 and Basement 1 of podium, Shang-Mira Garden, Lot No. 1770, Hongqiao Road, Gubei, Changning District, Shanghai	248,870	22.7063	56,509
69. 21 residential units on Levels 4 to 6 of Maple Court (Block B) and Car Park Nos. 118 to 125, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	36,500	44.21	16,137
70. 35 residential units on Levels 7 to 15 of Maple Court (Block B) and Car Park Nos. 93, 95, 96, 99-102, 105, 106, 109, 110 & 117, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	60,739	44.21	26,853

Property interest	Capital value in existing state as at 28 February 2007 HK\$('000)	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL HK\$('000)
71. 3 residential units on Level 10 of Maple Court (Block B) and Car Park Nos. 103, 104 and 107, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	5,810	44.21	2,569
72. 2 residential units on Level 14 of Maple Court (Block B) and Car Park No. 94, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	3,976	44.21	1,758
73. 19 residential units on Levels 15 to 18 of Maple Court (Block B) and Car Park Nos. 82, 84, 85, 87 and 89 to 91, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	34,456	44.21	15,233
74. Residential unit H on Level 5 of Cypress Court (Block A) and 77 car parks in Shang-Mira Garden, Nos. 11 and 12, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	16,100	22.7063	3,656
75. Portion B of Basement, Portions of Level 1, Portions of Level 2 and the whole of Level 3 in Miramar Shopping Arcade, Guang Fat Gardens, No. 496, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	58,540	30.947	18,116

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
76. 28 units in Lucky Court, Guang Fat Gardens, No. 500, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	No commercial value		No commercial value
77. 3 units in Parklane Commercial Centre, Guang Fat Gardens, Nos. 496-500, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	2,620	30.947	811
78. Portion of Level 1 in Miramar Shopping Arcade and 2 units in Lucky Court, Guang Fat Gardens, Nos. 496, 498 and 500, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	2,940	21.6629	637
79. Level 4, Miramar Shopping Arcade, Guang Fat Gardens, No. 496, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	28,300	44.21	12,511
80. Shop Unit No. 402 on Level 4, Yue Wah Plaza, No. 59 Zhongshan 2nd Road, Zhongshan, Guangdong Province	4,700	44.21	2,078
Sub-total:	503,551		156,868

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
(E) Property interests held for owner occupation in the PRC			
81. Flat A, Level 1, Block 2, Shekou Crystal Garden, Shekou Special Industrial Zone, Shenzhen, Guangdong Province	527	44.21	233
82. Flat Nos. 403 and 503, Block 1, Jinghua Apartment, 24 Jianguomenwai Avenue, Chaoyang District, Beijing	2,777	44.21	1,228
Sub-total:	3,304		1,461
(F) Property interests leased to Miramar Hotel Group in the PRC			
83. 3 property interests leased to Miramar Hotel Group in the PRC	No commercial value		No commercial value
(G) Property interest held for sale in the USA			
84. Lots 29A and B, Lots 30C, D and E, Lots 27C, 3B-1 and 3B-2, Village 9, Units 1, 2 and 4 Residential Lots, Lincoln, Placer County, California, the USA	594,157	38.9048	231,156
Total of Group II:	<u>11,201,212</u>		<u>4,854,465</u>

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries ("HK Ferry Group")			
(A) Property interests held for sale in Hong Kong			
85. Various residential units and parking spaces in Metro Harbour View, 8 Fuk Lee Street, Tai Kok Tsui, Kowloon	270,000	15.68	42,336
86. Various residential units in MetroRegalia, 51 Tong Mi Road, Tai Kok Tsui, Kowloon	169,000	31.36	52,998
Sub-total:	439,000		95,334
(B) Property interests held under development in Hong Kong			
87. Kowloon Inland Lot No. 11159, 220 and 222 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon	1,261,000	31.36	395,450
88. 6 Cho Yuen Street, Yau Tong, Kowloon	538,400	31.36	168,842
Sub-total:	1,799,400		564,292

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
(C) Property interests held for investment in Hong Kong			
89. Commercial Developments including Advertising Panels of Phases I and II, and Commercial Parking Spaces and Loading and Unloading Spaces in Metro Harbour View, 8 Fuk Lee Street, Tai Kok Tsui, Kowloon	654,000	31.36	205,094
90. The interest attributable to HK Ferry Group in Silvermine Beach Hotel and various agricultural and building lots in Demarcation District No. 2, Mui Wo, Lantau Island, New Territories	66,050	31.36	20,713
91. House Nos. B14, B15 and B96 together with Car Parking Space Nos. 14, 15 and 116, Leyburn Villas, Cheung Sha, Lantau Island, New Territories	12,900	31.36	4,045
92. Section A and the Remaining Portion of Lot No. 3039, and Lot No. 3042 in Demarcation District No. 124, Hung Shui Kiu, Tuen Mun, New Territories	7,500	31.36	2,352
93. Commercial Portion of Ground and 1st Floors, Nos. 43-51A Tong Mi Road, Tai Kok Tsui, Kowloon	44,000	31.36	13,798
Sub-total:	784,450		246,002

Property interest	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>	Attributable interest to HIL %	Capital value in existing state as at 28 February 2007 attributable to HIL <i>HK\$('000)</i>
(D) Property interest held for owner occupation in Hong Kong			
94. The shipyard at 98 Tam Kon Shan Road, Tsing Yi Town Lot No. 102, Tsing Yi, New Territories	84,000	31.36	26,342
(E) Property interests leased to HK Ferry Group in Hong Kong and Macau			
95. 12 property interests in Hong Kong and 1 property interest in Macau leased to HK Ferry Group	No commercial value <hr/>		No commercial value <hr/>
Total of Group III:	<u>3,106,850</u>		<u>931,970</u>

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I The Sale Companies and their subsidiaries			
(A) Property interests held for sale in Hong Kong			
1. The whole of Royal Commercial Centre (except Units 2 and 3 on 5th Floor, Unit 1 on 10th and 13th Floors, Unit 5 on 11th Floor, Unit 3 on 18th Floor, Unit 5 on 19th Floor and the whole of 20th Floor), 56 Parkes Street, Tsimshatsui, Kowloon Situated within The Remaining Portion of Section A of Kowloon Inland Lot No. 1590, Sub-sections 1 and 2 of Section A of Kowloon Inland Lot No. 1590 and Kowloon Inland Lot No. 1589	The property comprises the whole (except Units 2 and 3 on 5th Floor, Unit 1 on 10th and 13th Floors, Unit 5 on 11th Floor, Unit 3 on 18th Floor, Unit 5 on 19th Floor and the whole of 20th Floor) of a 21-storey commercial building completed in 1997. The total gross floor area of the property is approximately 37,007 sq.ft. (3,438.03 sq.m.). The property is held from the Government for a term of 75 years from 7 November 1921 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$310,214 per annum.	Except portions of the property with a total gross floor area of approximately 6,810 sq.ft. which are vacant, the remaining portion of the property is let for various terms with the latest tenancy due to expire in September 2009 at a monthly rent of about HK\$646,000, exclusive of rates and management fees.	173,000 (100% attributable to HIL: 173,000)

Note: The registered owner of the property is Saxophon Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
2. A domestic unit in Castle Road, Mid-Levels, Hong Kong	<p>The property originally comprises a domestic unit of a tenement building completed in about 1956.</p> <p>The site area of the property is about 1,662 sq.ft. (154.40 sq.m.).</p> <p>The property is held from the Government under a Government Lease for a term of 999 years commencing from 1 May 1858. The current Government rent payable for the property is HK\$4 per annum.</p>	<p>The subject building was demolished and planned for development together with the adjoining lots.</p>	<p>24,900</p> <p>(100% attributable to HIL: 24,900)</p>

Note: The registered owner of the property is a company in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
3.	<p>A unit in Castle Road, Mid-Levels, Hong Kong</p> <p>The property originally comprises a unit in a residential building completed in about 1956.</p> <p>The site area of the property is about 1,944 sq.ft. (180.60 sq.m.).</p> <p>The property is held from the Government under a Government Lease for a term of 999 years commencing from 1 May 1858. The current Government rent payable for the property is HK\$4 per annum.</p>	<p>The subject building was demolished and planned for development together with the adjoining lots.</p>	<p>8,400</p> <p>(100% attributable to HIL: 8,400)</p>

Note: The registered owner of the property is a company in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
4. Various units and parking spaces in MacDonnell Road, Mid-Levels, Hong Kong	<p>The property comprises various units and parking spaces of a residential building completed in 1960.</p> <p>The saleable area of the property is approximately 6,265 sq.ft. (582.03 sq.m.), excluding the car parking spaces.</p> <p>The property is held from the Government under a Government Lease for a term of 999 years commencing from 2 November 1896. The total current Government rent payable for the property is HK\$8 per annum.</p>	<p>Except a total saleable area of approximately 400 sq.ft. which is vacant, the remaining units are let for various terms with the latest tenancy due to expire in May 2008 at a total monthly rent of about HK\$117,000, exclusive of rates and management fees.</p> <p>The car parking spaces were licensed on monthly basis at a total rent of HK\$11,200 per month.</p>	<p>7,200</p> <p>(100% attributable to HIL: 7,200)</p>

Note: The registered owner of the property is a company in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
5. A domestic unit in Robinson Road, Mid-Levels, Hong Kong	<p>The property comprises a domestic unit of a residential building completed in about 1954.</p> <p>The saleable area of the property is approximately 1,131 sq.ft. (105.07 sq.m.).</p> <p>The property is held from the Government under a Government Lease for a term of 999 years commencing from 25 June 1861. The current Government rent payable for the whole lot is HK\$10 per annum.</p>	<p>The property is let for a term of 2 years from 25 August 2005 to 24 August 2007 at a rent of about HK\$21,600 per month, exclusive of rates and management fees.</p>	<p>5,000</p> <p>(100% attributable to HIL: 5,000)</p>

Note: The registered owner of the property is a company in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
6. A unit in Seymour Road, Mid-Levels, Hong Kong	<p>The property originally comprises the basement in a residential building completed in about 1960.</p> <p>The site area of the property is approximately 1,740 sq.ft. (161.65 sq.m.).</p> <p>The property is held from the Government under a Government Lease for a term of 999 years commencing from 1 May 1858. The current Government rent payable for the whole lot is HK\$2 per annum.</p>	<p>The subject building was demolished and planned for development together with the adjoining lots.</p>	<p>23,500</p> <p>(100% attributable to HIL: 23,500)</p>

Note: The registered owner of the property is a company in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
7. 604 Shanghai Street, Mongkok, Kowloon	The property comprises a 4-storey pre-war composite building.	Except portion of the 3rd floor of the property is vacant.	16,000 (100%
Section F of Kowloon Inland Lot No. 1684	The site area of the property is approximately 695 sq.ft. (64.54 sq.m.). The total saleable area of the building is approximately 2,476 sq.ft. (230.03 sq.m.). The property is held from the Government under a Government Lease for a term of 75 years commencing from 15 April 1901 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$142 per annum.	The property is let for various terms with the latest term due to expire in November 2008 at a total rent of about HK\$68,000 per month, exclusive of rates.	attributable to HIL: 16,000)

Note: The registered owner of the property is Saxophon Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
9.	A factory unit in Wang Lung Street, Tsuen Wan, New Territories	The property comprises a factory unit in an industrial building completed in 1971. The total saleable area of the property is approximately 11,876 sq.ft. (1,103.31 sq.m.). The property is held from the Government for a term of 99 years commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is vacant. 4,800 (100% attributable to HIL: 4,800)

Note: The registered owner of the property is a company in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group I The Sale Companies and their subsidiaries			
(A) Property interests held for sale in Hong Kong			
11. 100 Car Parking Spaces at Tycoon Court, 8 Conduit Road, Mid-Levels, Hong Kong	The property comprises 100 car parking spaces on various floors of a 6-level car parking podium upon which two 31-storey residential buildings are erected. The property was completed in 1994. The property is held from the Government for a term of 999 years commencing from 25 June 1861. The current aggregate Government rent payable for the lots is HK\$12.48 per annum (re: Section B of Inland Lot No. 713 and Inland Lot No. 3458).	The property is licensed on monthly basis. The total car park income in February 2007 was about HK\$59,000.	25,000 (100% attributable to HIL: 25,000)
Situated within Sub-section 1 and The Remaining Portion of Section B of Inland Lot No. 713 and The Remaining Portion of Inland Lot No. 3458			

Notes:

- (1) The property comprises Car Parking Space Nos. 1 to 28 on Basement, Car Parking Space Nos. 1 to 20 on Carpark Level 1, Car Parking Space Nos. 1 to 23 on Carpark Level 2, Car Parking Space Nos. 13, 16, 20 to 24 on Carpark Level 3, Car Parking Space Nos. 4 to 6, 13, 14, 16, 20 to 24 on Carpark Level 4 and Car Parking Space Nos. 2, 5, 7 to 15 on Carpark Level 5 at Tycoon Court.
- (2) The registered owner of the property is Juliyam Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)	
Group I	The Sale Companies and their subsidiaries			
	(A) Property interests held for sale in Hong Kong			
12.	Flat F on 36th Floor together with portion of the Roof thereabove, and Car Parking Space Nos. 1 to 11 on Ground Floor, Car Parking Space Nos. 1 to 17 on 1st Floor, Car Parking Space Nos. 6, 11, 13 and 16 on 2nd Floor, Car Parking Space Nos. 2, 3, 7 and 19 on 3rd Floor, Car Parking Space Nos. 8 to 13 and 19 on 4th Floor and Car Parking Space Nos. 1 to 15 on 5th Floor, Royal Court, 9M Kennedy Road, Mid-Levels, Hong Kong	The property comprises a domestic unit on the 36th Floor and portion of the roof together with 58 car parking spaces of a 31-storey residential building erected upon a 5-level car parking podium completed in 1995. The gross floor area of the domestic unit is approximately 641 sq.ft. (59.55 sq.m.) and the roof area is approximately 460 sq.ft. (42.74 sq.m.). The property is held from the Government for a term from 19 August 1991 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The subject domestic unit is vacant. The subject car parking spaces are licensed on either hourly or monthly basis and the total car park income in February 2007 was about HK\$80,000.	28,000 (100% attributable to HIL: 28,000)
	Situated within Inland Lot No. 8790			

Note: The registered owner of the property is Hung Shun Investment Company Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)	
Group I	The Sale Companies and their subsidiaries			
	(A) Property interests held for sale in Hong Kong			
13.	23rd Floor, Car Parking Space No. 4 on Ground Floor and Portion of Spaces on Car Park "1" (also known as Car Parking Space Nos. 2 and 3 on Car Park "1"), Hoover Court, 7-9 MacDonnell Road, Mid-Levels, Hong Kong Situated within The Remaining Portions of Sections N and O of Inland Lot No. 1381	The property comprises a domestic unit on the 23rd floor and 3 car parking spaces of a 24-storey residential building erected upon a 4-level car parking podium completed in 1980. The gross floor area of the domestic unit is approximately 2,654 sq.ft. (246.56 sq.m.). The property is held from the Government for a term of 999 years from 13 July 1896. The current Government rent payable for the whole of Inland Lot No. 1381 is HK\$852 per annum.	The property is let for a term of 2 years from 1 April 2005 to 31 March 2007 at a rent of HK\$72,350 per month, inclusive of rates and management fees.	24,000 (100% attributable to HIL: 24,000)

Note: The registered owner of the property is Hung Shun Investment Company Limited in which HIL hold attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
14. Flats A and B and Flat Roofs on 1st Floor, Flat B on 3rd Floor, Duplex Flat A on 23rd and 24th Floors, Car Parking Space Nos. 7 and 7A, 8 and 8A, 15, 17 and 19 on Ground Floor, Car Parking Space Nos. 31, 36 and 37 on 1st Lower Ground Floor and Car Parking Space Nos. 42 to 44, 50, 57 to 59 and 62 on 2nd Lower Ground Floor, Suncrest Tower, 1 Monmouth Terrace, Wanchai, Hong Kong	<p>The property comprises 4 domestic units and 14 car parking spaces and 4 tandem car parking spaces on various floors of a 24-storey residential building erected upon a 3-level car parking podium completed in 1986.</p> <p>The total gross floor area of the domestic units is approximately 9,428 sq.ft. (875.88 sq.m.). The total flat roof/roof area of the property is approximately 487 sq.ft. (45.24 sq.m.).</p> <p>The property is held from the Government for a term of 75 years from 22 August 1928 renewed for a further term of 75 years. The aggregate current Government rent payable for the lots is HK\$158 per annum.</p>	<p>Flat B on 3rd Floor together with a car parking space are let for a term from 7 May 2006 to 10 May 2007 at a monthly rent of HK\$35,000, inclusive of rates and management fees. The remainder residential units are vacant</p> <p>The remaining parking spaces are licensed either on monthly or hourly basis. The total car park income in February 2007 was about HK\$4,970.</p>	<p>64,000</p> <p>(100% attributable to HIL: 64,000)</p>
Situated within Sub-Sections 1, 2, 3, 4, 5 and 6 of Section D of Inland Lot No. 2837			

Note: The registered owner of the property is Full Gain Investment Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)							
Group I	The Sale Companies and their subsidiaries									
	(A) Property interests held for sale in Hong Kong									
15.	<p>4 shop units, 10 domestic units and 4 duplex units, 65 car parking spaces and 6 motor cycle spaces at Palatial Crest, 3 Seymour Road, Mid-Levels, Hong Kong</p> <p>Situated within the Remaining Portion of Inland Lot No. 4630, the Remaining Portion of Inland Lot No. 4631, the Remaining Portion of Inland Lot No. 4632, Section B of Inland Lot No. 4633, Section B of Inland Lot No. 4634</p>	<p>The property comprises 4 shop units on the ground floor, 10 domestic units, 4 duplex units, 65 car parking spaces together with 6 motorcycle parking spaces on various floors of a 33-storey residential building erected upon a 6-level commercial, car parking and recreational podium completed in 2000.</p> <p>The total gross floor area of the property is approximately 19,106 sq.ft. (1,774.99 sq.m.), excluding the car parking spaces. The total flat roof and roof area of the property is 2,885 sq.ft. (268.02 sq.m.).</p> <p>The property is held from the Government for terms as follows:</p> <table border="1"> <thead> <tr> <th>Lot</th> <th>Term</th> </tr> </thead> <tbody> <tr> <td>I.L. 4631 R.P., 4632 R.P., 4633 s.B, 4634 s.B</td> <td>999 years commencing on 5 January 1885</td> </tr> <tr> <td>I.L. 4630 R.P.</td> <td>999 years commencing on 7 June 1862</td> </tr> </tbody> </table> <p>The total current Government rent payable for the whole lots is HK\$18 per annum.</p>	Lot	Term	I.L. 4631 R.P., 4632 R.P., 4633 s.B, 4634 s.B	999 years commencing on 5 January 1885	I.L. 4630 R.P.	999 years commencing on 7 June 1862	<p>The shops on the ground floor are fully let with the latest term due to expire in June 2009 at a total monthly rent of HK\$150,000, exclusive of rates and management fees. 5 domestic units with a total gross floor area of approximately 5,562 sq.ft. (516.72 sq.m.) are vacant and the remainder of the property is let for various terms with the latest tenancy due to expire in September 2008 at a total monthly rent of about HK\$520,000, inclusive of rates and management fees.</p> <p>The car parking spaces are licensed on monthly and hourly basis. The total car park income in February 2007 was about HK\$97,000.</p>	<p>228,000</p> <p>(0.49% attributable to HIL: 1,117)</p>
Lot	Term									
I.L. 4631 R.P., 4632 R.P., 4633 s.B, 4634 s.B	999 years commencing on 5 January 1885									
I.L. 4630 R.P.	999 years commencing on 7 June 1862									

Note: The registered owners of the property are Gesund Investment Company Limited (in which HIL holds attributable interests of 100%) (0.49%), Ugray Investment Limited (0.893%), Heyield Estate Limited (39.174%) and Ming Dragon Limited (59.443%) holding the property as tenants-in-common.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)	
Group I	The Sale Companies and their subsidiaries			
	(A) Property interests held for sale in Hong Kong			
16.	Car Parking Space No. 6 on Car Park Ground Floor, Silver Star Court, 22-26 Village Road, Happy Valley, Hong Kong	The property comprises a car parking space of a 24-storey residential building erected upon a 4-level car parking podium completed in 1981.	The property is vacant.	400
	5/3730th shares of and in The Remaining Portion of Sub-section 2 of Section B, The Remaining Portion of Sub-section 1 of Section C and The Remaining Portion of Section C of Inland Lot No. 2270	The property is held from the Government for a term of 75 years from 13 January 1920 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$540 per annum.		(100% attributable to HIL: 400)

Note: The registered owner of the property is Golden Dragon Development Company, Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
17. Shop 3 on Ground Floor, Victor Court, 14-28 Wang On Road, North Point, Hong Kong	The property comprises a shop unit on the ground floor of a 35-storey composite building completed in 1993. The total gross floor area of the property is approximately 363 sq.ft. (33.72 sq.m.).	The property is let for a term from 1 October 2006 to 30 September 2008 at a monthly rent of HK\$19,500, exclusive of rates and management fees.	4,000 (100% attributable to HIL: 4,000)
772/39350th shares of and in Inland Lot Nos. 7268, 7269, 7270, 7271, 7272, 7273, 7274 and 7275	The property is held from the Government for a term of 75 years from 19 October 1953 renewable for a further term of 75 years. The aggregate current Government rent payable for the lots is HK\$130 per annum.		

Note: The registered owner of the property is Fournet Investment Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I The Sale Companies and their subsidiaries			
(A) Property interests held for sale in Hong Kong			
19. Shop No. 19 on Ground Floor and the yard appertaining thereto, Florence Plaza, 23 Cheung Wah Street, Cheung Sha Wan, Kowloon Situated within New Kowloon Inland Lot No. 6154	The property comprises a shop unit on the ground floor of a 37-storey composite building completed in 1997. The gross floor area of shop no. 19 on the ground floor is approximately 778 sq.ft. (72.28 sq.m.). The property is held from the Government for a term of years expiring on 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	Together with other shop units on the ground floor, shop no. 19 is let for a term of 2 years from 1 April 2005 to 31 March 2007 at a monthly rent of HK\$26,400 exclusive of rates and management fees.	5,000 (75% attributable to HIL: 3,750)

Note: The registered owners of the property are Camus Investment Limited, Racine Investment Limited in which HIL holds attributable interest of 75% and Grand Max Development Limited as tenants-in-common.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
20.	Shop No. 15 on 1st Floor, Shop Nos. 13 and 15 on 2nd Floor, Wing On Building, 206 Fuk Wa Street, Shamshuipo, Kowloon	The property comprises three commercial units on the 1st and 2nd floors of a 13-storey composite building completed in 1982. The total gross floor area of the property is approximately 535 sq.ft. (49.70 sq.m.).	Except for Shop 15 on 2nd Floor which is vacant, the property is let for various terms with the latest tenancy due to expire in February 2008 at a total monthly rent of approximately HK\$3,000 exclusive of rates and management fees.
	Situated within The Remaining Portion and The Remaining Portions of Sections E, F and G of New Kowloon Inland Lot No. 366	The property is held from the Government for a term of 75 years renewed for a further term of 24 years less the last 3 days commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	1,100 (100% attributable to HIL: 1,100)

Note: The registered owner of the property is Alpenhon Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
21. All shop units and all car parking spaces in Wonderland Villas, 9 Wah King Hill Road, Kwai Chung, New Territories	The property comprises all shop units on the ground and first floors and 2,010 car parking spaces of a large scale residential development known as Wonderland Villas which was completed in 1984-1989.	The shop units are partly vacant and partly let for various terms at a total monthly rent of approximately HK\$205,000, exclusive of rates and management fees.	518,000 (9.1288% attributable to HIL: 47,287)
Situated within the Remaining Portion of Kwai Chung Town Lot No. 369	The total gross floor area of the property is approximately 40,697 sq.ft. (3,780.84 sq.m.), excluding the car parking spaces. The property is held from the Government for a term of 99 years commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The parking spaces are licensed either on monthly or hourly basis and the total income receivable in February 2007 was approximately HK\$792,000.	

Note: The registered owners of the property are Conduco Limited (50%), Sandra Investment Limited (29.7424%), Drinkwater Investment Limited (11.1288%) and Vignette Investment Limited in which HIL holds attributable interest of 100% (9.1288%).

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I The Sale Companies and their subsidiaries			
(A) Property interests held for sale in Hong Kong			
23. Workshop Units A, B, E and G on 3rd Floor, Workshop Unit P on 5th Floor and Workshop Unit E on 9th Floor, 9 Car Parking Spaces on Ground Floor and 19 Car Parking Spaces and 23 Lorry Parking Spaces on 1st Floor, Houston Industrial Building, 32-40 Wang Lung Street, Tsuen Wan, New Territories Situated within The Remaining Portion of Tsuen Wan Town Lot No. 93	The property comprises 6 factory units on the 3rd, 5th and 9th floors, 28 car parking spaces on the ground and 1st floors and 23 lorry parking spaces on the 1st floor of a 25-storey industrial building completed in 1989. The property has a total gross floor area of approximately 26,526 sq.ft. (2,464.33 sq.m.), excluding the car parking spaces. The property is held from the Government for a term of 99 years commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The workshop units are fully let for various terms with the latest term due to expire in July 2008 at a total monthly rent of approximately HK\$49,000. The parking spaces are licensed either on monthly or hourly basis and the total monthly income in February 2007 was about HK\$95,000.	30,000 (100% attributable to HIL: 30,000)

Notes:

- (1) The property comprises Car Parking Spaces Nos. 1 to 9 on Ground Floor, Car Parking Spaces Nos. 1 to 17, 20 and 28 on First Floor, Lorry Parking Spaces Nos. L1 to L17, L20 to L25 on First Floor.
- (2) The registered owner of the property is Couraud Investment Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I The Sale Companies and their subsidiaries			
(A) Property interests held for sale in Hong Kong			
24. Shop No. 12 on Ground Floor, Brilliant Garden, 250 Castle Peak Road, San Hui, Tuen Mun, New Territories	The property comprises a shop unit on the ground floor of a 2-storey commercial/carpark podium upon which five 12-storey residential towers are erected. The development was completed in 1989.	The subject property is let together with shop no. 11 for a term due to expire on 31 May 2009 at a monthly rent of HK\$60,800, exclusive of rate and management fees.	5,100 (100% attributable to HIL: 5,100)
215/26500th shares of and in Tuen Mun Town Lot No. 247	The property has a gross floor area of approximately 3,413 sq.ft. (317.08 sq.m.). The property is held from the Government under New Grant No. 2768 for a term from 1 July 1986 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Note: The registered owners of the property are Camleigh Investment Limited and Desormiere Investment Limited (a wholly owned subsidiary of HIL), from which the beneficial interest is vested in Camleigh Investment Limited, as tenants-in-common. The beneficial owner of the subject property is Desormiere Investment Limited.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
25.	26 Car Parking Spaces on Ground and Lower Ground Floors, The Rainbow Garden, 351 Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories Situated within Tuen Mun Town Lot No. 300	The property comprises 26 car parking spaces on the ground and lower ground floors in a residential development known as Rainbow Garden which was completed in 1989. The property is held from the Government for a term from 11 March 1987 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	Together with other 37 car parking spaces, the parking spaces are let either on monthly or hourly basis and the total monthly income in February 2007 was approximately HK\$54,000.
			3,380 (100% attributable to HIL: 3,380)

Notes:

- (1) The property comprises Car Parking Spaces Nos. 3, 4, 10, 15, 16, 17, 21, 23, 24, 26, 27, 29, 30, 34 and 35 on Lower Ground Floor and Nos. 4, 5, 22, 26, 34, 35, 44, 45, 70, 74 and 75 on Ground Floor.
- (2) The registered owners of the property are Millap Limited (31.57%), Evercot Enterprise Company Limited (39.47%), Egeria Investment Limited (21.05%), Shung King Development Company Limited (7.91%) and Golden Dragon Development Company, Limited (a wholly owned subsidiary of HIL) in which the beneficial interest is vested in Millap Limited, Evercot Enterprise Company Limited, Egeria Investment Limited and Shung King Development Company Limited. The beneficial owner of the subject property is Golden Dragon Development Company, Limited.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
26.	18 Car Parking Spaces on First Floor, Tak Lee Industrial Centre, 8 Tsing Yeung Circuit, Tuen Mun, New Territories Situated within Tuen Mun Town Lot No. 163	The property comprises 4 car parking spaces, 13 lorry parking spaces and 1 container parking space on the first floor of a 3-storey workshop/carpark podium upon which two 18-storey industrial buildings are erected. The development was completed in 1982. The property is held from the Government for a term of 99 years commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The parking spaces were licensed on monthly basis and the total monthly income in February 2007 was approximately HK\$26,400.
			2,700 (100% attributable to HIL: 2,700)

Notes:

- (1) The property comprises Car Parking Spaces Nos. 1, 2, 3, 4, 6, C1, 21, 22, 23, 27, 28, 29, 30, 31, 35, 36, 37 and 38 on First Floor.
- (2) The registered owner of the property is Kwong Kay Investment Company Limited .
- (3) The property is subject to an Agreement for Sale and Purchase in favour of Wah Ha Sing Kee Engineering Limited.
- (4) The property is subject to a Sub-Agreement for Sale and Purchase in favour of Bottcher Investment Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group I The Sale Companies and their subsidiaries			
(A) Property interests held for sale in Hong Kong			
27. Unit 4 on 14th Floor, Chit Lee Commercial Building, 30-36 Shaukeiwan Road, Shau Kei Wan, Hong Kong	The property comprises an office unit on the 14th floor of a 23-storey commercial building completed in 1983. The property has a gross floor area of approximately 247 sq.ft. (22.95 sq.m.).	The property is let for a term of 2 years from 1 November 2006 to 31 October 2008 at a monthly rent of HK\$3,000, exclusive of rates and management fees.	520 (100% attributable to HIL: 520)
26/7600th shares of and in the Remaining Portions of Sections B, C, D and the Remaining Portion of Shaukiwan Inland Lot No. 443	The property is held from the Government for a term of 75 years from 7 April 1919 renewed for a further term of 75 years. The current aggregate Government rent payable for the lots is HK\$360,022 per annum.		

Note: The registered owner of the property is Alpenhon Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
28. Shop 14A on Level 1, Jade Plaza, 3 On Chee Road, Tai Po, New Territories 4/5500 of 5500/16800th shares of and in Tai Po Town Lot No. 7	<p>The property comprises a shop unit on the level 1, of a 3-storey shopping/car parking/garden podium upon which four 22-storey residential blocks are erected. The development was completed in 1986.</p> <p>The gross floor area of the property is approximately 34 sq.ft. (3.16 sq.m.).</p> <p>The property is held from the Government under New Grant No. 11899 for a term of 99 years less the last 3 days commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is let for a term of 3 years from 16 May 2006 to 15 May 2009 at a monthly rent of HK\$12,500 exclusive of rates and management fees..</p>	<p>500</p> <p>(100% attributable to HIL: 500)</p>

Note: The registered owners of the property are Isherwood Investment Limited (a wholly owned subsidiary of HIL) (19.48%), Davenport Investment Limited (65.54%) and Elphinstone Investment Limited (14.98%) holding as tenants-in-common. The beneficial owner of the subject property is Isherwood Investment Limited.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(A) Property interests held for sale in Hong Kong		
29. Car Parking Spaces Nos. 5, 13, 14, 16, 19, 69, 95, 97, 101 to 104, 107 to 110, 180, 188, 212, 219, 254, 257 to 260, 264, 266, 269 to 271, 277 and 278 on Basement, Tai Po Garden, 1 Mui Shu Hang Road, Tai Po, New Territories	The property comprises 32 car parking spaces on the basement of a residential development completed in 1989. The property is held from the Government for a term of 99 years commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is licensed on monthly and hourly bases and the total licence fee receivable in February 2007 was HK\$4,900.	3,200 (50% attributable to HIL: 1,600)
Situated within Tai Po Town Lot No. 60			

Note: The registered owner of the property is Mandy Investment Company Limited in which HIL holds attributable interest of 50%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I The Sale Companies and their subsidiaries			
(B) Property interests held for investment in Hong Kong			
30. All shop units on Level Three, the Remaining Parts at Level One and various Car Parking Spaces on Levels One and Two of the Podium, Shatin Centre, 2-16 Wang Pok Street, Shatin, New Territories 21196/65000th shares of and in Sha Tin Town Lot No. 16	The property comprises the shop units on Levels One and Three and a total of 545 car parking spaces on Levels One and Two of a four-storey shopping/car parking podium upon which eight 27-storey residential blocks are erected. The development was completed in about 1981. The total gross floor area of the property, excluding the parking spaces, is approximately 98,621 sq.ft. (9,1622.11 sq.m.). The property is held from the Government under New Grant No. 11171 for a term of 99 years less the last three days commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the whole property is an amount equal to 3% of the rateable value for the time being of the property per annum.	Except portions of the shops with a total gross floor area of 3,348 sq.ft. are vacant, the shop units are let for various terms with the latest tenancy due to expire in March 2010 at a total monthly rent of about HK\$10,000,000, exclusive of rates and management fees. The parking spaces are let to a tenant on monthly basis at a monthly rent of about HK\$710,000, exclusive of rates and management fees.	2,092,000 (100% attributable to HIL: 2,092,000)

Note: The registered owner of the property is Union Fortune Development Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I The Sale Companies and their subsidiaries			
(B) Property interests held for investment in Hong Kong			
31. Shop units on Levels One to Three of the Shopping Podiums of North and South Wings, Cinema "A" and Cinema "B", the external walls of the podium and Car Parking Space Nos. 1 to 78 on Basement and Bicycle Parking Space Nos. 1 to 64 on Level One, Trend Plaza, 2 Tuen Lung Street, Tuen Mun, New Territories 223622/800000th shares of and in Tuen Mun Town Lot No. 282	<p>The property comprises three levels of arcade shops, 2 cinemas, the external walls, 78 car parking spaces in the basement and 64 bicycle parking spaces on Level One of two shopping podiums upon which five 25 to 26-storey residential blocks are erected. The development was completed in 1988.</p> <p>The total gross floor area of arcade shops is approximately 195,280 sq.ft. (18,141.95 sq.m.) and the total saleable area of the two cinemas is approximately 18,552 sq.ft. (1723.52 sq.m.)</p> <p>The property is held from the Government under New Grant No. 2761 for a term of 99 years less the last 3 days commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the whole property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>Except portions of the shops with a total area of about 30,524 sq.ft. and the two cinemas which are vacant, the shop units are let for various terms with the latest term due to expire in January 2010 at a total monthly rent of about HK\$6,890,000, exclusive of rates and management fees.</p> <p>The parking spaces are let to a tenant at a monthly rent of HK\$175,000.</p>	<p>1,446,000</p> <p>(100% attributable to HIL: 1,446,000)</p>

Note: The registered owners of the property are Easeluck Development Limited (34.43%), Dillinger Investment Limited (47.35%), Jekyll Investment Limited (17.48%) and Dekker Investment Limited (0.74%) in all of which HIL holds attributable interest of 100% holding as tenants-in-common.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(B) Property interests held for investment in Hong Kong		
33. Eva Court, 36 MacDonnell Road, Mid-Levels, Hong Kong Section C of Inland Lot No. 1388 and the Extension thereto	<p>The property comprises 24 residential units within a 24-storey, plus one duct floor, luxurious residential block erected upon a 4-level car parking podium providing 49 car parking spaces. A swimming pool is provided on the roof level. The property was completed in 1979.</p> <p>The total gross floor area of the property, excluding the parking spaces, is approximately 108,214 sq.ft. (10,053.33 sq.m.).</p> <p>The property is held from the Government for a term of 999 years commencing from 26 October 1896. The current Government rent payable for the property is HK\$1,000 per annum.</p>	<p>Except portions of the property with a total gross floor area of about 9,000 sq.ft. are vacant, the property is let for various terms with the latest tenancy due to expire in May 2010 at a total monthly rent of about HK\$2,186,000, exclusive of rates, management fees and air-conditioning charges.</p>	<p>908,000</p> <p>(100% attributable to HIL: 908,000)</p>

Note: The registered owner of the property is Quentin Investment Limited in which HIL holds attributable interests of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I The Sale Companies and their subsidiaries			
(B) Property interests held for investment in Hong Kong			
34. Shops Nos. G1, G2, G3, G4, G5, G6, G7A, G7B, G8, G9, G10, G11, G12, G17, G18A, G18B, G19, G20, G21, G22, G23, G30, G31, G32 and G33 on Ground Floor of the Commercial Development, Town Square (currently known as City Landmark II), 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories Situated within Tsuen Wan Town Lot No. 301	The property comprises various shop units on the ground floor of the shopping podium upon which two 29-storey residential blocks are erected. The property was completed in 1989. The total gross floor area of the property is approximately 12,665 sq.ft. (1,176.61 sq.m.). The property is held from the Government under New Grant No. 6582 for a term commencing from 17 July 1986 and expiring on 30 June 2047. The current Government rent payable for the whole property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is let for various terms with the latest tenancy due to expire in December 2009 at a total monthly rent of about HK\$1,430,000, exclusive of rates and management fees.	364,000 (100% attributable to HIL: 364,000)

Note: The registered owners of the whole of the Commercial Development (i.e. shops on ground, 1st, 2nd and 3rd floors) are Easefine Development Limited (in which HIL holds attributable interests of 100%) and Millap Limited holding it as tenants-in-common with each of them holding 26% and 74% shares respectively. The beneficial owner of the subject property is Easefine Development Limited.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I The Sale Companies and their subsidiaries			
(B) Property interests held for investment in Hong Kong			
35. Block C and all Car Parking Spaces on Second Floor, Hang Wai Industrial Centre, 6 Kin Tai Street, Tuen Mun, New Territories	The property comprises one of the three 17-storey blocks erected upon a three-storey podium of an industrial development together with 102 private, 57 lorry and 5 container parking spaces on second floor of the podium. The property was completed in 1988.	Except portions of the property (other than the car parking spaces) with a total gross floor area of about 35,148 sq.ft. which are vacant or occupied by the Sale Group, the remaining portion of the property is let for various terms with the latest tenancy due to expire in November 2009 at a total monthly rent of approximately HK\$513,000, exclusive of rates and management fees.	128,400 (100% attributable to HIL: 128,400)
Situated within Tuen Mun Town Lot No. 114	The total gross floor area of the industrial units is approximately 292,264 sq.ft. (27,151.99 sq.m.). The property is held from the Government under New Grant No. 2232 for a term of 99 years less the last 3 days commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the whole property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The parking spaces were licensed either on monthly or hourly basis and the total income receivable is approximately HK\$140,000 per month.	

Note: The registered owner of the property is Bour Investment Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I The Sale Companies and their subsidiaries			
(B) Property interests held for investment in Hong Kong			
36.	Shops on Ground and First Floors, Kindergarten, Wet Market, Cinema and Plaza on Ground Floor, Lorry Parking Spaces and Car Parking Spaces on Ground and First Floors, Fanling Centre, 33 San Wan Road, Fanling, New Territories	The property comprises all shop units, a kindergarten and a wet market in Phase I, all shop units and cinemas in Phase II, and 276 private and 26 lorry parking spaces on ground and first floors of the commercial podium upon which eleven 25-storey residential blocks are erected. Phase I was completed in 1990 and Phase II was completed in 1991.	747,000 (23.04% attributable to HIL: 172,109)
	Situated within Lot No. 5317 in Demarcation District No. 51	The total gross floor area of the property, excluding the parking spaces, is approximately 151,513 sq.ft. (14,075.90 sq.m.). The property is held from the Government under New Grant No. 12277 for a term commencing from 10 August 1987 and expiring on 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	Except portions of the property with a total gross floor area of about 10,737 sq.ft. are vacant, the remaining of the property the property (other than the car parking spaces) is let for various terms with the latest tenancy due to expire in October 2009 at a total monthly rent of approximately HK\$2,770,000, exclusive of rates and management fees. The parking spaces are licensed either on monthly or hourly basis and the total income receivable in February 2007 was about HK\$320,000.

Notes:

- (1) The registered owners of the property are Golden Dragon Development Company, Limited (in which HIL holds attributable interest of 100%) (23.04%), Millap Limited (54.52%) and Egeria Investment Limited (22.44%) holding as tenants-in-common.
- (2) The cinema has been converted into partitioned shop units and the wet market have been converted into a nursery.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(B) Property interests held for investment in Hong Kong		
37.	85 Car Parking Spaces in Basement, Town Square (currently known as City Landmark II), 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories 850/107000th shares of and in Tsuen Wan Town Lot No. 301	The property comprises 85 car parking spaces in the basement of the shopping podium upon which two 29-storey residential blocks are erected. The property was completed in 1989. The property is held from the Government under New Grant No. 6582 for a term commencing from 17 July 1986 and expiring on 30 June 2047. The current Government rent payable for the whole property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is licensed either on an hourly or a monthly basis and the total income receivable in February, 2007 was approximately HK\$249,000.
			25,000 (26% attributable to HIL: 6,500)

Note: The registered owners of the property are Easefine Development Limited (in which HIL holds attributable interest of 100%) (26%) and Millap Limited (74%) holding as tenants-in-common.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(B) Property interests held for investment in Hong Kong		
38.	14 Lorry Parking Spaces and 96 Car Parking Spaces on Basement and 7 Lorry Parking Spaces and 161 Bicycle Storage Spaces on Level 1 of the Shopping Podium, Jade Plaza, 3 On Chee Road, Tai Po, New Territories Situated within Tai Po Town Lot No. 7	The property comprises 21 lorry parking spaces, 96 private car parking spaces and 161 bicycle storage spaces on level 1 and basement floor of a 3-storey shopping/car parking/garden podium upon which four 22-storey residential blocks are erected. The development was completed in 1986. The property is held from the Government under New Grant No. 11899 for a term of 99 years less the last 3 days commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is licensed either on monthly or hourly basis and the total income receivable in February, 2007 was approximately HK\$111,000.
			23,000 (19.48% attributable to HIL: 4,480)

Note: The registered owners of the property are Isherwood Investment Limited (in which HIL holds attributable interests of 100%) (19.48%), Davenport Investment Limited (65.54%) and Elphinstone Investment Limited (14.98%) holding as tenants-in-common.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(B) Property interests held for investment in Hong Kong		
39. Kowloon Building, 555 Nathan Road, Yaumatei, Kowloon	The property comprises a 23-storey commercial building completed in 1988. Ground to 3rd floors are designated for retailing uses whilst the remaining upper floors accommodate office units.	Except for portions of the property with a total gross floor area of approximately 27,912 sq.ft. which are vacant, the property is let for various terms with the latest tenancy due to expire in January 2010 at a total monthly rent of about HK\$1,634,000, exclusive of rates and management fees.	689,000 (100% attributable to HIL: 689,000)
Kowloon Inland Lot No. 10742	The total gross floor area of the property is approximately 113,384 sq.ft. (10,533.63 sq.m.). The property is held from the Government under Conditions of Sale No. 11782 for a term of 75 years renewable for 75 years commencing from 4 February 1985. The current Government rent payable for the lot is HK\$1,000 per annum.		

Note: The registered owner of the property is Century Nice Development Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(B) Property interests held for investment in Hong Kong		
41. Newton Hotel Hong Kong, 200-218 Electric Road, North Point, Hong Kong	The property comprises a 22-storey plus 2 basement floors hotel completed in 1992. Basement 2 is used as administrative office; Basement 1 is a restaurant; Ground floor accommodates reception and shops; First floor is a restaurant and Third to 21st floors accommodate 362 rooms.	The property was operated by the Sale Group as a hotel.	600,000 (100% attributable to HIL: 600,000)
Inland Lot No. 7430	The total gross floor area from ground to 21st floors is 116,734 sq.ft. (10,844.85 sq.m.) and the net floor area of B1 to B2 is approximately 9,654 sq.ft. (896.88 sq.m.). The property is held from the Government under Conditions of Exchange No. 6014 for a term of 75 years renewed for a further term of 75 years commencing from 15 October 1900. The current Government rent payable for the lot is HK\$378,900 per annum.		

Note: The registered owner of the property is Vansittart Investment Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(B) Property interests held for investment in Hong Kong		
42.	Shop Nos. 1 to 11 on Ground Floor and Shop Nos. 1 and 2 on Lower Ground Floor, Fairview Height, 1 Seymour Road, Mid-Levels, Hong Kong 8916/72900th shares of and in The Remaining Portion of Sub-Section 1 of Section C, The Remaining Portion of Section C and The Remaining Portion of Inland Lot No. 27, The Remaining Portions of Inland Lot Nos. 4633 to 4635	The property comprises all the shop units on the ground and lower-ground floors of a 2-storey commercial podium upon which a 33-storey residential block is erected. The development was completed in 1996. The total gross floor area of the property is approximately 13,707 sq.ft. (1,273.41 sq.m.). The property is held from the Government under four Government Leases for respective terms of 999 years commencing from 24 June 1876 (I.L. 27) and 5 January 1885 (I.L. 4633, 4634 and 4635). The current aggregate Government rent payable for the four whole lots is HK\$16 per annum.	The property is let for various terms with the latest tenancy due to expire in December 2009 at a total monthly rent of about HK\$944,000, exclusive of rates and management fees. 168,000 (35.42% attributable to HIL: 59,506)

Note: The registered owners of the property are Gesund Investment Company Limited (in which HIL holds attributable interest of 100%) (35.42%) and Ugray Investment Limited (64.58%) holding the property as tenants-in-common.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)	
Group I	The Sale Companies and their subsidiaries			
	(B) Property interests held for investment in Hong Kong			
43.	<p>The whole of Well Tech Centre (except 16th to 19th Floors), 9 Pat Tat Street, San Po Kong, Kowloon</p> <p>Situated within New Kowloon Inland Lot No. 4489</p>	<p>The property comprises the whole (except the 16th to 19th floors) of a 30-storey industrial/office building completed in 1997.</p> <p>The property has a total gross floor area of approximately 146,461 sq.ft. (13,606.56 sq.m.) excluding the area of the parking spaces. The property also has 32 private car parking spaces and 8 lorry parking spaces.</p> <p>The property is held from the Government under a Government Lease for a term of 99 years less the last 3 days commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>Except portions of the property with a total gross floor area of approximately 38,013 sq.ft. are vacant, the remainder of the property is let for various terms at a total monthly rent of about HK\$750,000, exclusive of rates and management fees.</p> <p>The parking spaces are let on hourly and monthly bases. The total rental/licence fee receivable is approximately HK\$140,000 per month.</p>	<p>286,700</p> <p>(100% attributable to HIL: 286,700)</p>

Note: The registered owner of the property is Faith Limited in which HIL holds attributable interests of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(B) Property interests held for investment in Hong Kong		
44. The whole of Big Star Centre (except 3rd Floor), 8 Wang Kwong Road, Kowloon Bay, Kowloon Situated within New Kowloon Inland Lot No. 5866	<p>The property comprises the whole (except the 3rd Floor) of a 10-storey (including basement) industrial building completed in 1988. 11 private car parking spaces and 9 lorry parking spaces are provided on basement floor.</p> <p>The total gross floor area of the property is approximately 153,594 sq.ft. (14,269.23 sq.m.), excluding the parking areas.</p> <p>The property is held from the Government for a term of 99 years commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is let for various terms with the latest tenancy due expire in April 2009 at a total monthly rent of about HK\$578,000, exclusive of rates and management fees.</p> <p>The parking spaces are let/licensed on monthly and hourly bases. The total licence fee/rental in February 2007 was about HK\$27,000.</p>	<p>166,700</p> <p>(100% attributable to HIL: 166,700)</p>

Note: The registered owner of the property is Fordwise Development Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)	
Group I	The Sale Companies and their subsidiaries			
	(B) Property interests held for investment in Hong Kong			
45.	18th and 19th Floors, Well Tech Centre, 9 Pat Tat Street, San Po Kong, Kowloon Situating within New Kowloon Inland Lot No. 4489	The property comprises the whole of 18th and 19th Floors of a 30-storey industrial/office building completed in 1997. The property has a total gross floor area of approximately 12,532 sq.ft. (1,164.25 sq.m.). The property is held from the Government under a Government Lease for a term of 99 years less the last 3 days commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is let at various terms with the latest expiry in August 2008 at a total monthly rent of about HK\$73,000, exclusive of rates and management fees.	24,300 (100% attributable to HIL: 24,300)

Note: The registered owner of the property is Mingsway Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(B) Property interests held for investment in Hong Kong		
46.	Workshop on 3rd Floor, Big Star Centre, 8 Wang Kwong Road, Kowloon Bay, Kowloon Situated within New Kowloon Inland Lot No. 5866	The property comprises the whole of the 3rd floor of a 10-storey (including basement) industrial building completed in 1988. The total gross floor area of the property is approximately 21,853 sq.ft. (2,030.19 sq.m.). The property is held from the Government for a term of 99 years commencing from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is let on various terms with the latest expiry in January 2009 at a total monthly rent of approximately HK\$78,000, exclusive of rates and management fees.
			22,100 (100% attributable to HIL: 22,100)

Note: The registered owner of the property is Victory City Enterprises Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group I	The Sale Companies and their subsidiaries		
	(D) Miscellaneous property interests held in Hong Kong		
48. Car Parking Space No. 23 and Area A and Area B on Ground Floor, Hamford Court, 335 Prince Edward Road West, Kowloon City, Kowloon	The property comprises a car parking space and a portion of space on the ground floor of a 13-storey residential building completed in 1982. The property is held from the Government for a term of 75 years from 19 April, 1938 renewable for a further term of 75 years.	The property is occupied by the management office of the subject building.	250 (100% attributable to HIL: 250)
13/3400th parts or shares of and in Kowloon Inland Lot No. 4191	The current Government rent payable for the lot is HK\$92 per annum.		

Note: The registered owner of the property is Alpenhon Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)	
Group I	The Sale Companies and their subsidiaries			
	(D) Miscellaneous property interests held in Hong Kong			
50.	Portion of Ground Floor presently occupied by staircase of the building, Ming Fai Building, 20-36 Wharf Road, North Point, Hong Kong	The property comprises portion of the ground floor of the commercial podium with 2 blocks of 25-storey residential buildings erected above it. The property was completed in 1983.	The property is served for common passage.	No commercial value
	1/9600th share of and in the Remaining Portions of Inland Lot Nos. 7444 to 7452	The property is held from the government for a term of 75 years from 5 September 1921 renewed for a further term of 75 years. The current aggregate government rent payable for the lots is HK\$478,116 per annum.		

Note: The registered owner of the property is Manswin Investment Limited in which HIL holds attributable interest of 100%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>															
Group I	The Sale Companies and their subsidiaries																
	(E) Property interests leased to the Sale Companies and their subsidiaries in Hong Kong																
51. 6 property interests leased to the Sale Companies and their subsidiaries in Hong Kong	The property comprises a total of 6 leased properties in Hong Kong. Details are summarized as follows:	No commercial value															
	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate Floor Area <i>(sq.ft.)</i></th> <th style="text-align: right;">No. of properties</th> </tr> </thead> <tbody> <tr> <td>Industrial</td> <td style="text-align: right;">36,240</td> <td style="text-align: right;">3</td> </tr> <tr> <td>Warehouse</td> <td style="text-align: right;">3,795</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Shop</td> <td style="text-align: right;">805</td> <td style="text-align: right;">2</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>40,840</u></td> <td style="text-align: right;"><u>6</u></td> </tr> </tbody> </table>	Use	Approximate Floor Area <i>(sq.ft.)</i>	No. of properties	Industrial	36,240	3	Warehouse	3,795	1	Shop	805	2		<u>40,840</u>	<u>6</u>	
Use	Approximate Floor Area <i>(sq.ft.)</i>	No. of properties															
Industrial	36,240	3															
Warehouse	3,795	1															
Shop	805	2															
	<u>40,840</u>	<u>6</u>															
	The property is currently leased to the Sale Companies and their subsidiaries by various tenancies with the latest tenancy due to expire on 2 October 2009 at a total monthly rent of about HK\$183,700, exclusive of rates, management fee, promotional fees and air-conditioning charges.																

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(A) Property interests held for investment in Hong Kong			
53. Hotel Miramar, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon	The property comprises a 16-storey plus 3 basements hotel erected on a site with a registered area of approximately 36,566.5 sq.ft. (3,397.11 sq.m.). The property was completed in the 1970's.	The hotel portion of the property is operated by Miramar Hotel Group as a hotel whilst about 9,364 sq.ft. of the shopping mall is vacant and the remaining portion is subject to various tenancies mostly for terms of two or three years with the latest one expiring in February 2011 at a total rent of approximately HK\$4,380,000 per month, exclusive of rates.	2,738,000 (44.21% attributable to HIL: 1,210,470)
Sections A and C of Kowloon Inland Lot No. 6022	The hotel provides totally 525 guest rooms together with a shopping mall, fitness centre, coffee shop, bar, function rooms and restaurants. The gross floor area of the property is approximately 146,136 sq.ft. (13,576.37 sq.m.) for the shopping arcade spaces and 378,051 sq.ft. (35,121.79 sq.m.) for the hotel spaces. The property is held from the Government under Conditions of Renewal No. 4371 for a term of 150 years from 24 June 1889. The current Government rent payable for the property is HK\$840 per annum.		

Note: The registered owner of the property is Contender Limited in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(A) Property interests held for investment in Hong Kong			
54. Miramar Tower and Miramar Shopping Centre (including Knutsford Step), 132 Nathan Road and 1 Kimberley Road, Tsim Sha Tsui, Kowloon	The property comprises a site having a registered site area of approximately 85,960 sq.ft. (7,985.90) sq.m. on which an 18-storey office building over a 7-storey commercial podium and 3 basements is erected. The development was completed in phases between early 1990's and 1998.	With the exception of approximately 158,852 sq.ft. gross floor area of the property which is vacant or occupied by the Miramar Hotel Group, the property is let to various tenants with the latest tenancy expiring in February 2010 at a total monthly rent of approximately HK\$24,000,000, exclusive of rates and management fees.	7,037,000 (44.21% attributable to HIL: 3,111,058)
Kowloon Inland Lot No. 6454	The gross floor area of the property is approximately 376,563 sq.ft. (34,983.56 sq.m.) for the shopping arcade portion and 696,073 sq.ft. (64,666.77 sq.m.) for the office portion. In addition, the second and third basements and the 3rd floor of the property accommodate a total of 303 private car parking spaces and 25 double car parking spaces. The property is held under a Government lease for a term of 150 years from 24 June 1889. The current Government rent payable for the property is HK\$9,866 per annum.	In addition, the gross income for the car parks in February 2007 was approximately HK\$1,514,310 per month.	

Note: The registered owner of the property is Shahdan Limited in which HIL holds attributable interest of 44.21% respectively.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(A) Property interests held for investment in Hong Kong			
55. First Floor, Champagne Court, 16 Kimberley Road, Tsim Sha Tsui, Kowloon	The property comprises the first floor of a 10-storey plus a basement composite building completed in about 1957. The gross floor area of the property is approximately 9,300 sq.ft. (863.99 sq.m.).	The property is subject to a tenancy for a term of three years from 11 November 2005 to 10 November 2008 at a monthly rent of HK\$180,000, exclusive of management fees and rates.	27,700 (44.21% attributable to HIL: 12,246)
8/80th shares of and in the Remaining Portion of Section B of Kowloon Inland Lot No. 6022	The property is held from the Government under Conditions of Renewal No. 4371 for a term of 150 years from 24 June 1889. The current Government rent payable for the property is HK\$32 per annum.		

Notes:

- (1) The registered owner of the property is Warsaw Investments Limited in which HIL holds attributable interest of 44.21%.
- (2) The property is subject to a Superseding Order No. CMS/TF/105936/02/K dated 6 December 2004 issued by the Building Authority under Section 24(1) of the Buildings Ordinance. The Building Authority ordered the owner of the property to demolish and reinstate certain unauthorized building works attached to the external wall and on the canopy of the property. In the course of our valuation, we have not taken into account any reinstatement cost for the compliance of the said Order.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(A) Property interests held for investment in Hong Kong			
56. Shops 10, 11 and 12 on Ground Floor, Kam Tong Building, 12-14 and 18-34 Mok Cheong Street, 68 and 70 Pak Tai Street, To Kwa Wan, Kowloon	<p>The property comprises three adjoining shop units on the ground floor of a 12-storey composite building completed in about 1967.</p> <p>The saleable area of the property is approximately 2,536 sq.ft. (235.60 sq.m.).</p> <p>The property is held from the Government under a Government lease for a term of 75 years from 31 January 1921 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$29,880 per annum.</p>	<p>The property is subject to two tenancies each for a term of two years expiring in May 2008 at a total monthly rent of HK\$64,000, exclusive of rates and management fees.</p>	<p>13,000</p> <p>(41.7519% attributable to HIL: 5,428)</p>
6/289th shares of and in Section A of Kowloon Inland Lot No. 1404			

Note: The registered owner of the property is Gourmet Enterprises Limited in which HIL holds attributable interest of 41.7519%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(A) Property interests held for investment in Hong Kong			
57. Ground Floor, Fuk Wo Industrial Building, 5 Sheung Hei Street, San Po Kong, Kowloon 1/13th share of and in New Kowloon Inland Lot No. 4728	The property comprises the ground floor of a 13-storey industrial building completed in about 1967. The saleable area of the property is approximately 3,667 sq.ft. (340.67 sq.m.) plus yard of approximately 114 sq.ft. (10.59 sq.m.). The property is held from the Government under a Government lease for a term of 99 years less the last three days from 1 July 1898 and had been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is subject to a tenancy for a term of two years from 1 August 2006 to 31 July 2008 at a monthly rent of HK\$35,000, exclusive of rates and management fees.	5,700 (44.21% attributable to HIL: 2,520)

Note: The registered owner of the property is Prosperwell Properties Limited and in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(A) Property interests held for investment in Hong Kong			
59. Basement, South China Building, 1 Wyndham Street, Central, Hong Kong	The property comprises the basement of a 23-storey commercial building completed in about 1973.	The property is subject to a tenancy for a term of three years from 1 January 2005 to 31 December 2007 at a rent of HK\$320,000 per month, exclusive of rates and management fees.	60,000 (44.21% attributable to HIL: 26,526)
25/300th shares of and in Sections K and L of Inland Lot No. 80	The saleable area of the property is approximately 5,259 sq.ft. (488.57 sq.m.). The property is held from the Government under a Government lease for a term of 999 years from 26 June 1843. The total current Government rent payable for the subject sections of the lot is HK\$107.47 per annum.		

Note: The registered owner of the property is Globe Century Development Limited in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(A) Property interests held for investment in Hong Kong			
60. No. 6 Knutsford Terrace, Tsim Sha Tsui, Kowloon	The property comprises a 23-storey (including a mechanical floor on 2nd floor) commercial building erected on a site with a registered site area of approximately 3,700 sq.ft. (343.74 sq.m.). The property was completed in 1999.	About 5,123 sq.ft. (475.94 sq.m.) gross floor area of the property is vacant and the remainder of the property is subject to various tenancies with the latest one expiring in January 2009 at a total rent of approximately HK\$547,000 per month, exclusive of rates and management fees.	148,000 (44.21% attributable to HIL: 65,431)
Kowloon Inland Lot No. 7415	The total gross floor area of the property is approximately 39,844 sq.ft. (3,701.60 sq.m.). The property is held from the Government under Conditions of Regrant No. 6042 for a term of 150 years from 25 December 1888. The current Government rent payable for the property is HK\$424 per annum.		

Note: The registered owner of the property is Miramar Hotel and Investment Company, Limited in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(B) Property interests held for owner occupation in Hong Kong			
61. Car Parking Spaces 1, 2, 5, 6, 7, 8, 9, 11, 13, 14, 15, 23, 24 and 26, Chi Lan Yuen, 173 Argyle Street, Mong Kok, Kowloon	The property comprises 14 car parking spaces on the ground floor of a 6-storey residential building completed in 1966. The property is held under a Government Lease for a term of 75 years from 30 October 1939 renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$142 per annum.	The property is vacant.	2,800 (44.21% attributable to HIL: 1,238)
14/930th shares of and in Kowloon Inland Lot No. 4194			

Note: The registered owner of the property is Miramar Hotel and Investment Company, Limited in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(B) Property interests held for owner occupation in Hong Kong			
62. 3rd Floor, 47 and 49 Sa Po Road, Kowloon City, Kowloon	The property comprises two domestic units on the 3rd floor of a 6-storey plus cockloft composite building completed in about 1962.	The property is vacant.	2,400 (44.21% attributable to HIL: 1,061)
2/6th shares of and in The Remaining Portion of Sections B and C of New Kowloon Inland Lot No. 498	The total saleable area of the property is approximately 1,309 sq.ft. (121.61 sq.m.). The property is held under a Government lease for a term of 75 years from 1 July 1898 renewed for a further term of 24 years which had been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value of the property for the time being of the lot per annum.		

Note: The registered owner of the property is Miramar Hotel and Investment Company, Limited in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(B) Property interests held for owner occupation in Hong Kong			
63. Factory Unit Nos. 2101 to 2108 on 21st Floor and Vehicle Parking Spaces 20 and 102 on First Floor, Tsuen Wan Industrial Centre, 220-248 Texaco Road, Tsuen Wan, New Territories	The property comprises 8 workshop units on the 21st floor and two car parking spaces on the 1st floor of a 26-storey industrial building completed in about 1981. The total gross floor area of the property is approximately 22,669 sq.ft. (2,106 sq.m.), excluding the car parking spaces.	The factory units are occupied by Miramar Hotel Group as a warehouse. The vehicle parking spaces are let on monthly basis at a total rent of HK\$4,000 per month inclusive of rates and management fees.	9,800 (44.21% attributable to HIL: 4,333)
8/414th and 20/45954th shares of and in Tsuen Wan Town Lot No. 24	The property is held under New Grant No. 4399 for a term of 99 years from 1 July 1898 which had been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value of the property for the time being of the lot per annum.		

Note: The registered owner of the property is Korngold Limited in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(B) Property interests held for owner occupation in Hong Kong			
64. Portion A3 on 13th Floor, United Mansion, 37E-37H and 37J-37K Jordan Road and 95-103 Shanghai Street, Yau Ma Tei, Kowloon	The property comprises a residential unit on the 13th floor of a 15-storey plus mezzanine floor composite building completed in about 1961. The saleable area of the property is approximately 1,075 sq.ft. (99.87 sq.m.).	The property is vacant.	1,800 (44.21% attributable to HIL: 796)
1/110th share of and in Section E of Kowloon Inland Lot No. 6727	The property is held under Conditions of Regrant No. 5518 for a term of 150 years from 27 July 1887. The current annual instalment of premium payable for the property is HK\$110 and the current Government rent payable for the property is HK\$8 per annum.		

Note: The registered owner of the property is The Pinesprop Limited in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(B) Property interests held for owner occupation in Hong Kong			
65. Apartment A on 1st Level of Beach Chalet No. 5 of The Sea Ranch, Lantau Island, New Territories	The property comprises an apartment unit on the 1st level of a 4-storey apartment building completed in 1979.	The property is occupied by Miramar Hotel Group as a vacation house.	1,000 (44.21% attributable to HIL: 442)
4/608th shares of and in Lot No. 178 in Demarcation District No. 337 and the Extension thereto	The property has a saleable area of approximately 1,240 sq.ft. (115.20 sq.m.) and a terrace of approximately 176 sq.ft. (16.35 sq.m.).	The property is held under New Grant No. 5952 and New Grant No. 6503 for a term of 99 years from 1 July 1898 which had been statutorily extended until 30 June 2047. The current Government rent payable for the lot is an amount of 3% equal to the rateable value of the property for the time being of the lot per annum.	

Note: The registered owner of the property is The Pinesprop Limited in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(B) Property interests held for owner occupation in Hong Kong			
66. Commercial Units or Portion on Ground Floor, Bedford Gardens, 151-173 Tin Hau Temple Road, North Point, Hong Kong 250/18940th shares of and in Inland Lot No. 8430 and the Extension thereto	The property comprises a commercial unit on the ground floor of a 19-storey composite building in a private residential estate completed in about 1981. The saleable area of the property is approximately 13,450 sq.ft. (1,249.54 sq.m.). The property is held under Conditions of Exchange No. UB11247 for a term of 75 years from 20 September 1937 renewable for a further term of 75 years. The current Government rent payable for the subject lot is HK\$1,900 per annum.	The property is occupied by Miramar Hotel Group for storage use.	10,000 (44.21% attributable to HIL: 4,421)

Note: The registered owner of the property is Wide Trade Investments Limited in which HIL holds attributable interest of 44.21%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>												
Group II	Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)													
	(C) Property interests leased to Miramar Hotel Group in Hong Kong													
67. 9 property interests leased to Miramar Hotel Group in Hong Kong	The property comprises a total of 9 leased properties in Hong Kong. Details are summarized as follows:	No commercial value												
	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate Floor Area <i>(sq.ft.)</i></th> <th style="text-align: right;">No. of properties</th> </tr> </thead> <tbody> <tr> <td>Offices</td> <td style="text-align: right;">3,205</td> <td style="text-align: right;">4</td> </tr> <tr> <td>Shops</td> <td style="text-align: right;">13,129</td> <td style="text-align: right;">5</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>16,334</u></td> <td style="text-align: right;"><u>9</u></td> </tr> </tbody> </table>	Use	Approximate Floor Area <i>(sq.ft.)</i>	No. of properties	Offices	3,205	4	Shops	13,129	5		<u>16,334</u>	<u>9</u>	
Use	Approximate Floor Area <i>(sq.ft.)</i>	No. of properties												
Offices	3,205	4												
Shops	13,129	5												
	<u>16,334</u>	<u>9</u>												
	The property is currently leased to Miramar Hotel Group by various tenancies with the latest tenancy due to expire on 31 May 2009 at a total monthly rent of about HK\$652,000, exclusive of rates, management fee, promotional fees and air-conditioning charges.													

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)																						
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries ("Miramar Hotel Group")																									
(D) Property interests held for investment in the PRC																									
68.	Level 1, portion of Zones A & B on Level 2 and Basement 1 of podium, Shang-Mira Garden, Lot No. 1770, Hongqiao Road, Gubei, Changning District, Shanghai	Shang-Mira Garden comprises one 14-storey and three 15-storey residential towers erected over a 3-storey commercial podium plus one level of commercial basement, another car park basement and eight villas on a site with a total site area of approximately 336,095 sq.ft. (31,224 sq.m.). The property comprises Level 1, portion of Levels 2 and Basement 1 of the commercial podium of Shang-Mira Garden completed in 1996. The respective uses and approximate gross floor area of the property are summarized as follows:	248,870 (22.7063% attributable to HIL: 56,509)																						
		All portion of Level 1 and Basement 1 with a total area of approximately 150,635 sq.ft. (13,994.34 sq.m.) are subject to various tenancies with the latest one expiring in March 2012. The office units on Level 2 with a total gross floor area of approximately 7,693 sq.ft. (714.67 sq.m.) are occupied as conference room.																							
		<table border="1"> <thead> <tr> <th rowspan="2">Level</th> <th rowspan="2">Uses</th> <th colspan="2">Approximate Gross Floor Area</th> </tr> <tr> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>Office (portion of Zones A & B)</td> <td>714.67</td> <td>7,693</td> </tr> <tr> <td>1</td> <td>Commercial</td> <td>5,855.27</td> <td>63,026</td> </tr> <tr> <td>B1</td> <td>Commercial</td> <td>8,139.07</td> <td>87,609</td> </tr> <tr> <td></td> <td>Total:</td> <td><u>14,709.01</u></td> <td><u>158,328</u></td> </tr> </tbody> </table>	Level	Uses	Approximate Gross Floor Area		sq.m.	sq.ft.	2	Office (portion of Zones A & B)	714.67	7,693	1	Commercial	5,855.27	63,026	B1	Commercial	8,139.07	87,609		Total:	<u>14,709.01</u>	<u>158,328</u>	
Level	Uses	Approximate Gross Floor Area																							
		sq.m.	sq.ft.																						
2	Office (portion of Zones A & B)	714.67	7,693																						
1	Commercial	5,855.27	63,026																						
B1	Commercial	8,139.07	87,609																						
	Total:	<u>14,709.01</u>	<u>158,328</u>																						
		The land use term of the development has been granted for a term from 1 March 1993 to 28 February 2063 for residential use.																							

Notes:

- (1) According to Realty Title Certificate Nos. (1998) 003609, 003610 and 003611 all issued by Shanghai Building and Land Administrative Bureau on 26 August 1998, Shanghai Shang Mei Property Co., Ltd. (上海上美置業有限公司), in which HIL holds attributable interest of 22.7063% has obtained the land use rights, comprising a total apportioned site area of 7,831.94 sq.m. and the building ownership of Shang-Mira Garden, comprising a gross floor area of 29,150.29 sq.m. (including 4,282.22 sq.m. basement shopping arcade) for a land use term from 1 March 1993 to 28 February 2063 for residential use.

(2) According to the Joint Venture Contract dated 16 December 1987 and subsequent Amendments to the Joint Venture Contract Nos. (4) and (5), Shanghai Shang Mei Property Co., Ltd. is established as a joint venture company, the salient conditions are as follows:

- | | | | |
|-------|-------------------------------|---|--|
| (i) | Name of joint-venture company | : | Shanghai Shang Mei Property Co., Ltd. (上海上美置業有限公司) |
| (ii) | Registered capital | : | US\$13,000,000 |
| | | | (a) Shanghai Shenxiang Co., Ltd. (Party A)
US\$4,085,900 (31.43%) |
| | | | (b) Shanghai Hotel Investment Corporation S.A. (Party B)
US\$5,571,800 (42.86%) |
| | | | (c) Finestyle Enterprises Limited (Party C)
US\$3,342,300 (25.71%) |
| (iii) | Total investment amount | : | US\$45,000,000 |

(3) According to Business Licence No. 000157 issued by Shanghai Industrial and Commercial Management and Administrative Bureau dated 5 October 2001, Shanghai Shang Mei Property Co., Ltd. is established with a registered capital of US\$13,000,000 with a valid operation period from 1 April 1987 to 31 March 2057.

(4) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:

- (i) Shanghai Shang Mei Property Co., Ltd. is a valid sino-foreign equity joint venture enterprise established on 1 April 1987 with an operation period from 1 April 1987 to 31 March 2057. The Equity Joint Venture Contract and the Articles of Association of Shanghai Shang Mei Property Co., Ltd. are legally binding. Shanghai Shang Mei Property Co., Ltd. is entitled to operate the scope of business detailed in its business licence;
- (ii) According to Realty Title Certificate Nos. (1998) 003609, 003610 and 003611 all issued by Shanghai Building and Land Administrative Bureau on 26 August 1998, Shanghai Shang Mei Property Co., Ltd. has obtained the land use rights, comprising a total apportioned site area of 7,831.94 sq.m. and the building ownership of Shang-Mira Garden, comprising a gross floor area of 29,150.29 sq.m. (including 4,282.22 sq.m. basement shopping arcade) (excluding the sold and transferred portion) for a land use term from 1 March 1993 to 28 February 2063;
- (iii) Shanghai Shang Mei Property Co., Ltd. is entitled to use, transfer, lease and mortgage Shang-Mira Garden (excluding the sold and transferred portion) with the residual term of its land use rights at no extra land premium payable to the government;
- (iv) According to the confirmation of Shanghai Shang Mei Property Co., Ltd., except Units B210 and all portion of retail units are subject to lease, Shang-Mira Garden (excluding the sold and transferred portion) is not subject to any mortgage, sales, lease or any other third party interests; and
- (v) According to the confirmation of Shanghai Shang Mei Property Co., Ltd., Shang-Mira Garden (excluding the sold and transferred portion) is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.

(5) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Realty Title Certificates	Yes
Business License	Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
69.	21 residential units on Levels 4 to 6 of Maple Court (Block B) and Car Park Nos. 118 to 125, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	Shang-Mira Garden comprises one 14-storey and three 15-storey residential towers erected upon a 3-storey commercial podium plus one level of commercial basement, another car park basement and eight villas on a site with a total site area of approximately 336,095 sq.ft. (31,224 sq.m.). The property comprises 21 residential units, with a total gross floor area of approximately 27,369 sq.ft. (2,542.62 sq.m.) of Maple Court and 8 car parks in the car park basement of Shang-Mira Garden completed in 1996. The land use term of the development has been granted for a term from 23 November 2001 to 28 February 2063 for residential use.	13 units with a total gross floor area of approximately 16,648 sq.ft. (15,46.64 sq.m.) are subject to various fully furnished lettings with the latest one expiring in July 2008.
			36,500 (44.21% attributable to HIL: 16,137)

Notes:

- (1) The property comprises the following units with respective gross floor areas (in sq.m.):

Level	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H
4	126.76	111.53	111.53	130.88	126.76	111.53	111.53	126.76
5	130.88	111.53	111.53	130.88	130.88	111.53	111.53	130.88
6	130.88	111.53	N/A	130.88	130.88	111.53	N/A	N/A

and Basement Car Park Nos. 118 to 125.

According to various Sale and Purchase Contracts, the said property interest has been transferred from Shanghai Shang Mei Property Co., Ltd. (the developer of Shang-Mira Garden) to East Dragon Resources Limited (東龍資源有限公司), in which HIL holds attributable interest of 44.21%.

- (2) According to 21 Realty Title Certificates all issued by Shanghai Building and Land Administrative Bureau on 29 December 2001, East Dragon Resources Limited has obtained the land use rights, comprising a total apportioned site area of 678.18 sq.m. and 47.36 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 2,542.62 sq.m. and 255.28 sq.m. for the residential and car park portion respectively for a land use term from 23 November 2001 to 28 February 2063 for residential use. The details are summarized as follows:

Unit No./ Car Park No.	Certificate No.	Gross Floor	Gross Floor	Apportioned	Apportioned
		Area of Residential Portion (sq.m.)	Area of Car Park Portion (sq.m.)	Site Area of Residential Portion (sq.m.)	Site Area of Car Park Portion (sq.m.)
4A/118	(2001) 010592	126.76	31.91	33.80	5.92
4B/119	(2001) 010612	111.53	31.91	29.75	5.92
4C/120	(2001) 010611	111.53	31.91	29.75	5.92
4D/121	(2001) 010610	130.88	31.91	34.91	5.92
4E/122	(2001) 010609	126.76	31.91	33.80	5.92
4F/123	(2001) 010608	111.53	31.91	29.75	5.92
4G/124	(2001) 010607	111.53	31.91	29.75	5.92
4H/125	(2001) 010606	126.76	31.91	33.80	5.92
5A	(2001) 010605	130.88	—	34.91	—
5B	(2001) 010604	111.53	—	29.75	—
5C	(2001) 010603	111.53	—	29.75	—
5D	(2001) 010602	130.88	—	34.91	—
5E	(2001) 010601	130.88	—	34.91	—
5F	(2001) 010600	111.53	—	29.75	—
5G	(2001) 010599	111.53	—	29.75	—
5H	(2001) 010598	130.88	—	34.91	—
6A	(2001) 010597	130.88	—	34.91	—
6B	(2001) 010596	111.53	—	29.75	—
6D	(2001) 010595	130.88	—	34.91	—
6E	(2001) 010594	130.88	—	34.91	—
6F	(2001) 010593	111.53	—	29.75	—
	Total:	<u>2,542.62</u>	<u>255.28</u>	<u>678.18</u>	<u>47.36</u>

(3) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:

- (i) According to 21 Realty Title Certificates all issued by Shanghai Building and Land Administrative Bureau on 29 December 2001, East Dragon Resources Limited has obtained the land use rights, comprising a total apportioned site area of 678.18 sq.m. and 47.36 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 2,542.62 sq.m. and 255.28 sq.m. for the residential and car park portion respectively for a land use term from 23 November 2001 to 28 February 2063. The details are summarized as follows:

Unit No./ Car Park No.	Certificate No.	Gross Floor		Apportioned	Apportioned
		Area of Residential Portion (sq.m.)	Gross Floor Area of Car Park Portion (sq.m.)	Site Area of Residential Portion (sq.m.)	Site Area of Car Park Portion (sq.m.)
4A/118	(2001) 010592	126.76	31.91	33.80	5.92
4B/119	(2001) 010612	111.53	31.91	29.75	5.92
4C/120	(2001) 010611	111.53	31.91	29.75	5.92
4D/121	(2001) 010610	130.88	31.91	34.91	5.92
4E/122	(2001) 010609	126.76	31.91	33.80	5.92
4F/123	(2001) 010608	111.53	31.91	29.75	5.92
4G/124	(2001) 010607	111.53	31.91	29.75	5.92
4H/125	(2001) 010606	126.76	31.91	33.80	5.92
5A	(2001) 010605	130.88	—	34.91	—
5B	(2001) 010604	111.53	—	29.75	—
5C	(2001) 010603	111.53	—	29.75	—
5D	(2001) 010602	130.88	—	34.91	—
5E	(2001) 010601	130.88	—	34.91	—
5F	(2001) 010600	111.53	—	29.75	—
5G	(2001) 010599	111.53	—	29.75	—
5H	(2001) 010598	130.88	—	34.91	—
6A	(2001) 010597	130.88	—	34.91	—
6B	(2001) 010596	111.53	—	29.75	—
6D	(2001) 010595	130.88	—	34.91	—
6E	(2001) 010594	130.88	—	34.91	—
6F	(2001) 010593	111.53	—	29.75	—
	Total:	<u>2,542.62</u>	<u>255.28</u>	<u>678.18</u>	<u>47.36</u>

- (ii) East Dragon Resources Limited is entitled to use, transfer, lease and mortgage the property with the residual term of its land use rights at no extra land premium payable to the government;
- (iii) According to the confirmation of East Dragon Resources Limited, the property is not subject to any mortgage, sales or any other third party interest. Units 4D and 4E are not subject to lease, the remaining of the property is subject to lease; and
- (iv) According to the confirmation of East Dragon Resources Limited, the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.

(4) In accordance with the information provided by the Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Realty Title Certificates	Yes
Sale and Purchase Contracts	Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
70.	35 residential units on Levels 7 to 15 of Maple Court (Block B) and Car Park Nos. 93, 95, 96, 99-102, 105, 106, 109, 110 & 117, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	Shang-Mira Garden comprises one 14-storey and three 15-storey residential towers erected upon a 3-storey commercial podium plus one level of commercial basement, another car park basement and eight villas on a site with a total site area of approximately 336,095 sq.ft. (31,224 sq.m.). The property comprises 35 residential units, with total gross floor area of approximately 44,934 sq.ft. (4,174.45 sq.m.) of Maple Court and 12 car parks in the car park basement of Shang-Mira Garden completed in 1996. The land use term of the development is granted for a term from 25 November 1998 to 28 February 2063 for residential use.	22 units with a total gross floor area of approximately 27,661 sq.ft. (4,174.45 sq.m.) are subject to various fully furnished lettings with the latest one expiring in January 2008.
			60,739 (44.21% attributable to HIL: 26,853)

Notes:

(1) The property comprises the following units with respective approximate gross floor areas (in sq.m.):

Level	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H
7	N/A	111.53	111.53	130.88	130.88	111.53	N/A	N/A
8	N/A	111.53	111.53	130.88	N/A	111.53	N/A	N/A
9	130.88	111.53	111.53	130.88	130.88	111.53	N/A	N/A
10	N/A	111.53	111.53	130.88	N/A	N/A	N/A	N/A
11	130.88	111.53	111.53	N/A	130.88	111.53	N/A	N/A
12	130.88	111.53	N/A	N/A	130.88	N/A	N/A	N/A
13	130.88	111.53	N/A	N/A	130.88	111.53	N/A	130.88
14	N/A	111.53	111.53	N/A	N/A	111.53	N/A	N/A
15	N/A	N/A	N/A	N/A	N/A	111.53	N/A	N/A

and Basement Car Park Nos. 93, 95, 96, 99-102, 105, 106, 109, 110 & 117.

- (2) According to 35 Realty Title Certificates all issued by Shanghai Building and Land Administrative Bureau on 18 December 1998, Grand Mira Property Management (Shanghai) Co., Ltd., in which HIL holds attributable interest of 44.21%, has obtained the land use rights, comprising a total apportioned site area of 1,113.49 sq.m. and 71.04 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 4,174.45 sq.m. for a land use term from 25 November 1998 to 28 February 2063 for residential use. The details are summarized as follows:

Unit No./ Car Park No.	Certificate No.	Gross Floor Area (sq.m.)	Apportioned Site Area of Residential Portion (sq.m.)	Apportioned Site Area of Car Park Portion (sq.m.)
11A	(1998) 005492	130.88	34.91	—
11B	(1998) 005493	111.53	29.75	—
11C	(1998) 005494	111.53	29.75	—
11E	(1998) 005495	130.88	34.91	—
11F	(1998) 005496	111.53	29.75	—
12A	(1998) 005497	130.88	34.91	—
12B	(1998) 005498	111.53	29.75	—
12E	(1998) 005499	130.88	34.91	—
13A	(1998) 005500	130.88	34.91	—
13B/93	(1998) 005501	111.53	29.75	5.92
13E	(1998) 005502	130.88	34.91	—
13F/95	(1998) 005503	111.53	29.75	5.92
13H/96	(1998) 005504	130.88	34.91	5.92
14B/99	(1998) 005505	111.53	29.75	5.92
14C/100	(1998) 005506	111.53	29.75	5.92
14F/101	(1998) 005507	111.53	29.75	5.92
15F/102	(1998) 005508	111.53	29.75	5.92
7B	(1998) 005509	111.53	29.75	—
7C	(1998) 005510	111.53	29.75	—
7D	(1998) 005511	130.88	34.91	—
7E	(1998) 005512	130.88	34.91	—
7F	(1998) 005513	111.53	29.75	—
8B	(1998) 005514	111.53	29.75	—
8C	(1998) 005515	111.53	29.75	—
8D	(1998) 005516	130.88	34.91	—
8F	(1998) 005517	111.53	29.75	—
9A	(1998) 005518	130.88	34.91	—
9B	(1998) 005519	111.53	29.75	—
9C	(1998) 005520	111.53	29.75	—
9D/105	(1998) 005521	130.88	34.91	5.92
9E/106	(1998) 005522	130.88	34.91	5.92
9F	(1998) 005523	111.53	29.75	—
10B/109	(1998) 005524	111.53	29.75	5.92
10C/110	(1998) 005525	111.53	29.75	5.92
10D/117	(1998) 005526	130.88	34.91	5.92
	Total:	4,174.45	1,113.49	71.04

- (3) According to various Sale and Purchase Contracts, the said property interest has been transferred from Shanghai Shang Mei Property Co., Ltd. (the developer of Shang-Mira Garden) to Grand Mira Property Management (Shanghai) Co., Ltd.
- (4) According to the Joint Venture Contract on 23 December 1998, Grand Mira Property Management (Shanghai) Co., Ltd. is established as a joint venture company, the salient conditions are as follows:
- (i) Name of joint-venture company : Grand Mira Property Management (Shanghai) Co., Ltd.
(美利物業管理(上海)有限公司)
 - (ii) Registered capital : US\$5,000,000
 - (a) Grand City Resources Limited (Party A)
US\$2,500,000 (50%)
 - (b) Randall Resources Limited (Party B)
US\$2,500,000 (50%)
 - (iii) Total investment amount : US\$5,000,000
- (5) According to Business License No. 024772 issued by Shanghai Industrial and Commercial Management and Administrative Bureau dated 29 May 2001, Grand Mira Property Management (Shanghai) Co., Ltd. is established with a registered capital of US\$5,000,000 and a valid period from 8 April 1998 to 7 April 2048.
- (6) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:
- (i) Grand Mira Property Management (Shanghai) Co., Ltd. is a valid wholly foreign-owned enterprise established on 8 April 1998 with an operation period from 8 April 1998 to 7 April 2048. Grand Mira Property Management (Shanghai) Co., Ltd. is entitled to operate scope of business detailed in its business licence;

- (ii) According to 35 Realty Title Certificates all issued by Shanghai Building and Land Administrative Bureau on 18 December 1998, Grand Mira Property Management (Shanghai) Co., Ltd. has obtained the land use rights, comprising a total apportioned site area of 1,113.49 sq.m. and 71.04 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 4,174.45 sq.m. for a land use term from 25 November 1998 to 28 February 2063. The details are summarized as follows:

Unit No./ Car Park No.	Certificate No.	Gross Floor Area (sq.m.)	Apportioned Site Area of Residential Portion (sq.m.)	Apportioned Site Area of Car Park Portion (sq.m.)
11A	(1998) 005492	130.88	34.91	—
11B	(1998) 005493	111.53	29.75	—
11C	(1998) 005494	111.53	29.75	—
11E	(1998) 005495	130.88	34.91	—
11F	(1998) 005496	111.53	29.75	—
12A	(1998) 005497	130.88	34.91	—
12B	(1998) 005498	111.53	29.75	—
12E	(1998) 005499	130.88	34.91	—
13A	(1998) 005500	130.88	34.91	—
13B/93	(1998) 005501	111.53	29.75	5.92
13E	(1998) 005502	130.88	34.91	—
13F/95	(1998) 005503	111.53	29.75	5.92
13H/96	(1998) 005504	130.88	34.91	5.92
14B/99	(1998) 005505	111.53	29.75	5.92
14C/100	(1998) 005506	111.53	29.75	5.92
14F/101	(1998) 005507	111.53	29.75	5.92
15F/102	(1998) 005508	111.53	29.75	5.92
7B	(1998) 005509	111.53	29.75	—
7C	(1998) 005510	111.53	29.75	—
7D	(1998) 005511	130.88	34.91	—
7E	(1998) 005512	130.88	34.91	—
7F	(1998) 005513	111.53	29.75	—
8B	(1998) 005514	111.53	29.75	—
8C	(1998) 005515	111.53	29.75	—
8D	(1998) 005516	130.88	34.91	—
8F	(1998) 005517	111.53	29.75	—
9A	(1998) 005518	130.88	34.91	—
9B	(1998) 005519	111.53	29.75	—
9C	(1998) 005520	111.53	29.75	—
9D/105	(1998) 005521	130.88	34.91	5.92
9E/106	(1998) 005522	130.88	34.91	5.92
9F	(1998) 005523	111.53	29.75	—
10B/109	(1998) 005524	111.53	29.75	5.92
10C/110	(1998) 005525	111.53	29.75	5.92
10D/117	(1998) 005526	130.88	34.91	5.92
	Total:	<u>4,174.45</u>	<u>1,113.49</u>	<u>71.04</u>

- (iii) Grand Mira Property Management (Shanghai) Co., Ltd. is entitled to use, transfer, lease and mortgage the property with the residual term of its land use rights at no extra land premium payable to the government;
 - (iv) According to the confirmation of Grand Mira Property Management (Shanghai) Co., Ltd., the property is not subject to any mortgage, sales or any other third party interests but subject to lease; and
 - (v) According to the confirmation of Grand Mira Property Management (Shanghai) Co., Ltd., the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (7) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Realty Title Certificates	Yes
Sale and Purchase Contracts	Yes
Business License	Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
71.	3 residential units on Level 10 of Maple Court (Block B) and Car Park Nos. 103, 104 and 107, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	Shang-Mira Garden comprises one 14-storey and three 15-storey residential towers erected upon a 3-storey commercial podium plus one level of commercial basement, another car park basement and eight villas on a site with a total site area of approximately 336,095 sq.ft. (31,224 sq.m.). The property comprises 3 residential units, with a total gross floor area of approximately 4,018 sq.ft. (373.29 sq.m.) of Maple Court and 3 car parks in the car park basement of Shang-Mira Garden completed in 1996. The land use term of the development has been granted for a term from 23 November 2001 to 28 February 2063 for residential use.	One unit with a gross floor area of approximately 1,200 sq.ft. (111.53 sq.m.) is subject to fully-furnished lettings due to expire in November 2007.
			5,810 (44.21% attributable to HIL: 2,569)

Notes:

- (1) The property comprises the following units with respective approximate gross floor areas (in sq.m.):

Level	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H
10	130.88	N/A	N/A	N/A	130.88	111.53	N/A	N/A

and Basement Car Park Nos. 103, 104 & 107.

- (2) According to Realty Title Certificate Nos. (2001) 010615, (2001) 010614 and (2001) 010613 all issued by Shanghai Building and Land Administrative Bureau on 29 December 2001, Randall Resources Limited, in which HIL holds attributable interest of 44.21%, has obtained the land use rights, comprising a total apportioned site area of 99.57 sq.m. and 17.76 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 373.29 sq.m. and 95.73 sq.m. for the residential portion and car park portion respectively for a land use term from 23 November 2001 to 28 February 2063 for residential use.
- (3) According to various Sale and Purchase Contracts, the said property interest has been transferred from Shanghai Shang Mei Property Co., Ltd. (the developer of Shang-Mira Garden) to Randall Resources Limited (安德資源有限公司).

- (4) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:
- (i) According to Realty Title Certificate Nos. (2001) 010615, (2001) 010614 and (2001) 010613 all issued by Shanghai Building and Land Administrative Bureau on 29 December 2001, Randall Resources Limited has obtained the land use rights, comprising a total apportioned site area of 99.57 sq.m. and 17.76 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 373.29 sq.m. and 95.73 sq.m. for the residential portion and car park portion respectively for a land use term from 23 November 2001 to 28 February 2063;
 - (ii) Randall Resources Limited is entitled to use, transfer, lease and mortgage the property with the residual term of its land use rights at no extra land premium payable to the government;
 - (iii) According to the confirmation of Randall Resources Limited, the property is not subject to any mortgage, sales or any other third party interests but subject to lease; and
 - (iv) According to the confirmation of Randall Resources Limited, the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (5) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Realty Title Certificates	Yes
Sale and Purchase Contract	Yes

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
72. 2 residential units on Level 14 of Maple Court (Block B) and Car Park No. 94, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	<p>Shang-Mira Garden comprises one 14-storey and three 15-storey residential towers erected upon a 3-storey commercial podium plus one level of commercial basement, another car park basement and eight villas on a site with a total site area of approximately 336,095 sq.ft. (31,224 sq.m.).</p> <p>The property comprises 2 residential units with a total gross floor area of approximately 2,818 sq.ft. (261.76 sq.m.) of Maple Court and 1 car park in the car park basement of Shang-Mira Garden completed in 1996.</p> <p>The land use term of the development has been granted for a term from 23 November 2001 to 28 February 2063 for residential use.</p>	All 2 units with a total gross floor area of 2,818 sq.ft. (261.76 sq.m.) are subject to fully-furnished lettings with the latest on expiring in February 2008.	3,976 (44.21% attributable to HIL: 1,758)

Notes:

- (1) The property comprises the following units with respective approximate gross floor areas (in sq.m.):

Level	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H
14	130.88	N/A	N/A	N/A	130.88	N/A	N/A	N/A

and Basement Car Park No. 94.

- (2) According to Realty Title Certificate Nos. (2001) 010616 and (2001) 010617 both issued by Shanghai Building and Land Administrative Bureau on 29 December 2001, Grand City Resources Limited, in which HIL holds attributable interest of 44.21%, has obtained the land use rights, comprising a total apportioned site area of 69.82 sq.m. and 5.92 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 261.76 sq.m. and 31.91 sq.m. for the residential portion and car park portion respectively for a land use term from 23 November 2001 to 28 February 2063 for residential use.
- (3) According to various Sale and Purchase Contracts, the said property interest has been transferred from Shanghai Shang Mei Property Co., Ltd. (the developer of Shang-Mira Garden) to Grand City Resources Limited (大城資源有限公司).
- (4) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:
- (i) According to Realty Title Certificate Nos. (2001) 010616 and (2001) 010617 both issued by Shanghai Building and Land Administrative Bureau on 29 December 2001, Grand City Resources Limited has

obtained the land use rights, comprising a total apportioned site area of 69.82 sq.m. and 5.92 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 261.76 sq.m. and 31.91 sq.m. for the residential portion and car park portion respectively for a land use term from 23 November 2001 to 28 February 2063;

- (ii) Grand City Resources Limited is entitled to use, transfer, lease and mortgage the property with the residual term of its land use rights at no extra land premium payable to the government;
 - (iii) According to the confirmation of Grand City Resources Limited, the property is not subject to any mortgage, sales or any other third party interests but subject to lease; and
 - (iv) According to the confirmation of Grand City Resources Limited, the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (5) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Realty Title Certificates	Yes
Sale and Purchase Contract	Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
73.	19 residential units on Levels 15 to 18 of Maple Court (Block B) and Car Park Nos. 82, 84, 85, 87 and 89 to 91, Shang-Mira Garden, No. 11, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	Shang-Mira Garden comprises one 14-storey and three 15-storey residential towers erected upon a 3-storey commercial podium plus one level of commercial basement, another car park basement and eight villas on a site with a total site area of approximately 336,095 sq.ft. (31,224 sq.m.). The property comprises 19 residential units with a total gross floor area of approximately 24,614 sq.ft. (2,286.74 sq.m.) of Maple Court and 7 car parks in the car park basement of Shang-Mira Garden completed in 1996. The land use term of the development has been granted for a term from 23 November 2001 to 28 February 2063 for residential use.	14 units of a total gross floor area of approximately 17,747 sq.ft. (2,154.87 sq.m.) are subject to various fully furnished lettings with the latest one expiring in February 2008.
			34,456 (44.21% attributable to HIL: 15,233)

Notes:

(1) The property comprises the following units with respective approximate gross floor areas (in sq.m.):

Level	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H
15	130.88	111.53	111.53	N/A	N/A	N/A	N/A	N/A
16	N/A	111.53	N/A	N/A	130.88	111.53	N/A	N/A
17	131.87	112.52	112.52	131.87	131.87	112.52	N/A	N/A
18	131.87	112.52	112.52	131.87	131.87	112.52	112.52	N/A

and Basement Car Park Nos. 82, 84, 85, 87 & 89-91.

- (2) According to 19 Realty Title Certificates all issued by Shanghai Building and Land Administrative Bureau on 29 December 2001 and 19 November 2004 respectively, All Best Resources Limited, in which HIL holds attributable interest of 44.21%, has obtained the land use rights, comprising a total apportioned site area of 615.84 sq.m. and 35.52 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 2,286.74 sq.m. and 223.37 sq.m. for the residential and car park portion respectively for a land use term from 23 November 2001 to 28 February 2063 for residential use. The details are summarized as follows:

Unit No./ Car Park No.	Certificate No.	Gross Floor	Gross Floor	Apportioned	Apportioned	Date of Issuance
		Area of Residential Portion (sq.m.)	Area of Car Park Portion (sq.m.)	Site Area of Residential Portion (sq.m.)	Site Area of Car Park Portion (sq.m.)	
15A/82	(2001) 010618	130.88	31.91	34.91	5.92	29 Dec 2001
15B/84	(2001) 010638	111.53	31.91	29.75	5.92	29 Dec 2001
15C/85	(2001) 010636	111.53	31.91	29.75	5.92	29 Dec 2001
16B/87	(2001) 010635	111.53	31.91	29.75	5.92	29 Dec 2001
16E/90	(2001) 010633	130.88	31.91	34.91	5.92	29 Dec 2001
16F/91	(2001) 010632	111.53	31.91	29.75	5.92	29 Dec 2001
17A	(2001) 010631	131.87	—	35.17	—	29 Dec 2001
17B	(2001) 010630	112.52	—	30.01	—	29 Dec 2001
17C	(2001) 010629	112.52	—	30.01	—	29 Dec 2001
17D	(2001) 010628	131.87	—	35.17	—	29 Dec 2001
17E	(2001) 010627	131.87	—	35.17	—	29 Dec 2001
17F	(2001) 010626	112.52	—	30.01	—	29 Dec 2001
18A	(2001) 010625	131.87	—	35.17	—	29 Dec 2001
18B	(2001) 010624	112.52	—	30.01	—	29 Dec 2001
18C	(2001) 010623	112.52	—	30.01	—	29 Dec 2001
18D/89	(2004) 035346	131.87	31.91	41.10	—	19 Nov 2004
18E	(2001) 010621	131.87	—	35.17	—	29 Dec 2001
18F	(2001) 010620	112.52	—	30.01	—	29 Dec 2001
18G	(2001) 010619	112.52	—	30.01	—	29 Dec 2001
	Total:	<u>2,286.74</u>	<u>223.37</u>	<u>615.84</u>	<u>35.52</u>	

- (3) According to various Sale and Purchase Contracts, the said property interest has been transferred from Shanghai Shang Mei Property Co., Ltd. (the developer of Shang-Mira Garden) to All Best Resources Limited (美好資源有限公司).

(4) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:

- (i) According to 19 Realty Title Certificates all issued by Shanghai Building and Land Administrative Bureau on 29 December 2001 and 19 November 2004 respectively, All Best Resources Limited has obtained the land use rights, comprising a total apportioned site area of 615.84 sq.m. and 35.52 sq.m. for the residential and car park portion respectively, and the building ownership of the property, comprising a total gross floor area of 2,286.74 sq.m. and 223.37 sq.m. for the residential and car park portion respectively for a land use term from 23 November 2001 to 28 February 2063. The details are summarized as follows:

Unit No./ Car Park No.	Certificate No.	Gross Floor		Apportioned	Apportioned	Date of Issuance
		Area of Residential Portion (sq.m.)	Gross Floor Area of Car Park Portion (sq.m.)	Site Area of Residential Portion (sq.m.)	Site Area of Car Park Portion (sq.m.)	
15A/82	(2001) 010618	130.88	31.91	34.91	5.92	29 Dec 2001
15B/84	(2001) 010638	111.53	31.91	29.75	5.92	29 Dec 2001
15C/85	(2001) 010636	111.53	31.91	29.75	5.92	29 Dec 2001
16B/87	(2001) 010635	111.53	31.91	29.75	5.92	29 Dec 2001
16E/90	(2001) 010633	130.88	31.91	34.91	5.92	29 Dec 2001
16F/91	(2001) 010632	111.53	31.91	29.75	5.92	29 Dec 2001
17A	(2001) 010631	131.87	—	35.17	—	29 Dec 2001
17B	(2001) 010630	112.52	—	30.01	—	29 Dec 2001
17C	(2001) 010629	112.52	—	30.01	—	29 Dec 2001
17D	(2001) 010628	131.87	—	35.17	—	29 Dec 2001
17E	(2001) 010627	131.87	—	35.17	—	29 Dec 2001
17F	(2001) 010626	112.52	—	30.01	—	29 Dec 2001
18A	(2001) 010625	131.87	—	35.17	—	29 Dec 2001
18B	(2001) 010624	112.52	—	30.01	—	29 Dec 2001
18C	(2001) 010623	112.52	—	30.01	—	29 Dec 2001
18D/89	(2004) 035346	131.87	31.91	41.10	—	19 Nov 2004
18E	(2001) 010621	131.87	—	35.17	—	29 Dec 2001
18F	(2001) 010620	112.52	—	30.01	—	29 Dec 2001
18G	(2001) 010619	112.52	—	30.01	—	29 Dec 2001
Total:		<u>2,286.74</u>	<u>223.37</u>	<u>615.84</u>	<u>35.52</u>	

- (ii) All Best Resources Limited is entitled to use, transfer, lease and mortgage the property with the residual term of its land use rights at no extra land premium payable to the government;
- (iii) According to the confirmation of All Best Resources Limited, the property is not subject to any mortgage, sales or any other third party interests. Unit 18D is not subject to lease. The remaining of the property is subject to lease; and
- (iv) According to the confirmation of All Best Resources Limited, the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (5) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:-

Realty Title Certificates	Yes
Sale and Purchase Contract	Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
74.	Residential unit H on Level 5 of Cypress Court (Block A) and 77 car parks in Shang-Mira Garden, Nos. 11 and 12, Alley 1720, Hongqiao Road, Gubei, Changning District, Shanghai	Shang-Mira Garden comprises one 14-storey and three 15-storey residential towers erected upon a 3-storey commercial podium plus one level of commercial basement, another car park basement and eight villas on a site with a total site area of approximately 336,095 sq.ft. (31,224 sq.m.). The property comprises a residential unit, with a gross floor area of approximately 1,409 sq.ft. (130.88 sq.m.) and 77 car parks in the car park basement of Shang-Mira Garden completed in 1996. The land use term of the development has been granted for a term of 70 years from 1 March 1993 to 28 February 2063.	Residential unit is owner-occupied as staff quarters. The car parks are let on hourly basis or monthly basis.
			16,100 (22.7063% attributable to HIL: 3,656)

Notes:

- (1) According to Commodity Housing Registration Certificate No. 01316 issued by Shanghai Building and Land Administrative Bureau on 28 December 1995, Block A & B, with a total gross floor area of approximately 14,548.08 sq.m. and 14,548.08 sq.m. and basement car park, are registered in the name of Shanghai Shang Mei Property Co., Ltd. (上海上美置業有限公司) for a land use term from 1 March 1993 to 28 February 2063, in which HIL holds attributable interest of 22.7063%, for a term from 1 March 1993 to 28 February 2063.
- (2) According to State-owned Land Use Rights Grant Contract No. (1992) 108 entered into between Shanghai Land Administrative Bureau (Party A) and Shanghai Shenmao Co., Ltd. (50%) and Shanghai Hotel Investment Corporation S.A. (50%) (together referred to as Party B) on 29 August 1992, Party A has agreed to grant the land use rights of a site to party B, the salient conditions as stipulated in the contract are, inter alia, summarized as follows:
 - (i) Location : Lot No. 1770, Hongqiao Road, Shanghai
 - (ii) Site area : 31,224 sq.m.
 - (iii) Land use term : 70 years from the date of issuance of Certificate for State-owned Land Use Rights
 - (iv) Uses : Residential and commercial ancillary facilities

- (3) According to Certificate for State-owned Land Use Rights No. 000289 issued by Shanghai Land Administrative Bureau on 17 March 1993 and Commodity Housing Registration Certificate No. 01316 on 28 December 1995, the land use rights of Lot No. 1770, Hongqiao Road with site area of 31,224 sq.m. has been granted to Shanghai Shang Mei Property Co., Ltd. for a term from 1 March 1993 to 28 February 2063 for residential uses.
- (4) According to Joint Venture Contract dated 16 December 1987 and subsequent Amendments to the Joint Venture Contract Nos. (4) and (5), Shanghai Shang Mei Property Co., Ltd. is established as a joint venture company, the salient conditions are as follows:
- (i) Name of joint-venture company : Shanghai Shang Mei Property Co., Ltd. (上海上美置業有限公司)
- (ii) Registered capital : US\$13,000,000
- (a) Shanghai Shenxiang Co., Ltd. (Party A)
US\$4,085,900 (31.43%)
- (b) Shanghai Hotel Investment Corporation S.A. (Party B)
US\$5,571,800 (42.86%)
- (c) Finestyle Enterprises Limited (Party C)
US\$3,342,300 (25.71%)
- (iii) Total investment amount : US\$45,000,000
- (5) According to Business Licence No. 000157 issued by State Industrial and Commercial Management and Administrative Bureau dated 5 October 2001, Shanghai Shang Mei Property Co., Ltd. is established with a registered capital of US\$13,000,000 with a valid operation period from 1 April 1987 to 31 March 2057.
- (6) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:

- (i) Shanghai Shang Mei Property Co., Ltd. is a valid sino-foreign equity joint venture enterprise established on 1 April 1987 with an operation period from 1 April 1987 to 31 March 2057. The Equity Joint Venture Contract and the Articles of Association of Shanghai Shang Mei Property Co., Ltd. are legally binding. Shanghai Shang Mei Property Co., Ltd. is entitled to operate scope of business detailed in its business licence;

Shareholder	Capital (US\$)	Share/Profit Proportion
Shanghai Shenxiang Co., Ltd.	4,085,900	31.43%
Shanghai Hotel Investment Corporation S.A.	5,571,800	42.86%
Finestyle Enterprises Limited	3,342,300	25.71%

- (ii) According to Certificate for State-owned Land Use Rights No. 000289 issued by Shanghai Land Administrative Bureau on 17 March 1993 and Commodity Housing Registration Certificate No. 01316 on 28 December 1995, the land use rights of Lot No. 1770, Hongqiao Road with site area of 31,224 sq.m. has been granted to Shanghai Shang Mei Property Co., Ltd. for a term from 1 March 1993 to 28 February 2063 for residential uses;
- (iii) According to Commodity Housing Registration Certificate No. 01316 issued by Shanghai Building and Land Administrative Bureau on 28 December 1995, Block A & B, with a total gross floor area of approximately 14,548.08 sq.m. and 14,548.08 sq.m. and basement car park, are registered in the name of Shanghai Shang Mei Property Co., Ltd. (上海上美置業有限公司) for a land use term from 1 March 1993 to 28 February 2063, in which HIL holds attributable interest of 22.7063%, for a term from 1 March 1993 to 28 February 2063;

- (iv) Shanghai Shang Mei Property Co., Ltd. is entitled to use, transfer, lease and mortgage part of Shang-Mira Garden (excluding the sold and transferred portion) with the residual term of its land use rights at no extra land premium payable to the government;
- (v) According to the confirmation of Shanghai Shang Mei Property Co., Ltd., the aforesaid portion of Shang-Mira Garden (excluding the sold and transferred portion) is not subject to any sales, lease or any other third party interests; and
- (vi) According to the confirmation of Shanghai Shang Mei Property Co., Ltd., the aforesaid portion of Shang-Mira Garden (excluding the sold and transferred portion) is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (7) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Certificate for State-owned Land Use Rights	Yes
State-owned Land Use Rights Grant Contract	Yes
Commodity Housing Registration Certificate	Yes (Blocks A & B and basement)
Certificate of Approval	Yes
Business License	Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>																							
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)																										
(D) Property interests held for investment in the PRC																										
75. Portion B of Basement, Portions of Level 1, Portions of Level 2 and the whole of Level 3 in Miramar Shopping Arcade, Guang Fat Gardens, No. 496, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	<p>Guang Fat Gardens comprises a 21-storey office-cum-apartment tower and a 21-storey office tower erected upon a 4-storey commercial podium (plus a basement) completed in 1996.</p> <p>The property comprises portion of the basement, 12 shops on Level 1 and 19 shops on Level 2 and 43 shops on Level 3 in the commercial podium of Guang Fat Gardens. The approximate gross floor areas of the property are summarized as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Level</th> <th colspan="2">Approximate Gross Floor Area</th> </tr> <tr> <th><i>sq.m.</i></th> <th><i>sq.ft.</i></th> </tr> </thead> <tbody> <tr> <td>Portion B of</td> <td></td> <td></td> </tr> <tr> <td>Basement</td> <td>636.52</td> <td>6,852</td> </tr> <tr> <td>Portions of Level 1</td> <td>597.79</td> <td>6,435</td> </tr> <tr> <td>Portions of Level 2</td> <td>1,425.67</td> <td>15,346</td> </tr> <tr> <td>Whole of Level 3</td> <td><u>3,086.06</u></td> <td><u>33,218</u></td> </tr> <tr> <td>Total:</td> <td><u>5,746.04</u></td> <td><u>61,851</u></td> </tr> </tbody> </table> <p>The land use rights of the development has been granted for terms of 40 years from 29 May 1998 for composite use.</p>	Level	Approximate Gross Floor Area		<i>sq.m.</i>	<i>sq.ft.</i>	Portion B of			Basement	636.52	6,852	Portions of Level 1	597.79	6,435	Portions of Level 2	1,425.67	15,346	Whole of Level 3	<u>3,086.06</u>	<u>33,218</u>	Total:	<u>5,746.04</u>	<u>61,851</u>	<p>2 units on Level 1 and a unit on Level 2 with a total gross floor area of approximately 2,898 sq.ft. (269.19 sq.m.) are subject to a tenancy due to expire on 31 March 2008 whilst the whole Level 3 of approximately 3,086.06 sq.m. (33,218 sq.ft.) is subject to a tenancy due to expire on 30 November 2012.</p> <p>The remaining portion of the property is currently vacant.</p>	<p>58,540</p> <p>(30.947% attributable to HIL: 18,116)</p>
Level	Approximate Gross Floor Area																									
	<i>sq.m.</i>	<i>sq.ft.</i>																								
Portion B of																										
Basement	636.52	6,852																								
Portions of Level 1	597.79	6,435																								
Portions of Level 2	1,425.67	15,346																								
Whole of Level 3	<u>3,086.06</u>	<u>33,218</u>																								
Total:	<u>5,746.04</u>	<u>61,851</u>																								

Notes:

(1) The property comprises the following units in Guang Fat Gardens:

	Approximate Gross Floor Area (sq.m.)		Approximate Gross Floor Area (sq.m.)		Approximate Gross Floor Area (sq.m.)		Approximate Gross Floor Area (sq.m.)
Basement		Level 2		Level 3		Level 3	
Portion B	636.52	202	78.24	301	59.76	322	43.60
Sub-total:	636.52	203	82.16	302	79.15	323	79.15
		204	49.21	303	62.30	324	51.65
Level 1		205	67.74	304	37.52	325	62.30
101	27.53	206	57.27	305	37.52	326	55.66
102	63.68	207	75.18	306	55.66	327	56.07
103	78.77	208	84.55	307	56.07	328	37.52
104	28.43	209	36.83	308	51.65	329	37.52
105	51.99	210	91.97	309	76.06	330	76.06
106	36.99	211	80.66	310	85.16	331	85.16
107	35.04	212	74.26	311	92.30	332	92.30
118	36.36	213	57.35	312	82.46	333	82.46
120	80.51	214	64.19	313	70.39	334	70.39
121	55.28	215	79.76	314	93.35	335	93.35
135	78.77	216	73.29	315	59.25	336	77.98
136	24.44	217	133.40	316	77.98	337	74.15
Sub-total:	597.79	218	75.43	317	74.15	338	134.95
		219	57.35	318	134.95	339	76.30
		220	106.83	319	76.30	340	59.25
		Sub-total:	1,425.67	320	59.25	341	59.25
				321	108.08	342	108.08
				Sub-total:	1,529.31	343	43.60
						Sub-total:	1,556.75

(2) According to 75 Realty Title Certificates all issued by Guangzhou Land Resources and Housing Administrative Bureau on 9 February 2004, 13 March 2002 and 4 December 2001 respectively, Strong Profit Resources Limited, in which HIL holds attributable interest of 30.947%, has obtained the land use rights of apportioned site area and the building ownership of the property, comprising a total gross floor area of 5,746.04 sq.m. for a land use term of 40 years from 29 May 1998 for composite use. The details are summarized as follows:

Unit No.	Certificate No.	Gross Floor Area of Residential Portion (sq.m.)	Date of Issuance
Basement Portion B	C2534967	636.52	9 Feb 2004
120	C0788829	80.51	13 Mar 2002
121	C0788830	55.28	13 Mar 2002
104	C0788825	28.43	13 Mar 2002

Unit No.	Certificate No.	Gross Floor Area of Residential Portion (sq.m.)	Date of Issuance
103	C0788824	78.77	13 Mar 2002
102	C0788823	63.68	13 Mar 2002
105	C0788826	51.99	13 Mar 2002
107	C0788827	35.04	13 Mar 2002
118	C0788828	36.36	13 Mar 2002
135	C0788831	78.77	13 Mar 2002
136	C0788833	24.44	13 Mar 2002
101	C0788822	27.53	13 Mar 2002
106	C0788837	36.99	13 Mar 2002
207	C0788817	75.18	13 Mar 2002
208	C0788802	84.55	13 Mar 2002
209	C0788801	36.83	13 Mar 2002
210	C0788600	91.97	13 Mar 2002
211	C0788599	80.66	13 Mar 2002
217	C0788589	133.40	13 Mar 2002
219	C0788588	57.35	13 Mar 2002
220	C0788587	106.83	13 Mar 2002
218	C0788586	75.43	13 Mar 2002
216	C0788585	73.29	13 Mar 2002
215	C0788584	79.76	13 Mar 2002
214	C0788582	64.19	13 Mar 2002
206	C0788818	57.27	13 Mar 2002
203	C0788832	82.16	13 Mar 2002
202	C0788834	78.24	13 Mar 2002
204	C0788835	49.21	13 Mar 2002
213	C0788838	57.35	13 Mar 2002
205	C0788836	67.74	13 Mar 2002
212	C0788598	74.26	13 Mar 2002
336	0945812	77.98	4 Dec 2001
337	0945811	74.15	4 Dec 2001
338	0945810	134.95	4 Dec 2001
339	0945809	76.30	4 Dec 2001
340	0945808	59.25	4 Dec 2001
342	0945806	108.08	4 Dec 2001
341	0945807	59.25	4 Dec 2001
335	0945813	93.35	4 Dec 2001
305	0946200	37.52	4 Dec 2001
306	0946199	55.66	4 Dec 2001
307	0946198	56.07	4 Dec 2001
308	0946197	51.65	4 Dec 2001
309	0946196	76.06	4 Dec 2001
310	0946195	85.16	4 Dec 2001
311	0946194	92.30	4 Dec 2001
324	0945824	51.65	4 Dec 2001

Unit No.	Certificate No.	Gross Floor Area of Residential Portion (sq.m.)	Date of Issuance
325	0945823	62.30	4 Dec 2001
326	0945822	55.66	4 Dec 2001
327	0945821	56.07	4 Dec 2001
328	0945820	37.52	4 Dec 2001
329	0945819	37.52	4 Dec 2001
330	0945818	76.06	4 Dec 2001
331	0945817	85.16	4 Dec 2001
332	0945816	92.30	4 Dec 2001
333	0945815	82.46	4 Dec 2001
334	0945814	70.39	4 Dec 2001
304	0945801	37.52	4 Dec 2001
303	0945802	62.30	4 Dec 2001
302	0945803	79.15	4 Dec 2001
301	0945804	59.76	4 Dec 2001
312	0946193	82.46	4 Dec 2001
313	0946192	70.39	4 Dec 2001
315	0946190	59.25	4 Dec 2001
314	0946191	93.35	4 Dec 2001
316	0945832	77.98	4 Dec 2001
317	0945831	74.15	4 Dec 2001
318	0945830	134.95	4 Dec 2001
319	0945829	76.30	4 Dec 2001
320	0945828	59.25	4 Dec 2001
321	0945827	108.08	4 Dec 2001
322	0945826	43.60	4 Dec 2001
323	0945825	79.15	4 Dec 2001
343	0945805	43.60	4 Dec 2001
	Total:	<u>5,746.04</u>	

- (3) According to the information provided by Miramar Hotel Group, the said property interest has been distributed ultimately to Strong Profit Resources Limited (力盈資源有限公司) under various agreements with Guangdong Province Trust Realty Development Company (廣東省信托房產開發公司) (the developer of Guang Fat Gardens) and other relevant parties.

(4) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:

- (i) According to 75 Realty Title Certificates all issued by Guangzhou Land Resources and Housing Administrative Bureau on 9 February 2004, 13 March 2002 and 4 December 2001 respectively, Strong Profit Resources Limited has obtained the land use rights of apportioned site area and the building ownership of the property, comprising a total gross floor area of 5,746.04 sq.m. for a land use term of 40 years from 29 May 1998. The details are summarized as follows:-

Unit No.	Certificate No.	Gross Floor Area of Residential Portion (sq.m.)	Date of Issuance
Basement Portion B	C2534967	636.52	9 Feb 2004
120	C0788829	80.51	13 Mar 2002
121	C0788830	55.28	13 Mar 2002
104	C0788825	28.43	13 Mar 2002
103	C0788824	78.77	13 Mar 2002
102	C0788823	63.68	13 Mar 2002
105	C0788826	51.99	13 Mar 2002
107	C0788827	35.04	13 Mar 2002
118	C0788828	36.36	13 Mar 2002
135	C0788831	78.77	13 Mar 2002
136	C0788833	24.44	13 Mar 2002
101	C0788822	27.53	13 Mar 2002
106	C0788837	36.99	13 Mar 2002
207	C0788817	75.18	13 Mar 2002
208	C0788802	84.55	13 Mar 2002
209	C0788801	36.83	13 Mar 2002
210	C0788600	91.97	13 Mar 2002
211	C0788599	80.66	13 Mar 2002
217	C0788589	133.40	13 Mar 2002
219	C0788588	57.35	13 Mar 2002
220	C0788587	106.83	13 Mar 2002
218	C0788586	75.43	13 Mar 2002
216	C0788585	73.29	13 Mar 2002
215	C0788584	79.76	13 Mar 2002
214	C0788582	64.19	13 Mar 2002
206	C0788818	57.27	13 Mar 2002
203	C0788832	82.16	13 Mar 2002
202	C0788834	78.24	13 Mar 2002
204	C0788835	49.21	13 Mar 2002
213	C0788838	57.35	13 Mar 2002
205	C0788836	67.74	13 Mar 2002
212	C0788598	74.26	13 Mar 2002
336	0945812	77.98	4 Dec 2001
337	0945811	74.15	4 Dec 2001
338	0945810	134.95	4 Dec 2001
339	0945809	76.30	4 Dec 2001

Unit No.	Certificate No.	Gross Floor Area of Residential Portion (sq.m.)	Date of Issuance
340	0945808	59.25	4 Dec 2001
342	0945806	108.08	4 Dec 2001
341	0945807	59.25	4 Dec 2001
335	0945813	93.35	4 Dec 2001
305	0946200	37.52	4 Dec 2001
306	0946199	55.66	4 Dec 2001
307	0946198	56.07	4 Dec 2001
308	0946197	51.65	4 Dec 2001
309	0946196	76.06	4 Dec 2001
310	0946195	85.16	4 Dec 2001
311	0946194	92.30	4 Dec 2001
324	0945824	51.65	4 Dec 2001
325	0945823	62.30	4 Dec 2001
326	0945822	55.66	4 Dec 2001
327	0945821	56.07	4 Dec 2001
328	0945820	37.52	4 Dec 2001
329	0945819	37.52	4 Dec 2001
330	0945818	76.06	4 Dec 2001
331	0945817	85.16	4 Dec 2001
332	0945816	92.30	4 Dec 2001
333	0945815	82.46	4 Dec 2001
334	0945814	70.39	4 Dec 2001
304	0945801	37.52	4 Dec 2001
303	0945802	62.30	4 Dec 2001
302	0945803	79.15	4 Dec 2001
301	0945804	59.76	4 Dec 2001
312	0946193	82.46	4 Dec 2001
313	0946192	70.39	4 Dec 2001
315	0946190	59.25	4 Dec 2001
314	0946191	93.35	4 Dec 2001
316	0945832	77.98	4 Dec 2001
317	0945831	74.15	4 Dec 2001
318	0945830	134.95	4 Dec 2001
319	0945829	76.30	4 Dec 2001
320	0945828	59.25	4 Dec 2001
321	0945827	108.08	4 Dec 2001
322	0945826	43.60	4 Dec 2001
323	0945825	79.15	4 Dec 2001
343	0945805	43.60	4 Dec 2001
	Total:	<u>5,746.04</u>	

- (ii) Strong Profit Resources Limited is entitled to use, transfer, lease and mortgage the property with the residual term of its land use rights at no extra land premium payable to the government;

- (iii) According to the confirmation of Strong Profit Resources Limited, except certain Units and the whole level 3 are subject to lease, the property is not subject to any mortgage, sales, lease or any other third party interests; and
- (iv) According to the confirmation of Strong Profit Resources Limited, the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (5) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:-

Realty Title Certificates

Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
76.	28 units in Lucky Court, Guang Fat Gardens, No. 500, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	Guang Fat Gardens comprises a 21-storey office-cum-apartment tower and a 21-storey office tower erected upon a 4-storey commercial podium (plus a basement) completed in 1996. The property comprises 28 units in the office-cum-apartment tower of Guang Fat Gardens with a total gross floor area of approximately 30,708 sq.ft. (2,853.69 sq.m.). The land use rights of the development have been granted for terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses respectively.	The property is vacant. No commercial value (Please see Note 3)

Notes:

- (1) The property comprises the following units with respective approximate gross floor area (in sq.m.):

	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H
Level 18	N/A	N/A	N/A	N/A	N/A	N/A	125.12	N/A
Level 20	N/A	125.12	N/A	N/A	90.15	125.12	125.12	90.15
Level 22	N/A	N/A	N/A	N/A	90.15	125.12	125.12	90.15
Level 23	90.15	125.12	N/A	90.15	90.15	N/A	N/A	N/A
Level 24	90.15	125.12	125.12	90.15	90.15	125.12	125.12	90.15
Level 25	90.15	125.12	N/A	90.15	90.15	125.12	N/A	90.15

- (2) According to the information provided by Miramar Hotel Group, the said property interest has been distributed ultimately to Strong Profit Resources Limited (力盈資源有限公司) under various agreements with Guangdong Province Trust Realty Development Company (廣東省信托房產開發公司) (the developer of Guang Fat Gardens) and other relevant parties.
- (3) According to Guangzhou Arbitration Commission Decision Letter No. (2005) 1369 issued by Guangzhou Arbitration Commission on 14 October 2005, the land use rights and building ownership of 28 units on Levels 18 to 25 of the property are seized by the Guangzhou Intermediate People’s Court under the name of Guangdong Province Trust Realty Development Company. According to the decision of Guangzhou Arbitration Commission on 13 April 2006, Guangdong Guang Fat Real Estate Co., Ltd. is in possession of a proper legal title to the

property. On 20 December 2006, land use rights and building ownership of the property were seized again and Guangdong Guang Fat Real Estate Co., Ltd. raised its objection on 26 January 2007. Hence, we have assigned no commercial value to the property. However, on the assumption that the title document has been obtained, the capital value of the property in existing state as at 28 February 2007 was HK\$17,386,000 and the capital value attributable to HIL (30.947%) as at 28 February 2007 was HK\$5,380,000

- (4) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:
- (i) According to Guangzhou Arbitration Commission Decision Letter No. (2005) 1369 issued by Guangzhou Arbitration Commission on 14 October 2005, the land use rights and building ownership of 28 units on Levels 18 to 25 of the property are seized by the Guangzhou Intermediate People's Court under the name of Guangdong Province Trust Realty Development Company. According to the decision of Guangzhou Arbitration Commission on 13 April 2006, Guangdong Guang Fat Real Estate Co., Ltd. is in possession of a proper legal title and the relevant land use rights to the said property. On 20 December 2006, land use rights and building ownership of the property were seized again and Guangdong Guang Fat Real Estate Co., Ltd. raised its objection on 26 January 2007.
 - (ii) There is no legal impediment for the application of Guang Fat Real Estate Co., Ltd. to release the seized property and change the title;
 - (iii) There is no legal impediment for Strong Profit Resources Limited to obtain the Realty Title Certificate of the seized property upon releasing of the seized property and changing of title thereto by Guang Fat Real Estate Co., Ltd.;
 - (iv) Upon obtaining the Realty Title Certificate, Strong Profit Resources Limited is entitled to use, transfer, lease and mortgage the 28 units on Levels 18 to 25 of the property with the residual term of its land use rights at no extra land premium payable to the government;
 - (v) According to the confirmation of Strong Profit Resources Limited, except being seized by Guangzhou Intermediate People's Court and Guangdong Province Higher People's Court, the 28 units on Levels 18 to 25 of the property are not subject to any mortgage, sales, lease or any other third party interests; and
 - (vi) According to the confirmation of Strong Profit Resources Limited, except seized by Guangzhou Intermediate People's Court and Guangdong Province Higher People's Court and possible claims by other creditors, the 28 units on Levels 18 to 25 of the property are not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (5) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

State-owned Land Use Rights Grant Contract	Yes (in name of the developer)
Realty Title Letter	Yes (in name of the developer)

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
77. 3 units in Parklane Commercial Centre, Guang Fat Gardens, No. 496-500, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	Guang Fat Gardens comprises a 21-storey office-cum-apartment tower and a 21-storey office tower erected upon a 4-storey commercial podium (plus a basement) completed in 1996. The property comprises 3 units in the office tower of Guang Fat Gardens with a total gross floor area of approximately 4,040 sq.ft. (375.36 sq.m.). The land use rights of the development have been granted for terms of 50 years from 29 May 1998 for composite use.	The property is vacant.	2,620 (30.947% attributable to HIL: 811)

Notes:

- (1) The property comprises the following units with respective approximate gross floor area (in sq.m.):

	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H
Level 24	N/A	N/A	N/A	N/A	N/A	125.12	125.12	N/A
Level 25	N/A	N/A	N/A	N/A	N/A	N/A	125.12	N/A

- (2) According to 3 Realty Title Certificates all issued by Guangzhou Land Resources and Housing Administrative Bureau on 13 March 2002, Strong Profit Resources Limited, in which HIL holds attributable interests of 30.947%, has obtained the land use rights of apportioned site area and the building ownership of the property, comprising a total gross floor area of 375.36 sq.m. for a land use term of 50 years from 29 May 1998. The details are summarized as follows:-

Unit No.	Certificate No.	Gross Floor Area of Residential Portion (sq.m.)	Date of Issuance
24F	C0788595	125.12	13 Mar 2002
24G	C0788594	125.12	13 Mar 2002
25G	C0788593	125.12	13 Mar 2002
	Total:	<u>375.36</u>	

- (3) According to the information provided by Miramar Hotel Group, the said property interest has been distributed ultimately to Strong Profit Resources Limited (力盈資源有限公司) under various agreements with Guangdong Province Trust Realty Development Company (廣東省信托房產開發公司) (the developer of Guang Fat Gardens) and other relevant parties.
- (4) According to Sale and Purchase Contract, the property is transferred at a consideration of RMB2,627,520. The property is still under the process of transaction as at 28 February 2007
- (5) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:
- (i) According to 3 Realty Title Certificates all issued by Guangzhou Land Resources and Housing Administrative Bureau on 13 March 2002 and 8 August 2003 respectively, Strong Profit Resources Limited has obtained the land use rights of apportioned site area and the building ownership of the property, comprising a total gross floor area of 375.36 sq.m. for a land use term of 50 years from 29 May 1998. The details are summarized as follows:

Unit No.	Certificate No.	Gross Floor Area of Residential		Date of Issuance
		Portion	(sq.m.)	
24F	C0788595	125.12		13 Mar 2002
24G	C0788594	125.12		13 Mar 2002
25G	C0788593	<u>125.12</u>		13 Mar 2002
	Total:	<u>375.36</u>		

- (ii) Strong Profit Resources Limited is entitled to use, transfer, lease and mortgage of the property with the residual term of its land use rights at no extra land premium payable to the government;
- (iii) According to the confirmation of Strong Profit Resources Limited, the property is not subject to any mortgage, sales, lease or any other third party interests;
- (iv) The Sale and Purchase Contract is legally binding to both parties. The property is still under process of transaction; and
- (v) According to the confirmation of Strong Profit Resources Limited, the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (6) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Realty Title Certificate	Yes
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VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
78. Portion of Level 1 in Miramar Shopping Arcade and 2 units in Lucky Court, Guang Fat Gardens, Nos. 496, 498 and 500, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	<p>Guang Fat Gardens comprises a 21-storey office-cum-apartment tower and a 21-storey office tower erected upon a 4-storey commercial podium (plus a basement) completed in 1996.</p> <p>The property comprises 3 shops with a total gross floor area of 1,761 sq.ft. (163.64 sq.m.) on Level 1 in the commercial podium and 2 units with a total gross floor area of approximately 2,317 sq.ft. (215.27 sq.m.) in the office tower of Guang Fat Gardens.</p> <p>The land use rights of the development have been granted for terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses respectively.</p>	<p>Unit 109 of approximately 335 sq.ft. (31.14 sq.m.) is subject to tenancy due to expire on 14 November 2010.</p> <p>The remaining Portion of the property is currently vacant.</p>	<p>2,940</p> <p>(Please see Note 1)</p> <p>(21.6629% attributable to HIL: 637)</p>

Notes:

- (1) The property comprises the following units with respective approximate gross floor area (in sq.m.):

Miramar Shopping Arcade

Unit No.	Gross Floor Area <i>sq.m.</i>
109	31.14
117	80.51
133	<u>51.99</u>
Total	<u><u>163.64</u></u>

Lucky Court

	Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H
Level 18	90.15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Level 19	N/A	N/A	125.12	N/A	N/A	N/A	N/A	N/A

However, there is no title certificate in granted nature available at the time of our valuation, with regard to 2 units in Lucky Court, we have attributed no commercial value to the said 2 units. However, on the assumption that the title documents have been obtained, the capital value and the value attributable to HIL (21.6629%) of the said 2 units in Lucky Court in existing state as at 28 February 2007 were HK\$1,241,000 and HK\$269,000 respectively.

- (2) According to 3 Realty Title Certificates all issued by Guangzhou Land Resources and Housing Administrative Bureau on 23 March 2004 and 13 January 2005 respectively, Kamlease International Limited, in which HIL holds attributable of 21.6629%, has obtained the land use rights of apportioned site area and the building ownership of Units 109, 117 and 133 of the property, comprising a total gross floor area of 163.64 sq.m. for a land use term of 40 years from 29 May 1998. The details are summarized as follows:

Unit No.	Certificate No.	Gross Floor Area of Residential		Date of Issuance	Land Use Term
		Portion			
133	C3358848	51.99		13 Jan 2005	40 Years
109	C2500573	31.14		25 Mar 2004	40 Years
117	C2500574	80.51		25 Mar 2004	40 Years
	Total:	163.64			

- (3) According to the information provided by Miramar Hotel Group, the above property interest has been distributed ultimately to Kamlease International Limited (金利怡國際有限公司) under various agreements with Guangdong Province Trust Realty Development Company (廣東省信托房產開發公司) (the developer of Guang Fat Gardens) and other relevant parties.
- (4) According to State-owned Land Use Rights Grant Contract No. (93) 186 entered into by Guangzhou Land Administrative Bureau and Guangdong Province Trust Realty Development Company on 23 June 1993, the site is permitted for mixed commercial / residential uses. The land use terms are 70 years for residential use, 40 years for commercial use and 50 years for other uses respectively from the issuance of Certificate for State-owned Land Use Rights.
- (5) A Realty Title Letter No. 0032475 was issued to Guangdong Province Trust Realty Development Company in June 1998 for the building with a total gross floor area of 50,401.46 sq.m. and the land with a site area of 5,493.08 sq.m. at Nos. 496-500, Huanshi Road East.
- (6) According to Guangzhou Arbitration Commission Decision Letter No. (2005) 1369 issued by Guangzhou Arbitration Commission on 14 October 2005, the land use rights of the apportioned site area and building ownership of Levels 18 to 25 of No. 500, Huanshi Road East is seized by the Guangzhou Intermediate People's Court under the name of Guangdong Province Trust Realty Development Company. According to the decision of Guangzhou Arbitration Commission, Guangdong Guang Fat Real Estate Co., Ltd. (廣東廣發房地產有限公司) is in possession of a proper legal title to the said properties.

(7) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:

- (i) According to 3 Realty Title Certificates all issued by Guangzhou Land Resources and Housing Administrative Bureau on 25 March 2004, Kamlease International Limited has obtained the land use rights of the apportioned site area and the building ownership of Units 109, 117 and 133 of the property, comprising a total gross floor area of 163.64 sq.m. for a land use term of 40 years from 29 May 1998. The details are summarized as follows:

Unit No.	Certificate No.	Gross Floor Area of Residential		Date of Issuance	Land Use Term
		Portion	(sq.m.)		
133	C3358848	51.99		13 Jan 2005	40 Years
109	C2500573	31.14		25 Mar 2004	40 Years
117	C2500574	80.51		25 Mar 2004	40 Years
	Total:	163.64			

- (ii) Kamlease International Limited is entitled to use, transfer, lease and mortgage Units 109, 117 and 133 of the property with the residual term of its land use rights at no extra land premium payable to the government;
- (iii) According to the confirmation of Kamlease International Limited, (except for Unit 109 is subject to lease) Units 117 and 133 of the property are not subject to any mortgage, sales, lease or any other third party interests;
- (iv) According to the confirmation of Kamlease International Limited, Units 109, 117 and 133 of the property are not subject to any compulsory occupation, lawsuit, dispute or legal impediment;
- (v) According to Guangzhou Arbitration Commission Decision Letter No. (2005) 1369 issued by Guangzhou Arbitration Commission on 14 October 2005, the land use rights and building ownership of Arbitration Commission Levels 18 to 25 of No. 500 Huanshi Road East is seized by the Guangzhou Intermediate People's Court under the name of Guangdong Province Trust Realty Development Company. According to the decision of Guangzhou Arbitration Commission, Guangdong Guang Fat Real Estate Co., Ltd. is in possession of a proper legal title to the property;
- (vi) There is no legal impediment for the application of Guang Fat Real Estate Co., Ltd. to release the seized property and change the title;
- (vii) There is no legal impediment for Kamlease International Limited to obtain the Realty Title Certificate upon releasing and changing of title of the seized property by Guang Fat Real Estate Co., Ltd.;
- (viii) Upon obtaining the Realty Title Certificate, Kamlease International Limited is entitled to use, transfer, lease and mortgage Unit 18A, No. 500 Huanshi Road East of the property with the residual term of its land use rights at no extra land premium payable to the government;
- (ix) According to the confirmation of Kamlease International Limited, except being seized by Guangzhou Arbitration Commission, Unit 18A, No. 500 Huanshi Road East of the property are not subject to any mortgage, sales, lease or any other third party interests;

- (x) There is no legal impediment for Rich City International Packing Co., Ltd (富城國際包裝有限公司) to obtain the Realty Title Certificate of Unit 19C of the property;
- (xi) There is no legal impediment for Kamlease International Limited apply for change of title of Unit 19C of the property upon Rich City International Packing Co., Ltd obtaining the Realty Title Certificate and settling the relevant tax payments; and
- (xii) Upon obtaining the Realty Title Certificate, Kamlease International Limited is entitled to use, transfer, lease and mortgage Unit 19C of the property with the residual term of its land use rights at no extra land premium payable to the government.
- (8) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Certificate for State-owned Land Use Rights	No
State-owned Land Use Rights Grant Contract	Yes (in name of the developer)
Realty Title Letter	Yes (in name of the developer)
Realty Title Certificates	Yes (Units 109, 117, and 133)

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
79. Level 4, Miramar Shopping Arcade, Guang Fat Gardens, No. 496, Huanshi Road East, Dongshan District, Guangzhou, Guangdong Province	Guang Fat Gardens comprises a 21-storey office-cum-apartment tower and a 21-storey office tower erected upon a 4-storey commercial podium (plus a basement) completed in 1996. The property comprises the whole of Level 4 of the commercial podium of Guang Fat Gardens with a gross floor area of approximately 43,637 sq.ft. (4,054.21 sq.m.). The land use rights of the property have been granted for a term of 40 years for commercial use from 29 May 1998.	The property is vacant.	28,300 (44.21% attributable to HIL: 12,511)

Notes:

- (1) According to Realty Title Certificate No. 0551879 issued by Guangzhou Land and Building Administrative Bureau on 29 October 1999, Chitat Construction Limited (志達建築工程有限公司), in which HIL holds attributable interests of 44.21%, has obtained the land use rights of the apportioned site area and the building ownership of the property, comprising a gross floor area of 4,054.21 sq.m. for a land use term of 40 years from 29 May 1998 for commercial use.
- (2) According to Sale and Purchase Contract No. 012997 dated 8 October 1996, the property was transferred to Chitat Construction Limited at a consideration of HK\$110,289,000.
- (3) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:
 - (i) According to Realty Title Certificate No. 0551879 issued by Guangzhou Land and Building Administrative Bureau on 29 October 1999, Chitat Construction Limited has obtained the land use rights of the apportioned site area and the building ownership of the property, comprising a gross floor area of 4,054.21 sq.m. for a land use term of 40 years from 29 May 1998 for commercial use;
 - (ii) Chitat Construction Limited is entitled to use, transfer, lease and mortgage the property with the residual term of its land use rights at no extra land premium payable to the government;
 - (iii) According to the confirmation of Chitat Construction Limited, the property is not subject to any mortgage, sales, lease or any other third party interests; and

(iv) According to the confirmation of Chitat Construction Limited, the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.

(4) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Realty Title Certificate	Yes
Sale and Purchase Contract	Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(D) Property interests held for investment in the PRC			
80.	Shop Unit No. 402 on Level 4, Yue Wah Plaza, No. 59 Zhongshan 2nd Road, Zhongshan, Guangdong Province	Yue Wah Garden comprises two 27-storey residential blocks erected upon a 6-storey commercial/recreational/ carparking podium (including a basement) completed in the 1990’s. The property comprises 1 shop unit on Levels 4 of the shopping podium with a gross floor area of approximately 1,594.20 sq.m. (17,160 sq.ft.). The land use rights of the property have been granted for a term expiring on 30 March 2062 for commercial use.	The property is vacant 4,700 (44.21% attributable to HIL: 2,078)

Notes:

- (1) According to Realty Title Certificate No. C1623311 issued by Zhongshan People’s Government on 11 March 2003, How Light Investment Limited (佳晴投资有限公司), in which HIL holds attributable interest of 44.21%, has obtained the land use rights comprising an apportioned site area of 79.71 sq.m., and the building ownership of the property, comprising a gross floor area of 1,594.20 sq.m. for a land use term expiring on 30 March 2062 for commercial use.
- (2) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:
 - (i) According to Realty Title Certificate No. C1623311 issued by Zhongshan People’s Government on 11 March 2003, How Light Investment Limited has obtained the land use rights comprising an apportioned site area of 79.71 sq.m., and the building ownership of the property, comprising a gross floor area of 1,594.20 sq.m. for a land use term expiring on 30 March 2062 for commercial use;
 - (ii) How Light Investment Limited is entitled to use, transfer, lease and mortgage the property with the residual term of its land use rights at no extra land premium payable to the government;
 - (iii) According to the confirmation of How Light Investment Limited, the property is not subject to any mortgage, sales, lease or any other third party interests; and
 - (iv) According to the confirmation of How Light Investment Limited, the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (3) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Realty Title Certificate

Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(E) Property interests held for owner occupation in the PRC			
81. Flat A, Level 1, Block 2, Shekou Crystal Garden, Shekou Special Industrial Zone, Shenzhen, Guangdong Province	<p>The property comprises a residential unit on Level 1 of a 6-storey residential building completed in 1983.</p> <p>The gross floor area of the property is approximately 874 sq.ft. (81.20 sq.m.) .</p> <p>The land use term of the property is unspecified.</p>	The property is currently vacant.	<p>527</p> <p>(44.21% attributable to HIL: 233)</p>

Notes:

- (1) According to Building Ownership Certificate No. 5568, the salient conditions as stipulated in the certificate are, inter alia, summarized as follows:
- (i) Owner : Hong Kong and Kowloon Entertainment Co., Ltd. (港九娛樂有限公司), in which HIL holds attributable interest of 44.21%
- (ii) Location : Flat A, Level 1, Block 2, Shekou Crystal Garden, Shekou Special Industrial Zone
- (iii) Gross floor area : 81.20 sq.m. (874 sq.ft.)
- (2) According to the Sale and Purchase Contract dated 23 December 1983, the property was purchased at a consideration of HK\$220,000.
- (3) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:
- (i) According to Building Ownership Certificate No. 5568 issued by the People’s Government of Shenzhen on 25 February 1984, Hong Kong and Kowloon Entertainment Co., Ltd. has obtained the building ownership of the property, comprising a gross floor area of 874 sq.ft.;
- (ii) Hong Kong and Kowloon Entertainment Co., Ltd. is entitled to use, transfer, lease and mortgage the property;
- (iii) According to the confirmation of Hong Kong and Kowloon Entertainment Co., Ltd., the property is not subject to any mortgage, sales or any other third party interests but subject to lease; and
- (iv) According to the confirmation of Hong Kong and Kowloon Entertainment Co., Ltd., the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.

- (4) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Building Ownership Certificate	Yes
Sale and Purchase Contract	Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(E) Property interests held for owner occupation in the PRC			
82. Flat Nos. 403 and 503, Block 1, Jinghua Apartment, 24 Jianguomenwai Avenue, Chaoyang District, Beijing	<p>The property comprises 2 residential units on Levels 4 and 5 of a 15-storey residential building completed in 1989.</p> <p>The approximate total gross floor area of the property is 3,322 sq.ft. (308.60 sq.m.).</p> <p>The land use term of the property is unspecified.</p>	<p>The property is currently occupied by Miramar Hotel Group as staff quarters.</p>	<p>2,777</p> <p>(44.21% attributable to HIL: 1,228)</p>

Notes:

- (1) According to Building Ownership Certificate Nos. 00143 and 00144, the salient conditions as stipulated in the certificate are as follows:

Owner	: Yeung Bing Ching (Please see note 2 below)
Location	: Flat Nos. 403 and 503, Block 1, 24 Jianguomenwai Avenue
Approximate gross floor area	: Flat No. 403 — 154.30 sq.m. Flat No. 503 — 154.30 sq.m.
Uses	: Residential

- (2) According to the Deed of Trust, Yeung Bing Ching holds the property in the name of the Beneficiary, Miramar International Investment Corporation S.A. (“MIIC S.A.”), in which HIL holds attributable interest of 44.21%.
- (3) According to the Sale and Purchase Contracts dated 25 April 1989, the property was purchased at the following consideration:

Purchase consideration

Flat 403	US\$205,411
Flat 503	US\$204,962

- (4) According to the PRC legal opinion prepared by the PRC Legal Adviser dated 20 April 2007:
- (i) According to Building Ownership Certificate Nos. 00143 and 00144 issued by Beijing Real Estate Administrative Bureau on 1 June 1989, Yeung Bing Ching has obtained the building ownership of the property, comprising a total gross floor area of 308.60 sq.m.;
- (ii) Yeung Bing Ching is entitled to use, transfer, lease and mortgage the property;
- (iii) According to the confirmation of MIIC S.A., the property is not subject to any mortgage, sales, lease or any other third party interests; and

- (iv) According to the confirmation of MIIC S.A., the property is not subject to any compulsory occupation, lawsuit, dispute or legal impediment.
- (5) In accordance with the information provided by Miramar Hotel Group and the opinion of the PRC Legal Adviser, the status of title and grant of major approval and licenses are as follows:

Building Ownership Certificate	Yes
Deed of Trust	Yes
Sale and Purchase Contracts	Yes

VALUATION CERTIFICATE

Property interest	Description and tenure	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group II	Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)	
	(F) Property interests leased to Miramar Hotel Group in the PRC	
83.	3 property interests leased to Miramar Hotel Group in the PRC	No commercial value

Details are summarized as follows:

Use	Approximate Floor Area <i>(sq.ft.)</i>	No. of properties
Residential	57,458	2
Offices	1,265	1
	<u>58,723</u>	<u>3</u>

The property is currently leased to Miramar Hotel Group by various tenancies with the latest tenancy due to expire on 31 December 2007 at a total monthly rent of about RMB107,100, exclusive of rates, management fee, promotional fees and air-conditioning charges.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group II Miramar Hotel and Investment Company, Limited and its subsidiaries (“Miramar Hotel Group”)			
(G) Property interest held for sale in the USA			
84. Lots 29A and B, Lots 30C, D and E, Lots 27C, 3B-1 and 3B-2, Village 9, Units 1, 2 and 4 Residential Lots, Lincoln, Placer County, California, the USA	The property comprises a piece of irregular-shaped land for retail/commercial, office and residential uses situated in City of Lincoln in Placer County of California.	The property is currently vacant.	594,157 (38.9048% attributable to HIL: 231,156)
	The property comprises approximately 901,256 sq.ft. (83,728.73 sq.m.) retail land, 2,188,890 sq.ft. (203,352.84 sq.m.) office land and 291 residential lots.		
	The property is held under fee simple interest.		

Note: The registered owner of the property is Placer Holdings, Inc in which HIL holds attributable interest of 38.9048%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)			
(A) Property interests held for sale in Hong Kong			
85. Various residential units and parking spaces in Metro Harbour View, 8 Fuk Lee Street, Tai Kok Tsui, Kowloon	The property comprises a total of about 74 domestic units, 262 car parking spaces and 70 motorcycle parking spaces at Metro Harbour View (Phases I and II) which was completed in 2003.	The residential units are vacant. The parking spaces are let on hourly and monthly bases. The total car park income (including commercial and residential car parking spaces) in February 2007 was approximately HK\$778,000.	270,000 (15.68% attributable to HIL: 42,336)
Situated within the Remaining Portion of Kowloon Inland Lot No. 11127	The property has a total gross floor area of approximately 47,124 sq.ft. (4,377.93 sq.m.), excluding the area of parking spaces. The property is held from the Government for a term of 50 years from 28 August 1999. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Note: The registered owners of the property are HKF Property Investment Limited and Lenfield Limited in both of which HIL holds attributable interest of 31.36%. By a Development Agreement dated 12 November, 1999 entered into with HKF Property Investment Limited and Lenfield Limited, Easewin Development Limited and Victory Well Development Limited, HK Ferry Group is entitled to 50% of the sales proceeds in respect of the residential portion of the redevelopment of which the property forms part.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)			
(A) Property interests held for sale in Hong Kong			
86. Various residential units in MetroRegalia, 51 Tong Mi Road, Tai Kok Tsui, Kowloon	The property comprises a total of 54 domestic units at MetroRegalia which was completed in 2006.	The residential units are vacant.	169,000 (31.36% attributable to HIL: 52,998)
Situated within Sub-section 1 of Section B, the Remaining Portion of Section B, Sub-section 1 of Section A, Sub-section 2 of Section A, the Remaining Portion of Section A and Sub-section 3 of Section A of Kowloon Inland Lot No. 4281	The property has a total gross floor area of approximately 37,414 sq.ft. (3,475.85 sq.m.). The property is held from the Government under Conditions of Sale No. 4124 for a term of 75 years renewable for a further term of 75 years from 15th July, 1940. The current Government rent payable for the property is HK\$22 per annum.		

Notes: The registered owner of the property is Join Galaxy Limited in which HIL holds attributable interest of 31.36%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)			
(B) Property interests held under development in Hong Kong			
87. Kowloon Inland Lot No. 11159, 220 and 222 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon	<p>The property comprises a site with a registered site area of approximately 36,140 sq.ft. (3,357.489 sq.m.).</p> <p>According to the approved building plans provided by HK Ferry Group, it is planned for a residential/commercial development comprising a total gross floor area of approximately 333,866 sq.ft. (31,016.9sq.m.). There will be a total of 63 private car parking spaces, 5 loading and unloading spaces and 7 motor cycle parking spaces provided. The development is scheduled to be completed in 2008.</p> <p>The property is held from the Government under Conditions of Exchange No. 12658 for a term of 50 years from 3 June 2004. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is under construction with superstructure works in progress.</p>	<p>1,261,000</p> <p>(31.36% attributable to HIL: 395,450)</p>

Notes:

- (1) The registered owner of the property is Lenfield Limited in which HIL holds attributable interest of 31.36%.
- (2) The property is zoned for “Residential (Group A)” uses under Mong Kok Outline Zoning Plan No. S/K3/23 dated 19 May 2006.
- (3) According to the information provided by HK Ferry Group, the total estimated cost for completion of the development as at 28 February 2007 was about HK\$453,000,000 and the construction cost expended upto 28 February 2007 was approximately HK\$124,300,000.
- (4) The capital value of the property when completed as at 28 February 2007 was HK\$1,845,000,000.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)			
(B) Property interests held under development in Hong Kong			
88. 6 Cho Yuen Street, Yau Tong, Kowloon Yau Tong Inland Lot No. 38	<p>The property comprises a site with a registered site area of approximately 25,069 sq.ft. (2,329 sq.m.)</p> <p>According to the approved building plans provided by HK Ferry Group, it is planned for a commercial/residential development comprising a total gross floor area of approximately 164,078 sq.ft. (15,243.2 sq.m.). There will be a total of 37 private car parking spaces, 3 loading and unloading spaces and 5 motor cycle parking spaces provided. The development is scheduled to be completed in 2009.</p> <p>The property is held from the Government for a term of 99 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	<p>The property is under construction with foundation works in progress.</p>	<p>538,400</p> <p>(31.36% attributable to HIL: 168,842)</p>

Notes:

- (1) The registered owner of the property is Lenfield Limited in which HIL holds attributable interest of 31.36%.
- (2) The property is zoned on Cha Kwo Ling, Yau Tong and Lei Yue Mun Outline Zoning Plan No. S/K15/15 dated 21 June 2002 for “Residential (Group E)” purposes. According to the explanatory notes attached to the said Outline Zoning Plan, any development or redevelopment shall not exceed a maximum domestic plot ratio of 5 and a maximum non-domestic plot ratio of 1.
- (3) According to the information provided by HK Ferry Group, the total estimated cost for completion of the development as at 28 February 2007 was about HK\$256,000,000 and the construction cost expended upto 28 February 2007 was approximately HK\$12,400,000.
- (4) The capital value of the property when completed as at 28 February 2007 was HK\$840,000,000.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)			
(C) Property interests held for investment in Hong Kong			
89. Commercial Developments including Advertising Panels of Phases I and II, and Commercial Parking Spaces and Loading and Unloading Spaces in Metro Harbour View, 8 Fuk Lee Street, Tai Kok Tsui, Kowloon Situated within the Remaining Portion of Kowloon Inland Lot No. 11127	Metro Harbour View is a comprehensive residential development comprising 10 blocks of 45-storey residential blocks over a 4-storey plus basement commercial and car parking podium. The development has been developed into two phases. Phase I (Towers 1 to 4 and 6) and Phase II (Towers 5 and 7 to 10) are completed in 2002 and 2003 respectively. The property comprises the commercial podium on the ground and first floors, 181 private car parking spaces, 130 public light goods vehicle parking spaces and 26 loading and unloading spaces. The property has a total gross floor area of approximately 253,478 sq.ft. (23,548.68 sq.m.), excluding the areas of all parking, loading and unloading spaces. The property is held from the Government for a term of 50 years from 28 August 1999. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	Except portions of the property with a total gross floor area of approximately 11,498 sq.ft. are vacant, the property is let under various tenancies for term of 1 to 4 years with the latest tenancy expiring in June 2009 at a total basic monthly rent of approximately HK\$1,657,000. The parking spaces and loading and unloading spaces are let on monthly and hourly bases. The total car park income (including commercial and residential car parking spaces) in February 2007 was approximately HK\$778,000.	654,000 (31.36% attributable to HIL: 205,094)

Note: The registered owners of the property are HKF Property Investment Limited in which HIL holds attributable interest of 31.36% (643/4700 shares) and Lenfield Limited in which HIL holds attributable interest of 31.36% (4057/4700 shares) with them holding the property as tenants-in-common.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 HK\$('000)
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)			
(C) Property interests held for investment in Hong Kong			
90. The interest attributable to HK Ferry Group in Silvermine Beach Hotel and various agricultural and building lots in Demarcation District No. 2, Mui Wo, Lantau Island, New Territories (see Note 1 for lot numbers)	<p>The property comprises four portions.</p> <p>Portion A</p> <p>Portion A (Silvermine Beach Hotel) comprises 2 blocks (Old and New Wings) of 3-storey hotel building erected on a site with registered site area of approximately 81,200 sq.ft. (7,543.66 sq.m.).</p> <p>The Old Wing was completed in about 1983 and accommodates 70 guest rooms, a restaurant, a lounge, a conference room, a sauna room and a gymnasium.</p> <p>The New Wing was completed in about 1992 and accommodates 59 guest rooms.</p> <p>The total gross floor area of the hotel is approximately 58,850 sq.ft. (5,467.30 sq.m.).</p> <p>Portion B</p> <p>Portion B comprises several agricultural lots and a building lot with a total site area of approximately 307,915 sq.ft. (28,606 sq.m.) situated in Mui Wo on Lantau Island.</p> <p>Portion C</p> <p>Portion C comprises several agricultural lots with a total site area of approximately 45,564 sq.ft. (4,233 sq.m.) situated in Mui Wo on Lantau Island.</p>	Silvermine Beach Hotel is operated by HK Ferry Group as a hotel. Portions B, C and D are vacant.	66,050 (31.36% attributable to HIL: 20,713)

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
	Portion D		
	Portion D comprises several agricultural lots with total site area of approximately 9,146.4 sq.ft. (849.72 sq.m.) situated in Mui Wo on Lantau Island.		
	All four portions of the property are held from the Government for terms expiring on 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The property comprises four portions:

	Lot No.	Registered Owner
Portion A (Silvermine Beach Hotel)	Lot No. 648 in Demarcation District No. 2, Mui Wo	Crestbridge Estates Limited (now known as HYFCO Properties Limited), in which HIL holds attributable interest of 31.36%
Portion B	Lots Nos. 431 to 487, The Remaining Portion of Section A of Lot No. 569, The Remaining Portion of Sub-section 1 of Section A of Lot No. 569, Lots Nos. 635, 636 and 637 all in Demarcation District No. 2, Mui Wo	Authian Estates Limited in which HIL holds attributable interest of 15.68%
Portion C	The Remaining Portion of Lot No. 614, Sections B and C and The Remaining Portion of Lot No. 619 all in Demarcation District No. 2, Mui Wo	Trendy Property Investment Limited in which HIL holds attributable interest of 31.36%
Portion D	Lot Nos. 498, 499, 588, 589, 590 and 591 in Demarcation District No. 2, Mui Wo	Trendy Property Investment Limited in which HIL holds attributable interest of 31.36%

- (2) The market value in existing state as at 28 February 2007 represents 100% interest in Portions A, C and D and 50% interest in Portion B attributable to HK Ferry Group.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)			
(C) Property interests held for investment in Hong Kong			
91. House Nos. B14, B15 and B96 together with Car Parking Space Nos. 14, 15 and 116, Leyburn Villas, Cheung Sha, Lantau Island, New Territories	<p>The property comprises three 2-storey town houses and three private car parking spaces within a residential development completed in about 1981.</p> <p>The total gross floor area of the property (excluding the car parking spaces) is approximately 4,364 sq.ft. (405.43 sq.m.).</p> <p>The property is held from the Government for a term of 99 years less the last three days from 1 July 1898. The term had been statutorily extended to 30 June 2047. The Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is fully let to various tenancies for terms of 1 to 2 years with the latest lease due to expire in October 2008 at a total monthly rent of HK\$40,540, exclusive of rates and management fees.</p>	<p>12,900</p> <p>(31.36% attributable to HIL: 4,045)</p>
45/1170th shares of and in Lot No. 695 in Demarcation District No. 332			

Note: The registered owner of the property is HYFCO Development Company Limited in which HIL holds attributable interest of 31.36%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)			
(C) Property interests held for investment in Hong Kong			
93. Commercial Portion of Ground and 1st Floors, Nos. 43-51A Tong Mi Road, Tai Kok Tsui, Kowloon	The property comprises 8 commercial units on the ground floor and the whole of the 1st floor for commercial uses of a 26-storey composite building. It was completed in 2006.	Except for portion of the property with a total saleable area of approximately 5,912 sq.ft. (549.24 sq.m.) is vacant, the remaining portion of the property is let for various terms with the latest tenancy due to expire in January, 2010 at a total monthly rent of HK\$73,800, exclusive of rates and management fees.	44,000 (31.36% attributable to HIL: 13,798)
Situated within Sub-section 1 of Section B, the Remaining Portion of Section B, Sub-section 1 of Section A, Sub-section 2 of Section A, the Remaining Portion of Section A and Sub-section 3 of Section A of Kowloon Inland Lot No. 4281	The property has a total saleable area of approximately 8,946 sq.ft. (831.10 sq.m.), excluding the yards. The property is held from the Government under Conditions of Sale No. 4124 for a term of 75 years renewable for a further term of 75 years from 15th July, 1940. The current Government rent payable for the property is HK\$22 per annum.		

Note: The registered owner of the property is Join Galaxy Limited in which HIL holds attributable interest of 31.36%.

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)			
(D) Property interest held for owner occupation in Hong Kong			
94. The shipyard at 98 Tam Kon Shan Road, Tsing Yi Town Lot No. 102, Tsing Yi, New Territories	<p>The property comprises a shipyard lot upon which a 4-storey accommodation block, a decking structure incorporating a syncrolift system and some low-rise out-buildings or structures necessary for the operation as a shipyard are erected.</p> <p>The site area of the property is approximately 212,481 sq.ft. (19,740 sq.m.).</p> <p>The accommodation block is a 4-storey building completed in 1994 and provides accommodation for workshop, office and storage uses. The accommodation block has a total gross floor area of approximately 60,478 sq.ft. (5,618.56 sq.m.).</p> <p>The property is held from the Government for a term from 30 April 1994 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is operated as a shipyard with ancillary workshops and offices.</p>	<p>84,000</p> <p>(31.36% attributable to HIL: 26,342)</p>

Notes:

- (1) The registered owner of the property is The Hong Kong Shipyard Limited in which HIL holds attributable interest of 31.36%.
- (2) Our valuation of the property has included the land and building only but has excluded the plant and machinery existing at the property.

VALUATION CERTIFICATE

Property interest	Description and tenure	Capital value in existing state as at 28 February 2007 <i>HK\$('000)</i>															
Group III Hong Kong Ferry (Holdings) Company Limited and its subsidiaries (“HK Ferry Group”)																	
(E) Property interests leased to HK Ferry Group in Hong Kong and Macau																	
95. 12 property interests in Hong Kong and 1 property interest in Macau leased to HK Ferry Group	The property comprises a total of 12 leased properties in Hong Kong and 1 leased property in Macau Details are summarized as follows: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate Floor Area <i>(sq.ft.)</i></th> <th style="text-align: right;">No. of properties</th> </tr> </thead> <tbody> <tr> <td>Offices</td> <td style="text-align: right;">2,771</td> <td style="text-align: right;">4</td> </tr> <tr> <td>Shops</td> <td style="text-align: right;">1,549</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Ferry Pier</td> <td style="text-align: right;"><u>222,943</u></td> <td style="text-align: right;"><u>4</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>227,263</u></td> <td style="text-align: right;"><u>13</u></td> </tr> </tbody> </table>	Use	Approximate Floor Area <i>(sq.ft.)</i>	No. of properties	Offices	2,771	4	Shops	1,549	5	Ferry Pier	<u>222,943</u>	<u>4</u>		<u>227,263</u>	<u>13</u>	No commercial value
Use	Approximate Floor Area <i>(sq.ft.)</i>	No. of properties															
Offices	2,771	4															
Shops	1,549	5															
Ferry Pier	<u>222,943</u>	<u>4</u>															
	<u>227,263</u>	<u>13</u>															
<p>The property is currently leased to HK Ferry Group by various tenancies with the latest tenancy due to expire on 28 January 2010 at a total monthly rent of about HK\$425,000, exclusive of rates, management fee, promotional fees and air-conditioning charges.</p>																	

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

(a) Directors' interests in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive 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 SFO) (other than the interests which Dr. Lee Chau Kee, Mr. Lee Ka Kit, Mr. Lee Ka Shing and Mr. Li Ning were taken or deemed under Part XV of the SFO to have in unlisted associated corporations of the Company which were solely derived from their deemed interests in Henderson Development Limited, HLD and/or the Company) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company and the Stock Exchange; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

Ordinary Shares (unless otherwise specified)

Long positions

Name of company	Relationship with the Company	Name of Director	Note	Number of Shares and shares in the Company's associated corporations held and nature of interest				Total number and percentage of issued share capital of the relevant company held	
				Personal interests	Family interests	Corporate interests	Other interests	Total	% Interest
The Company		Lee Chau Kee	1	34,779,936		2,076,089,007		2,110,868,943	69.27
		Lee Ka Kit	1				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

Name of company	Relationship with the Company	Name of Director	Note	Number of Shares and shares in the Company's associated corporations held and nature of interest				Total number and percentage of issued share capital of the relevant company held	
				Personal interests	Family interests	Corporate interests	Other interests	Total	% Interest
HLD	Holding company	Lee Chau 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
		Lau Chi Keung	7		2,200			2,200	0.00
		Woo Ka Biu, Jackson	8			2,000		2,000	0.00
China Gas	Listed associated company	Lee Chau Kee	9	3,226,174		2,203,861,776		2,207,087,950	40.07
		Lee Ka Kit	9			2,203,861,776	2,203,861,776	40.01	
		Lee Ka Shing	9			2,203,861,776	2,203,861,776	40.01	
		Li Ning	9		2,203,861,776		2,203,861,776	40.01	
HK Ferry	Listed associated company	Lee Chau Kee	10	7,799,220		111,732,090		119,531,310	33.55
		Lee Ka Kit	10			111,732,090	111,732,090	31.36	
		Lee Ka Shing	10			111,732,090	111,732,090	31.36	
		Li Ning	10		111,732,090		111,732,090	31.36	
		Lam Ko Yin, Colin	11		150,000			150,000	0.04
		Leung Hay Man	12		2,250			2,250	0.00
Miramar Hotel	Listed associated company	Lee Chau Kee	13			255,188,250		255,188,250	44.21
		Lee Ka Kit	13			255,188,250	255,188,250	44.21	
		Lee Ka Shing	13			255,188,250	255,188,250	44.21	
		Li Ning	13		255,188,250		255,188,250	44.21	
		Woo Po Shing	14		2,705,000		2,455,000	5,160,000	0.89
Panva Gas Holdings Limited	Listed associated company	Lee Chau Kee	15			772,911,729		772,911,729	43.95
		Lee Ka Kit	15			772,911,729	772,911,729	43.95	
		Lee Ka Shing	15			772,911,729	772,911,729	43.95	
		Li Ning	15		772,911,729		772,911,729	43.95	

Name of company	Relationship with the Company	Name of Director	Note	Number of Shares and shares in the Company's associated corporations held and nature of interest				Total number and percentage of issued share capital of the relevant company held	
				Personal interests	Family interests	Corporate interests	Other interests	Total	% Interest
Henderson Development Limited	Holding company	Lee Chau Kee	16			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
		Lee Chau Kee	17			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
		Lee Chau Kee	18	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	16				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
		Lee Ka Kit	17				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
		Lee Ka Kit	18				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
		Lee Ka Shing	16				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
		Lee Ka Shing	17				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
		Lee Ka Shing	18				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
		Li Ning	16			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
		Li Ning	17			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
		Li Ning	18			15,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)	30.00
		China Investment Group Limited	Subsidiary	Woo Ka Biu, Jackson	19			16,000	16,000

Name of company	Relationship with the Company	Name of Director	Note	Number of Shares and shares in the Company's associated corporations held and nature of interest				Total number and percentage of issued share capital of the relevant company held	
				Personal interests	Family interests	Corporate interests	Other interests	Total	% Interest
Drinkwater Investment Limited	Subsidiary of holding company	Leung Hay Man	20			5,000		5,000	4.49
		Woo Po Shing	21			3,250		3,250	2.92
Henfield Properties Limited	Subsidiary of holding company	Lee Ka Kit	22			4,000	6,000	10,000	100.00
Heyield Estate Limited	Subsidiary of holding company	Lee Chau Kee	23			100		100	100.00
		Lee Ka Kit	23				100	100	100.00
		Lee Ka Shing	23				100	100	100.00
		Li Ning	23		100			100	100.00
Pettystar Investment Limited	Subsidiary of holding company	Lee Chau Kee	24			3,240		3,240	80.00
		Lee Ka Kit	24				3,240	3,240	80.00
		Lee Ka Shing	24				3,240	3,240	80.00
		Li Ning	24		3,240			3,240	80.00
Shellson International Limited	Subsidiary of holding company	Lee Ka Kit	25			25	75	100	100.00

(b) Directors' interests in assets of the Group

As at the Latest Practicable Date, save for the interests of the Directors in the Acquisition through their interests in the shares of HLD as disclosed in (a) above, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2006, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) Directors' interests in contracts of the Group

Save for the interests of the Directors in the Agreement through their interests in the shares of HLD as disclosed in (a) above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group as a whole.

(d) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (not being Directors or chief executive of the Company), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long Positions

	No. of shares in which interested	% Interest
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Substantial Shareholders:

Rimmer (Cayman) Limited (<i>Note 1</i>)	2,076,089,007	68.13
Riddick (Cayman) Limited (<i>Note 1</i>)	2,076,089,007	68.13
Hopkins (Cayman) Limited (<i>Note 1</i>)	2,076,089,007	68.13
Henderson Development Limited (<i>Note 1</i>)	2,070,473,859	67.94
Henderson Land Development Company Limited (<i>Note 1</i>)	2,070,473,859	67.94
Kingslee S.A. (<i>Note 1</i>)	2,070,473,859	67.94
Banshing Investment Limited (<i>Note 1</i>)	802,854,200	26.35
Markshing Investment Limited (<i>Note 1</i>)	602,398,418	19.77
Covite Investment Limited (<i>Note 1</i>)	363,328,900	11.92

Person other than Substantial Shareholders:

Gainwise Investment Limited (<i>Note 1</i>)	217,250,000	7.13
Elliott Capital Advisors L.P. (<i>Note 26</i>)	152,635,500	5.01

Notes:

1. *Of these shares, Dr. Lee Shau Kee was the beneficial owner of 34,779,936 shares, and for the remaining 2,076,089,007 shares, (i) 802,854,200 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by HLD which in turn was 57.80% held by Henderson Development Limited ("HD"); and (ii) 5,615,148 shares were owned by Fu Sang. Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD and Fu Sang. Rimmer and 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 SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.*
2. *Mr. Lee Tat Man was the beneficial owner of these shares.*
3. *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 China Gas which was 38.47% held by the Company. The Company was 67.94% held by HLD 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 9 and HLD by virtue of the SFO. As Directors 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 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. *Mr. Lau Chi Keung was the beneficial owner of these shares.*
8. *These shares were owned by the wife of Mr. Woo Ka Bui, Jackson.*
9. *Of these shares, Dr. Lee Shau Kee was the beneficial owner of 3,226,174 shares, and for the remaining 2,203,861,776 shares, (i) 1,159,024,597 shares and 484,225,002 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited which was 100% held by the Company; (ii) 476,165,946 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of the Company; (iii) 3,966,472 shares were owned by Boldwin Enterprises Limited, a wholly-owned subsidiary of Yamina Investment Limited which was 100% held by HD; and (iv) 80,479,759 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in the Company, 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.*
10. *Of these shares, Dr. Lee Shau Kee was the beneficial owner of 7,799,220 shares, and for the remaining 111,732,090 shares, (i) 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by the Company; and (ii) 41,532,090 shares were held by Wiselin Investment Limited, a wholly-owned subsidiary of Max-mercan Investment Limited which in turn was 100% held by the Company. Dr. Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and HK Ferry by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.*

11. *Mr. Lam Ko Yin, Colin was the beneficial owner of these shares.*
12. *Mr. Leung Hay Man was the beneficial owner of these shares.*
13. *Of these shares, 100,612,750 shares, 79,121,500 shares and 75,454,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by the Company. Dr. Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Miramar Hotel 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.*
14. *Of these shares, Sir Po-shing Woo was the beneficial owner of 2,705,000 shares, and the remaining 2,455,000 shares were held by Fong Fun Company Limited which was 50% owned by Sir Po-shing Woo.*
15. *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 9 and Panva by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.*
16. *These shares were held by Hopkins as trustee of the Unit Trust.*
17. *These shares were held by Hopkins as trustee of the Unit Trust.*
18. *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.*
19. *These shares were held by Pearl Assets Limited which was 60% owned by Mr. Woo Ka Biu, Jackson.*
20. *These shares were held by Gilbert Investment Inc. which was wholly-owned by Mr. Leung Hay Man.*
21. *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.*
22. *Of these shares, (i) 4,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 6,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited (“HC”), an indirect wholly-owned subsidiary of HLD.*
23. *Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HLD; (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.

24. Of these shares, (i) 3,038 shares were owned by HLD; 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.
25. 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.
26. Of these shares, Elliott Capital Advisors L.P. was the beneficial owner of 151,653,500 shares, and interests in the remaining 982,000 shares were derived from cash settled derivatives.
27. The table below shows the positions held by Directors in Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Henderson Land Development Company Limited, Kingslee S.A., Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited as at the Latest Practicable Date:

Rimmer (Cayman) Limited

Name of Director	Position held in Rimmer (Cayman) Limited
Lee Chau Kee	Director
Lee Tat Man	Director
Colin Lam Ko Yin	Director

Riddick (Cayman) Limited

Name of Director	Position held in Riddick (Cayman) Limited
Lee Chau Kee	Director
Lee Tat Man	Director
Colin Lam Ko Yin	Director

Hopkins (Cayman) Limited

Name of Director	Position held in Hopkins (Cayman) Limited
Lee Chau Kee	Director
Lee Tat Man	Director
Colin Lam Ko Yin	Director

Henderson Development Limited

Name of Director	Position held in Henderson Development Limited
Lee Chau Kee	Director
Lee Tat Man	Director
Woo Po Shing	Director
Lee Ka Kit	Director
Lee Ka Shing	Director
Colin Lam Ko Yin	Director and Alternate Director to Lee Tat Man

Henderson Land Development Company Limited

Name of Director	Position held in Henderson Land Development Company Limited
Lee Chau Kee	Chairman and Managing Director
Lee Ka Kit	Vice Chairman
Colin Lam Ko Yin	Vice Chairman
Lee Ka Shing	Vice Chairman
Lee Tat Man	Executive Director
Suen Kwok Lam	Executive Director
Lee King Yue	Executive Director
Eddie Lau Yum Chuen	Executive Director
Li Ning	Executive Director
Kwok Ping Ho	Executive Director
Woo Po Shing	Non-Executive Director
Leung Hay Man	Non-Executive Director
Gordon Kwong Che Keung	Independent Non-Executive Director
Ko Ping Keung	Independent Non-Executive Director
Wu King Cheong	Independent Non-Executive Director
Jackson Woo Ka Biu	Alternate Director to Woo Po Shing

Kingslee S.A.

Name of Director	Position held in Kingslee S.A.
Lee Chau Kee	Director
Lee Tat Man	Director
Lee King Yue	Director

Banshing Investment Limited

Name of Director	Position held in Banshing Investment Limited
Lee Chau Kee	Director
Lee King Yue	Director
Colin Lam Ko Yin	Director
Lee Ka Shing	Director

Markshing Investment Limited

Name of Director	Position held in Markshing Investment Limited
Lee Shau Kee	Director
Lee King Yue	Director
Colin Lam Ko Yin	Director
Lee Ka Shing	Director

Covite Investment Limited

Name of Director	Position held in Covite Investment Limited
Lee Shau Kee	Director
Lee King Yue	Director
Colin Lam Ko Yin	Director
Lee Ka Shing	Director

Gainwise Investment Limited

Name of Director	Position held in Gainwise Investment Limited
Lee Shau Kee	Director
Lee King Yue	Director
Colin Lam Ko Yin	Director
Lee Ka Shing	Director

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into, any service contract with any member of the Group which did not expire or was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

COMPETING INTERESTS

As at the Latest Practicable Date, Dr. Lee Shau Kee, the Chairman of the Company, and Mr. Lee Ka Kit, Mr. Lee Ka Shing and Mr. Li Ning, Directors, had 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, had been operating independently of, and at arm's length from, the businesses of those companies.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation or arbitration or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

CONSENTS

CIMB-GK, DTZ, Deloitte and Commerce & Finance Law Office have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective opinions, letters or reports, and the references to their names, opinions, letters or reports in form and context in which they respectively appear.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Company since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up.

QUALIFICATION OF EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
CIMB-GK	a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
DTZ	Property valuer
Deloitte	Certified Public Accountants
Commerce & Finance Law Offices (通商律師事務所)	Legal advisers on PRC law

As at the Latest Practicable Date, none of CIMB-GK, DTZ, Deloitte and Commerce & Finance Law Offices had any holding, directly or indirectly, of any securities in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group.

As at the Latest Practicable Date, none of CIMB-GK, DTZ, Deloitte and Commerce & Finance Law Offices had any direct or indirect interests in any assets which since 31 December 2006 (being the date of which the latest published audited consolidated financial statements of the Group were made up) had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Group within the two years immediately preceding the date of this circular and are or may be material:

- (i) the Agreement; and
- (ii) the placing, underwriting and subscription agreement dated 18 April 2006 between Banshing Investment Limited (an indirect wholly-owned subsidiary of HLD) as vendor (“Vendor”) , the Company and Credit Suisse (Hong Kong) Limited as the placing agent (“Placing Agent”), pursuant to which, among other things, (i) the Placing Agent had agreed to purchase or procure purchasers to acquire and the Vendor had agreed to sell 230,000,000 Shares at the placing price (“Placing Price”) of HK\$13.55 per Share (“Placing”) and (ii) the Vendor had conditionally agreed to subscribe 230,000,000 new Shares (“Subscription”) at the Placing Price adjusted for this purpose by the expenses incurred in relation to the Placing and the Subscription.

GENERAL

- (a) The qualified accountant of the Company is Mr. Hui Lee Wo, *M.B.A., F.C.C.A., F.C.P.A.*
- (b) The secretary of the Company is Mr. Timon Liu Cheung Yuen, *B.Ec., F.C.P.A., C.A.(Aust.), F.C.S., F.C.I.S.*
- (c) The registered office of the Company is situated at 72nd-76th Floors, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (d) The share registrar of the Company is Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except for public holidays) at the office of Woo, Kwan, Lee & Lo at 26/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours, up to and including 14 May 2007:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for each of the two financial years ended 30 June 2006;
- (c) the interim report of the Company for the six months ended 31 December 2006;

- (d) the accountants' report of the Group, the text of which is set out in Appendix I to this circular;
- (e) the unaudited pro forma financial information on the Remaining Group and the comfort letter thereon from Deloitte, the text of which is set out in Appendix III to this circular;
- (f) the letter from CIMB-GK to the Independent Shareholders, the text of which is set out on pages 23 to 39 of this circular;
- (g) the letter, summary and values on the property interests of the Sale Companies, Miramar Hotel, HK Ferry and their respective subsidiaries prepared by DTZ, the text of which is set out in Appendix IV to this circular, and the valuation certificates of DTZ;
- (h) the legal opinion of Commerce & Finance Law Offices in respect of the property interests of the Sale Companies, Miramar Hotel and their respective subsidiaries in the PRC;
- (i) the consent letters of CIMB-GK, DTZ, Deloitte and Commerce & Finance Law Offices referred to in the section headed "Consents" in this appendix; and
- (j) the material contract(s) as referred to in the section headed "Material contracts" in this appendix.



恒基兆業發展有限公司

HENDERSON INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 97)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Henderson Investment Limited (the “Company”) will be held at the Ballroom, B3 Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Monday, 14 May 2007 at 11:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions of the Company, of which Resolutions Nos. 1 and 2 are intended to be proposed as ordinary resolutions, and Resolution No. 3 is intended to be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (A) the conditional agreement dated 27 March 2007 entered into between the Company and Henderson Land Development Company Limited (the “Agreement”, a copy of which has been produced to this meeting and marked “A” and signed by the chairman of the meeting (the “Chairman”) for the purpose of identification) in relation to the Disposal (as defined and described in the circular dated 20 April 2007 despatched to the shareholders of the Company of which the notice convening this meeting forms part, a copy of which has been produced to this meeting and marked “B” and signed by the Chairman for the purpose of identification) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and
- (B) the taking of all steps and doing of all things and execution of all documents by the Company and its subsidiaries to implement, give effect to or complete the Agreement and the transactions contemplated thereby, and the making and giving of and agreeing to such variations, amendments, modifications, waivers or extensions of the terms of the Agreement and the transactions contemplated thereby, as the directors of the Company may consider to be necessary, desirable, appropriate or expedient, be and are hereby approved, confirmed and ratified.”

2. **“THAT** subject to completion of the Agreement (as defined in Ordinary Resolution No. 1 set out in the notice convening this meeting at which this Resolution is proposed), a distribution by payment in cash of either:

- (A) an amount of HK\$5.00 per share to the holders of shares of HK\$0.20 each in the issued share capital of the Company whose names appear on the register of members of the Company on a date to be fixed and determined by the directors of the Company, if the reduction of the share premium account of the Company referred to in Special Resolution No. 3 set out in the notice convening this meeting at which this Resolution is proposed (the “Share Premium Reduction”) becomes unconditional; or

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (B) an amount of HK\$3.80 per share to the holders of shares of HK\$0.20 each in the issued share capital of the Company whose names appear on the register of members of the Company on a date to be fixed and determined by the directors of the Company, if the Share Premium Reduction does not become unconditional.”

SPECIAL RESOLUTION

3. “**THAT**, conditional upon (i) the passing of Ordinary Resolution No. 1 set out in the notice convening this meeting at which this Resolution is proposed and completion of the Agreement (as defined in such Ordinary Resolution No.1), (ii) the passing of Ordinary Resolution No. 2 set out in the notice convening this meeting at which this Resolution is proposed, and (iii) the confirmation of the reduction of the share premium account of the Company referred to in paragraph (A) below by the Court of First Instance of the High Court of Hong Kong (the “Court”), the satisfaction of all conditions imposed by the Court and the registration by the Registrar of Companies in Hong Kong of a copy of the Court order confirming such reduction of the share premium account together with such other documents as may be required under section 61 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong):
- (A) the amount standing to the credit of the share premium account of the Company be reduced by the sum of HK\$5,000,000,000 and the directors of the Company be and are hereby authorised to credit the same amount arising from such reduction to the distributable reserve of the Company in such manner as the directors of the Company consider appropriate; and
- (B) the directors of the Company be and are hereby authorised generally to do all acts and things, and to approve, sign and execute all documents, which in their opinion may be necessary, desirable, appropriate or expedient to implement or to give effect to the foregoing including, without limitation, to seek confirmation from, and authorise counsel on behalf of the Company to provide any undertaking as is necessary to, the Court.”

By order of the Board
Timon Liu Cheung Yuen
Company Secretary

Hong Kong, 20 April 2007

Registered Office:
72nd -76th Floors
Two International Finance Centre
8 Finance Street
Central
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more person(s) as his proxy(ies) to attend and to vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- (3) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.

As at the date of this notice, 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.