



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

Stock Code 股份代號：97

中期報告 INTERIM REPORT 07
06

HENDERSON INVESTMENT LIMITED**Interim Results and Dividend**

The Board of Directors announces that for the six months ended 31 December 2006, the unaudited consolidated net profit of the Group attributable to equity shareholders amounted to HK\$1,951.5 million, representing an increase of HK\$149.5 million or 8.3% over that for the same period of the previous year. Earnings per share were HK\$0.64.

The underlying profit for the period under review, excluding the revaluation surplus of investment properties (net of deferred tax), was HK\$1,510.3 million, or an increase of HK\$566.6 million or 60.0% over HK\$943.7 million for the same period of the previous year. Based on the underlying profit, the earnings per share were HK\$0.50.

The Board has resolved to pay an interim dividend of HK\$0.13 per share to shareholders whose names appear on the Register of Members of the Company on 25 April 2007.

Closing of Register of Members

The Register of Members of the Company will be closed from Monday, 23 April 2007 to Wednesday, 25 April 2007, both days inclusive, during which period no requests for the transfer of shares will be accepted. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars, Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 20 April 2007. Warrants for the interim dividend will be sent to shareholders on Thursday, 26 April 2007.

Management Discussion and Analysis**BUSINESS REVIEW****Property Investment**

The Group's investment property portfolio, comprising office towers, shopping malls, luxury residential accommodation and industrial buildings, amounted to approximately 2.1 million square feet in total attributable gross floor area. For its core investment properties, the leasing rate remained high at 94%. To maintain its position in Tuen Mun, Trend Plaza will add 20,000 square feet of prime retail space by converting the Tuen Mun Theatre; the conversion work is due to complete by early 2008.

Hotel

Visitor arrivals to Hong Kong, drawn by the opening of new tourist attractions such as Ngong Ping 360 and the hosting of ITU Telecom World in December 2006, continued to rise steadily in the second half of 2006. Despite keener competition as a result of increase in hotel-room supply in Hong Kong, Newton Hotel Hong Kong and Newton Hotel Kowloon reported a growth of 10.2% in turnover for the period under review, with 8% growth in average room rate and higher occupancy at 86%.

Infrastructural Projects

China Investment Group Limited, a 64%-owned subsidiary engaged in the toll-bridge and toll-road joint venture operations in Mainland China, reported lower profit for the period under review as the repair work on Hangzhou Qianjiang Third Bridge which had commenced since October 2005 was still ongoing by the period end.

Associated Companies

The Hong Kong and China Gas Company Limited reported a consolidated net profit after taxation of HK\$5,862.6 million for the year ended 31 December 2006, which comprised HK\$3,224.4 million arising from its gas business and property rental income (an increase of HK\$162.6 million as compared with 2005) and HK\$2,638.2 million from the sale of properties and a revaluation surplus from an investment property.

During the year under review, Hong Kong and China Gas signed agreements to establish piped city-gas companies in Xi'an, Shaanxi province; Yuhang, Hangzhou, Zhejiang province; Tongling, Anhui province; Jintan, Jiangsu province and Yingkou, Liaoning province. On 4 December 2006, Hong Kong and China Gas, Panva Gas Holdings Limited ("Panva Gas") and its largest shareholder, Enerchina Holdings Limited ("Enerchina"), jointly announced that Panva Gas would acquire Hong Kong and China Gas's interest in the shares and shareholder loans in ten mainland piped city-gas companies and that in return, Panva Gas would issue approximately 773 million new shares to Hong Kong and China Gas. With the completion of this transaction on 1 March 2007, Hong Kong and China Gas has become the largest shareholder of Panva Gas holding about 43.97% of its issued shares. On a combined basis, Hong Kong and China Gas and Panva Gas have 60 piped city-gas projects on the Mainland. Panva Gas also has liquefied petroleum gas businesses in 15 Mainland cities.

Hong Kong and China Gas successfully entered the energy upstream arena in 2006 by acquiring its first coalbed gas joint venture project in Shanxi province and concluding a joint venture agreement to invest in a natural gas liquefaction project in Yan'an, Shaanxi province. The upstream projects will provide an additional gas source for the downstream project of piped city-gas projects. Inclusive of Panva Gas, Hong Kong and China Gas currently has a total of 70 projects spread across 13 provinces and an area of Beijing, encompassing upstream, midstream and downstream natural gas sectors as well as the water supply and wastewater treatment sector.

In Hong Kong, total volume of gas sales remained stable and the number of customers as at the end of 2006 was 1,622,648, an increase of 25,375 over 2005. To receive natural gas from the Guangdong Liquefied Natural Gas (LNG) Terminal, Hong Kong and China Gas has laid twin 34 km, 450 mm-diameter submarine pipelines from Chengtoujiao in Shenzhen to Tai Po gas production plant in Hong Kong and constructed control and metering stations at Chengtoujiao and Tai Po. With the commissioning of both pipeline and stations, as well as natural gas receiving station in Tai Po, natural gas and naphtha have been used as dual feedstock mix for producing town gas since October 2006, bringing savings on gas bills to customers through the existing fuel cost adjustment mechanism. ECO Energy Company Limited, its wholly-owned subsidiary company, will soon conclude operational tests as the installation work of a landfill gas treatment facility at the North East New Territories landfill site was completed. Construction work of a 19 km pipeline to Tai Po gas production plant has also been completed and it expects to start using the treated landfill gas to partially replace naphtha as a fuel for town gas production by mid-2007.

On the property development front, encouraging response was received in August 2006 for its pre-sale of Grand Waterfront at Ma Tau Kok south plant site. Together with the sale of the remaining residential units at Grand Promenade and King's Park Hill, a total profit of about HK\$1,779.4 million was made from property sales for the year under review. The commercial area of approximately 150,000 square feet at the podium of Grand Waterfront was completed during the year, becoming another major investment property to Hong Kong and China Gas in addition to the International Finance Centre Complex.

It is anticipated that with the introduction of natural gas, the price competitiveness of town gas will be enhanced in the local energy market, while its Mainland business will also further prosper given that the total number of piped city-gas projects has increased since the acquisition of Panva Gas as its associated company in early March 2007.

Hong Kong Ferry (Holdings) Company Limited reported a consolidated net profit after taxation of HK\$121.7 million for the year ended 31 December 2006, representing a decrease of 50% from the consolidated profit after taxation of HK\$243.2 million in 2005. The decrease in profit was mainly due to the provision of HK\$100 million for a claim arising from the Central Ferry Piers litigation.

During the year, this group recorded an operating profit of HK\$136 million from the sale of approximately 220 residential units of Metro Harbour View, with a value of approximately HK\$265 million. Residential units of MetroRegalia at Tong Mi Road was also offered for sale in December 2006, with a profit of HK\$18 million recorded. On the property investment front, rental income from Metro Harbour Plaza amounted to HK\$24.3 million for the year and its leasing rate as at the end of the year was approximately 98% after taking into account the committed tenancies. Also, 50% of the shops at MetroRegalia were leased out.

Construction progressed well for the residential-cum-commercial property development site at 222 Tai Kok Tsui Road, which will provide a total gross floor area of approximately 320,000 square feet upon completion by late 2008. No.6 Cho Yuen Street, Yau Tong, which has gross floor area of approximately 140,000 square feet for residential use and 25,000 square feet for non-residential use respectively, also showed good progress and should be completed by early 2009.

Due to severe competition, coupled with the increase in fuel oil price, the Ferry, Shipyard and Related operations recorded a loss of HK\$7.2 million. During the year, the fee arising from the litigation in respect of the proposed development of the Central Ferry Piers amounted to HK\$27.5 million. After accounting for increased costs, the Travel and Hotel Operations recorded an operating loss of HK\$2.3 million this year despite a slight increase in turnover.

It is anticipated that selling of residential units will be the major source of income for Hong Kong Ferry in the coming year and the rental income will also register stable growth.

Miramar Hotel and Investment Company, Limited recorded HK\$389.5 million in unaudited profit attributable to shareholders for the six months ended 30 September 2006, representing an increase of 19% as compared to the same period of the previous year. Hotel Miramar recorded a 20% increment in the average room rate over the same period of the previous year while maintaining an average occupancy rate of 90%. The hotel's food and beverage operations and the hotel management business have also performed satisfactorily. Miramar Shopping Centre and Hotel Miramar Shopping Arcade upgraded market positioning and image by changing tenant mix since previous year. Average rental rate for renewals and new leases concluded during the period went up by approximately 35% compared with expired leases; and average occupancy stayed at about 90% for Miramar Shopping Centre. Its office tower, similarly, showed a remarkable rental growth of over 80% with an average occupancy rate close to 90%. To gain direct access to MTR station and to draw more pedestrian flow, Miramar, together with the developer of Tung Ying Building site, entered into an agreement with the MTR Corporation to jointly build a pedestrian tunnel connecting the Tsim Sha Tsui MTR station to Miramar Shopping Centre, Hotel Miramar and their adjacent building. Due to a general slowdown in the US property market, the Group's land-sale project at Placer County, California, U.S. recorded no transaction during the period. The overall food and beverage operation, including the premier restaurant duo of Cuisine Cuisine and Lumiere, registered steady profit growth. Travel business, with more customers attracted by its new package tours and itineraries and growing business for its commercial travel department, also made significant progress. It was also appointed as the Hong Kong General Agent for OCEANIA, a leading cruise company in Europe.

PROSPECTS

China's economic growth remains buoyant and Hong Kong, whose status as one of the world's financial, trade and shipping centres has been unequivocally confirmed in China's 11th Five-Year Plan (2006-2010), is in an even better position to seize the enormous opportunities ahead.

More overseas and Mainland companies are now expected to be drawn into Hong Kong, boosting the demand for office space. Continuous growth in the overall economy will in turn lend support to consumer confidence, spurring retail sales growth. All these will underpin the Group's rental income. The Group's hotel business will also benefit from the increased volume of business travels in this region and the uptrend in tourist arrivals from Mainland China given the flourishing Mainland economy.

With improving affordability, the number of privately-owned vehicles in Mainland China is expected to rise further, benefiting the Group's infrastructure segment through the increase in traffic volume for its toll-roads and toll-bridge.

Rental income and the Group's listed associates continue to be sources of stable recurrent income to the Group. In the absence of unforeseen circumstances, it is anticipated that the Group will show satisfactory performance in the current financial year.

Condensed Interim Financial Statements

Consolidated Income Statement – unaudited

		For the six months ended 31 December	
	Note	2006 HK\$ million	2005 HK\$ million
Turnover	3	507.0	611.3
Direct operating costs		(262.0)	(250.1)
Gross profit		245.0	361.2
Other income		122.3	60.2
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries	4	–	(161.8)
Profit for the period of disposal group	17	5.8	–
Selling and distribution costs		(12.0)	(28.9)
Administrative expenses		(46.2)	(87.0)
Profit from operations before fair value gain of investment properties		314.9	143.7
Fair value gain of investment properties	11	219.3	674.6
Profit from operations after fair value gain of investment properties		534.2	818.3
Finance costs	5	(2.1)	(6.1)
Share of results of associates		1,516.4	1,094.6
Profit before taxation		2,048.5	1,906.8
Taxation	6	(66.6)	(97.8)
Profit for the period	7	1,981.9	1,809.0
Attributable to:			
Equity holders of the Company		1,951.5	1,802.0
Minority interests		30.4	7.0
Profit for the period		1,981.9	1,809.0
Dividends	9	457.1	422.6
Earnings per share	10(a)	HK\$0.64	HK\$0.64
Adjusted earnings per share	10(b)	HK\$0.50	HK\$0.33

Condensed Interim Financial Statements

Consolidated Balance Sheet

		At 31 December 2006 (unaudited) HK\$ million	At 30 June 2006 (audited) HK\$ million
	Note		
Non-current assets			
Investment properties	11	6,369.8	6,058.0
Property, plant and equipment	11	658.1	637.7
Prepaid lease payments		62.6	63.3
Toll highway operation rights		177.8	171.1
Interests in associates		17,441.0	16,243.0
Other assets	12	480.4	412.7
Deferred tax assets		3.2	3.2
		25,192.9	23,589.0
Current assets			
Inventories		239.7	309.5
Debtors, deposits and prepayments	12(b)	340.9	280.4
Amounts due from affiliates	13	182.3	142.4
Pledged bank deposits		20.2	20.2
Bank balances and cash		5,023.6	5,156.8
		5,806.7	5,909.3
Assets classified as held for sale	17	404.9	378.6
		6,211.6	6,287.9
Current liabilities			
Creditors and accrued expenses	14	249.4	281.0
Amounts due to affiliates	15	65.8	65.9
Taxation		50.5	81.6
Borrowings		72.1	57.5
Bank overdraft		2.4	30.3
		440.2	516.3
Liabilities associated with assets classified as held for sale	17	254.8	240.3
		695.0	756.6
Net current assets		5,516.6	5,531.3
		30,709.5	29,120.3

Condensed Interim Financial Statements

Consolidated Balance Sheet (cont'd)

	Note	At 31 December 2006 (unaudited) HK\$ million	At 30 June 2006 (audited) HK\$ million
CAPITAL AND RESERVES			
Share capital	16	609.5	609.5
Reserves		28,645.4	27,043.1
Equity attributable to equity holders of the Company		29,254.9	27,652.6
Minority interests		673.0	627.5
TOTAL EQUITY		29,927.9	28,280.1
Non-current liabilities			
Borrowings		6.0	26.1
Deferred tax liabilities		728.1	693.9
Amount due to a fellow subsidiary		47.5	120.2
		781.6	840.2
		30,709.5	29,120.3

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

	Attributable to equity holders of the Company										
	Share capital	Property revaluation reserve	Capital reserve	Investment revaluation reserve	Exchange reserve	Share premium account	Dividend reserve	Retained profits	Total	Minority interests	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 July 2005	563.5	–	12.9	–	–	6,158.6	422.6	14,477.8	21,635.4	744.8	22,380.2
Gain on available-for-sale investments recognised directly in equity	–	–	–	9.8	–	–	–	–	9.8	–	9.8
Profit for the period	–	–	–	–	–	–	–	1,802.0	1,802.0	7.0	1,809.0
Total recognised income for the period	–	–	–	9.8	–	–	–	1,802.0	1,811.8	7.0	1,818.8
Acquisition of additional 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
At 1 July 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	–	–	–	39.2	30.6	69.8
Total income recognised directly in equity	–	–	–	68.7	39.2	–	–	–	107.9	30.6	138.5
Profit for the period	–	–	–	–	–	–	–	1,951.5	1,951.5	30.4	1,981.9
Total recognised income for the period	–	–	–	68.7	39.2	–	–	1,951.5	2,059.4	61.0	2,120.4
Final dividend paid	–	–	–	–	–	–	(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

Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement – unaudited

	For the six months ended 31 December	
	2006 HK\$ million	2005 HK\$ million
Net cash from operating activities	134.9	210.2
Net cash from investing activities		
Dividends received	335.6	325.9
Interest received	113.3	54.6
Payment to acquire additional interests in subsidiaries	–	(252.5)
Purchase of investment properties, and property, plant and equipment	(120.9)	(18.4)
Other investing cash flows	(16.7)	(1.1)
	311.3	108.5
Net cash used in financing activities		
Dividends paid to shareholders	(456.6)	(422.4)
Repayment to a fellow subsidiary	(72.7)	(215.0)
Other financing cash flows	(28.6)	(16.1)
	(557.9)	(653.5)
Net decrease in cash and cash equivalents	(111.7)	(334.8)
Cash and cash equivalents at beginning of the period	5,127.0	2,746.2
Effect of foreign exchange rate changes	7.2	–
Cash and cash equivalents at end of the period	5,022.5	2,411.4
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	5,023.6	2,450.9
Bank balances and cash attributable to a disposal group	1.3	–
Bank overdraft	(2.4)	(39.5)
	5,022.5	2,411.4

Notes to the Condensed Consolidated Financial Statements – unaudited

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations (hereinafter collectively referred to as “new HKFRSs”) 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 HKFRSs 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.

At the date of authorisation of this financial report, the Group has not early applied the following new standard, amendment and interpretation that have been issued but are not yet effective. The Group anticipate that the application of new standard, amendment and interpretation will have no material impact on the financial report of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 10	Interim financial reporting and impairment ²
HK(IFRIC) – Int 11	HKFRS 2: Group and treasury share transactions ³

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

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

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

Notes to the Condensed Consolidated Financial Statements – unaudited

3. Segment information

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 services, department store operations and management, retail business and provision of information technology services

Segment information about these businesses is presented below:

For the six months ended 31 December 2006

	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
Income and Results							
Turnover	192.7	51.8	72.9	36.1	153.5	–	507.0
Other income	0.4	0.1	0.4	–	5.6	–	6.5
External income	193.1	51.9	73.3	36.1	159.1	–	513.5
Inter-segment income	0.1	–	–	–	2.2	(2.3)	–
Total income	193.2	51.9	73.3	36.1	161.3	(2.3)	513.5
Inter-segment sales were charged at prices determined by management with reference to market prices.							
Segment results	134.2	20.9	43.2	2.3	3.7	–	204.3
Interest income							114.8
Dividend income from listed investments							1.0
Profit for the period of disposal group	–	–	5.8	–	–	–	5.8
Fair value gain of investment properties	219.3	–	–	–	–	–	219.3
Unallocated corporate expenses							(11.0)
Finance costs							(2.1)
Share of results of associates							1,516.4
Profit before taxation							2,048.5
Taxation							(66.6)
Profit for the period							1,981.9

Notes to the Condensed Consolidated Financial Statements – unaudited

3. Segment information (cont'd)

Business segments: (cont'd)

For the six months ended 31 December 2005

	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
Income and Results							
Turnover	311.2	47.0	92.4	34.4	126.3	–	611.3
Other income	2.0	–	0.6	–	2.2	–	4.8
External income	313.2	47.0	93.0	34.4	128.5	–	616.1
Inter-segment income	21.3	–	–	0.1	3.0	(24.4)	–
Total income	334.5	47.0	93.0	34.5	131.5	(24.4)	616.1

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

Segment results	184.5	17.5	51.7	2.3	(155.2)	–	100.8
Interest income							54.4
Dividend income from listed investments							1.0
Fair value gain of investment properties	674.6	–	–	–	–	–	674.6
Unallocated corporate expenses							(12.5)
Finance costs							(6.1)
Share of results of associates							1,094.6
Profit before taxation							1,906.8
Taxation							(97.8)
Profit for the period							1,809.0

Notes to the Condensed Consolidated Financial Statements – unaudited**3. Segment information (cont'd)*****Geographical segments:***

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

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

	For the six months ended 31 December 2006		
	Hong Kong HK\$ million	PRC HK\$ million	Consolidated HK\$ million
Turnover	434.1	72.9	507.0
Other income	6.1	0.4	6.5
External income	440.2	73.3	513.5

	For the six months ended 31 December 2005		
	Hong Kong HK\$ million	PRC HK\$ million	Consolidated HK\$ million
Turnover	518.9	92.4	611.3
Other income	4.2	0.6	4.8
External income	523.1	93.0	616.1

4. Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries

During the six months ended 31 December 2005, 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 immediate 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 extinguishment 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 proved to be impaired.

Notes to the Condensed Consolidated Financial Statements – unaudited

5. Finance costs

	For the six months ended 31 December	
	2006 HK\$ million	2005 HK\$ million
Interest on:		
Bank loans and overdrafts wholly repayable within five years	1.0	5.8
Other borrowings wholly repayable within five years	1.1	0.3
	2.1	6.1

6. Taxation

	For the six months ended 31 December	
	2006 HK\$ million	2005 HK\$ million
The charge comprises:		
Current tax		
Hong Kong	23.3	30.7
Other regions in the PRC	7.6	8.6
	30.9	39.3
Under(over)provision in prior years – Hong Kong	1.5	(17.5)
Deferred tax		
Current period	34.2	88.8
Overprovision in prior years	–	(12.8)
	34.2	76.0
	66.6	97.8

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

Notes to the Condensed Consolidated Financial Statements – unaudited**7. Profit for the period**

	For the six months ended 31 December	
	2006	2005
	HK\$ million	HK\$ million
Profit for the period has been arrived at after charging:		
Amortisation of toll highway operation rights (included in administrative expenses)	5.1	17.3
Depreciation	17.3	26.5
Cost of inventories recognised as an expense	22.4	43.8
Cost of properties recognised as an expense	31.0	64.4
Release of prepaid lease payments	18.3	2.4
Staff costs	0.7	0.8
Share of taxation attributable to associates (included in share of results of associates)	65.6	100.3
Written off of property, plant and equipment	269.6	142.2
	17.4	–

8. Gain on disposal of a subsidiary

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 which is included in other income.

9. Dividends

	For the six months ended 31 December	
	2006	2005
	HK\$ million	HK\$ million
Final dividend paid in respect of 2006 of HK15 cents (2005: HK15 cents) per share	457.1	422.6

The interim dividend of HK13 cents for the six months period ended 31 December 2006 per share has been proposed by the directors.

Notes to the Condensed Consolidated Financial Statements – unaudited

10. Earnings per share**(a) Reported earnings per share:**

The calculation of earnings per share attributable to the equity holders of the Company is based on the profit for the period of HK\$1,951.5 million (For the six months ended 31 December 2005: HK\$1,802.0 million) and on 3,047,327,395 (At 31 December 2005: 2,817,327,395) weighted average number of ordinary shares in issue during the period. Diluted earnings per share is not shown as there were no dilutive potential shares in existence during the six months ended 31 December 2006 and 31 December 2005.

(b) Adjusted earnings per share:

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

	For the six months ended 31 December	
	2006 HK\$ million	2005 HK\$ million
Profit attributable to equity holders of the Company	1,951.5	1,802.0
Effect of fair value gain of investment properties	(219.3)	(674.6)
Effect of deferred tax on fair value gain of investment properties	38.4	75.2
Effect of share of fair value gain of investment properties net of related deferred taxation of associates	(260.3)	(258.9)
Adjusted earnings for calculation of earnings per share	1,510.3	943.7
Adjusted earnings per share	HK\$0.50	HK\$0.33

11. Investment properties and property, plant and equipment

The Group's investment properties were fair-valued on 31 December 2006 by an independent firm of professional surveyors, Messrs. DTZ Debenham Tie Leung Limited, on an open market value basis. The resulting increase in fair value of investment properties of HK\$219.3 million has been recognised in the consolidated income statement.

During the period, the Group had acquired investment properties, and property, plant and equipment at the aggregate amount of HK\$120.9 million.

Notes to the Condensed Consolidated Financial Statements – unaudited

12. Other assets

	At 31 December 2006 HK\$ million	At 30 June 2006 HK\$ million
Held-to-maturity investments	11.5	11.5
Available-for-sale investments (<i>note a</i>)	353.2	284.5
Debtors, deposits and prepayments (<i>note b</i>)	115.7	116.7
	480.4	412.7

(a) Available-for-sale investments

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

	At 31 December 2006 HK\$ million	At 30 June 2006 HK\$ million
Equity securities:		
Listed in Hong Kong	323.7	255.1
Unlisted	29.5	29.4
	353.2	284.5
Market value of listed securities	323.7	255.1

As at the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted equity investments of which the 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.

Notes to the Condensed Consolidated Financial Statements – unaudited

12. Other assets (cont'd)

(b) Debtors, deposits and prepayments

The Group maintains a defined credit policy. Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leased properties 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 the 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:

	At 31 December 2006 HK\$ million	At 30 June 2006 HK\$ million
Under 1 month overdue	40.4	31.2
1 to 3 months overdue	47.8	35.3
More than 3 months overdue but less than 6 months overdue	16.6	17.0
Over 6 months overdue	130.1	89.5
Trade debtors	234.9	173.0
Deposits, prepayments and other receivables – current portion	106.0	107.4
	340.9	280.4
Deposits, prepayments and other receivables – non-current portion	115.7	116.7
	456.6	397.1

At 31 December 2006, included in deposits, prepayments and other receivables was an amount of HK\$133.0 million (At 30 June 2006: HK\$140.4 million) representing the discounted instalments receivable in future arising from the disposal of toll bridges during the year ended 30 June 2004, out of which, HK\$17.3 million (At 30 June 2006: HK\$23.7 million) was classified as current assets.

In addition, at 31 December 2006, included in debtors, deposits and prepayments is the current portion of prepaid lease payments of HK\$1.3 million (At 30 June 2006: HK\$1.3 million).

Notes to the Condensed Consolidated Financial Statements – unaudited**13. Amounts due from affiliates**

	At 31 December 2006 HK\$ million	At 30 June 2006 HK\$ million
Amounts due from associates	49.9	46.1
Amounts due from investee companies	5.5	5.5
Amounts due from minority shareholders	126.9	90.8
	182.3	142.4

14. Creditors and accrued expenses

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

	At 31 December 2006 HK\$ million	At 30 June 2006 HK\$ million
Due within 1 month or on demand	42.9	103.0
Due after 1 month but within 3 months	37.6	39.2
Due after 3 months but within 6 months	8.4	2.8
Due after 6 months	8.0	9.4
Trade creditors	96.9	154.4
Rental deposits and other payables	152.5	126.6
Total creditors and accrued expenses	249.4	281.0

15. Amounts due to affiliates

	At 31 December 2006 HK\$ million	At 30 June 2006 HK\$ million
Amounts due to associates	–	0.8
Amounts due to minority shareholders	65.8	65.1
	65.8	65.9

Notes to the Condensed Consolidated Financial Statements – unaudited

16. Share capital

	At 31 December 2006 HK\$ million	At 30 June 2006 HK\$ million
Authorised:		
5,000,000,000 (At 30 June 2006: 3,600,000,000) ordinary shares of HK\$0.2 each	1,000.0	720.0
Issued and fully paid:		
3,047,327,395 (At 30 June 2006: 3,047,327,395) ordinary shares of HK\$0.2 each	609.5	609.5

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.

17. Disposal group

During the year ended 30 June 2006, the Company 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 interest in the Ningbo Subsidiaries at a consideration of RMB70 million (approximately HK\$70 million), and the transaction was pending final settlement from the minority shareholder for completion as at 31 December 2006. The Group remains committed to its plan to sell the Ningbo Subsidiaries and expects the transaction to be completed on or before 30 June 2007. The profit for the period of the disposal group is HK\$5.8 million.

18. Pledged bank deposits/Bank balances and cash

Of the pledged bank deposits and bank balances and cash items, a total sum being the equivalent of HK\$107.5 million (At 30 June 2006: HK\$125.7 million) was kept in other regions of the PRC and is subject to exchange control regulations.

Notes to the Condensed Consolidated Financial Statements – unaudited**19. Capital commitments**

	At 31 December	At 30 June
	2006	2006
	HK\$ million	HK\$ million
Contracted commitments for acquisition of property, plant and equipment and for property development and renovation expenditure	47.2	34.2

20. Related party transactions

During the period, the Group entered into the following significant transactions with fellow subsidiaries:

	For the six months ended 31 December	
	2006	2005
	HK\$ million	HK\$ million
Building management fee paid	3.0	3.1
Interest expenses	1.1	0.3
Rental expenses	–	44.3
Maintenance fee	5.3	1.2

Compensation of key management personnel

Except for certain of the directors and key management personnel who received their remuneration from the Company's immediate holding company for their services provided to the Group headed by the immediate holding company of which the Company is a member, no remuneration was paid to other 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 immediate holding company and each of that company's subsidiaries.

Financial Review

REVIEW OF RESULTS

For the six months ended 31 December 2006, the Group's turnover amounted to HK\$507.0 million, a decrease of HK\$104.3 million or 17.1% from the same period of the previous year. The profit attributable to equity shareholders of the Company amounted to HK\$1,951.5 million for the period under review, an increase of HK\$149.5 million or 8.3% over the same period of the previous year. The underlying profit, excluding the unrealised surplus on revaluation of investment properties (net of deferred tax), was HK\$1,510.3 million for the six months ended 31 December 2006, an increase of HK\$566.6 million or 60.0%.

During the period under review, property leasing revenue decreased by HK\$118.5 million or 38.1% to HK\$192.7 million, accounting for 38.0% of the Group's turnover. The fall in revenue was mainly due to the termination of the subletting business as the costs of such business are subject to the adverse effect of rising rental. The profit contribution from this segment amounted to HK\$134.2 million, as compared with HK\$184.5 million for the same period of the previous year.

The revaluation surplus of the Group's investment properties (before deferred tax and minority interests) amounted to HK\$219.3 million for the period under review, as compared with HK\$674.6 million for the same period of the previous year.

Revenue from the investment in infrastructure projects in Mainland China that is mainly operated through the Group's subsidiary, China Investment Group Limited, amounted to HK\$72.9 million, representing a decrease of HK\$19.5 million or 21.1%. The decrease was mainly due to the fact that the repair work on a toll bridge in Hangzhou which had commenced since October 2005 was still ongoing by the period end. Accordingly, the profit contribution from this segment decreased by HK\$8.5 million or 16.4% to HK\$43.2 million.

Revenue from hotel operations increased by 10.2% to HK\$51.8 million for the period under review, on the back of higher average occupancy and average room rates which benefited from an increase in inbound tourists. The profit contribution from this segment increased by 19.4% to HK\$20.9 million.

Security guard services reported a turnover of HK\$36.1 million, up by 4.9% as compared with the same period of the previous year. Profit contribution remained stable at HK\$2.3 million.

The Group's share of profits less losses of associates net of taxation amounted to approximately HK\$1,516.4 million, as compared with HK\$1,094.6 million for the same period of the previous year. Excluding the unrealised surplus on revaluation of investment properties (net of deferred tax), the Group's share of the underlying profits less losses of associates amounted to HK\$1,256.1 million, an increase of 50.3% as compared with HK\$835.7 million for the previous interim period.

In particular, the Group's share of after tax profits from the three listed associates totalled approximately HK\$1,462.1 million for the period under review as against HK\$1,010.2 million for the corresponding period of the previous year. Excluding the unrealised surplus on revaluation of investment properties (net of deferred tax), the Group's share of the underlying profits of the three listed associates increased from HK\$825.1 million to HK\$1,242.2 million as a substantial share of profits arising from the sale of Grand Waterfront, a large-scale waterfront development project completed by the end of 2006, was accounted for in the period under review by The Hong Kong and China Gas Company Limited.

As a result of the share placement in April 2006, other income, which included interest income, was up by 103.2% to HK\$122.3 million for the period under review. In contrast, due to the privatisation of Henderson Cyber Limited, an impairment loss of HK\$161.8 million was recorded in the corresponding period of the previous year.

FINANCIAL RESOURCES AND LIQUIDITY

At 31 December 2006, the aggregate amount of the Group's bank borrowings was HK\$80.5 million (30 June 2006: HK\$113.9 million). With abundant committed banking facilities in place and continuous cash inflow generated from a solid base of recurrent income, the Group has adequate financial resources in meeting the funding requirement for its ongoing operations as well as future expansion.

During the period under review, apart from the disposal of the property interest to Sunlight REIT, the Group did not undertake any significant acquisition or disposal of assets outside its core business.

LOAN MATURITY PROFILE

The maturity profiles of the Group's bank borrowings were as follows:

	At 31 December 2006 HK\$ million	At 30 June 2006 HK\$ million
Bank loans and borrowings repayable:		
Within 1 year	74.5	87.8
After 1 year but within 2 years	–	20.6
After 2 years but within 5 years	6.0	5.5
Total bank borrowings	80.5	113.9
Deduct: Cash at bank and in hand	5,043.8	5,177.0
Total net bank deposits	4,963.3	5,063.1
Total equity attributable to equity shareholders of the Company	29,254.9	27,652.6
Gearing ratio (%)	Nil	Nil

Calculated on the basis of total net bank borrowings as a ratio of total equity attributable to equity shareholders of the Company at 31 December 2006, the Group's gearing ratio was nil (30 June 2006: nil) as it was in a net cash position.

	6 months ended 31 December 2006 HK\$ million	6 months ended 31 December 2005 HK\$ million
Profit from operations before changes in fair value of investment properties plus the Group's share of the underlying profits less losses of associates and jointly controlled entities (after excluding the unrealised surplus on revaluation of investment properties and related taxation)	1,785.2	1,067.6
Interest expense (before capitalization of interest)	2.1	6.1
Interest cover (number of times)	850	175

Interest cover is measured by reference to (a) the Group's profit from operations plus the Group's share of profits less losses of associates (after excluding the unrealised surplus on revaluation of investment properties and related taxation) and (b) the interest expenses before capitalization of interest. On this basis the Group's interest cover for the period under review was 850 times, compared to 175 times for the same period of the previous year.

INTEREST RATE EXPOSURE AND EXCHANGE RATE EXPOSURE

The Group's financing and treasury activities are centrally managed at the corporate level. Bank borrowings of the Group are principally of a floating rate in nature obtained from international banks in Hong Kong. While the Group's borrowings were denominated mainly in Hong Kong Dollars, a portion of such borrowings was in Renminbi to support the Group's business activities in Mainland China. Apart from its investments in China which are denominated in Renminbi and are not hedged, the Group had no other material open foreign exchange positions at the year end. The Group does not make use of any derivative instruments for speculative purposes.

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

CAPITAL COMMITMENTS

At 31 December 2006, capital commitments of the Group amounted to HK\$47.2 million (30 June 2006: HK\$34.2 million).

CONTINGENT LIABILITIES

Contingent liabilities of the Group amounted to HK\$2.4 million at 31 December 2006 (30 June 2006: HK\$30.1 million). These mainly comprised the guarantees given by the Company to commercial banks to secure banking facilities granted to the group companies.

EMPLOYEES

At 31 December 2006, the Group had about 750 full-time employees. The remuneration of employees was in line with the market trend and commensurable with the level of pay in the industry. Discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme, training programmes and educational subsidies.

Total employee costs for the six months ended 31 December 2006 amounted to HK\$65.6 million.

Other Information

REVOLVING CREDIT AGREEMENT WITH COVENANTS OF THE CONTROLLING SHAREHOLDERS

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

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

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 31 December 2006 have been reviewed by the auditors of the Company, Messrs. Deloitte Touche Tohmatsu in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on page 33.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee met in March 2007 and reviewed the systems of internal control and compliance and the interim report for the period ended 31 December 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2006, the Company has complied with the Code on Corporate Governance Practices (the "CGP Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the roles of the chairman and the chief executive officer of the Company are not segregated under code provision A.2.1 of the CGP Code. The Company is of the view that it is in the best interest of the Company that Dr. Lee Shau Kee, with his profound expertise in the property business, shall continue in his dual capacity as the Chairman and Managing Director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

By Order of the Board

Timon LIU Cheung Yuen

Company Secretary

Hong Kong, 21 March 2007

As at the date of this report, 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.

Disclosure of Interests

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2006, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Investment Limited	Lee Shau Kee	1	34,779,936		2,076,089,007		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
Henderson Land Development Company Limited	Lee Shau Kee	4			1,122,938,300		1,122,938,300	57.81
	Lee Ka Kit	4				1,122,938,300	1,122,938,300	57.81
	Lee Ka Shing	4				1,122,938,300	1,122,938,300	57.81
	Li Ning	4		1,122,938,300			1,122,938,300	57.81
	Lee Tat Man	5	143,000				143,000	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

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

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
The Hong Kong and China Gas Company Limited	Lee Shau 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
Hong Kong Ferry (Holdings) Company Limited	Lee Shau 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 and Investment Company, Limited	Lee Shau 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	Lee Shau Kee	15			772,911,729		772,911,729	80.65
	Lee Ka Kit	15				772,911,729	772,911,729	80.65
	Lee Ka Shing	15				772,911,729	772,911,729	80.65
	Li Ning	15		772,911,729			772,911,729	80.65

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

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	16			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	17			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau 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

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

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
China Investment Group Limited	Woo Ka Biu, Jackson	19			16,000		16,000	5.33
Drinkwater Investment Limited	Leung Hay Man	20			5,000		5,000	4.49
	Woo Po Shing	21			3,250		3,250	2.92
Henfield Properties Limited	Lee Ka Kit	22			4,000	6,000	10,000	100.00
Heyield Estate Limited	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	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	Lee Ka Kit	25			25	75	100	100.00

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 31 December 2006 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS

As at 31 December 2006, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	2,076,089,007	68.13
Riddick (Cayman) Limited (Note 1)	2,076,089,007	68.13
Hopkins (Cayman) Limited (Note 1)	2,076,089,007	68.13
Henderson Development Limited (Note 1)	2,070,473,859	67.94
Henderson Land Development Company Limited (Note 1)	2,070,473,859	67.94
Kingslee S.A. (Note 1)	2,070,473,859	67.94
Banshing Investment Limited (Note 1)	802,854,200	26.35
Markshing Investment Limited (Note 1)	602,398,418	19.77
Covite Investment Limited (Note 1)	363,328,900	11.92

Person other than Substantial Shareholders:

Gainwise Investment Limited (Note 1)	217,250,000	7.13
--------------------------------------	-------------	------

Notes:

- Of these shares, Dr. Lee Shau Kee was the beneficial owner of 34,779,936 shares, and the remaining 2,076,089,007 shares, (i) 802,854,200 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by Henderson Land Development Company Limited ("HL") which in turn was 57.80% held by Henderson Development Limited ("HD"); and (ii) 5,615,148 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau Kee. Dr. Lee Shau Kee was taken to be interested in these shares by virtue of the Securities and Futures Ordinance ("SFO"). As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.
- 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 The Hong Kong and China Gas Company Limited ("China Gas") which was 38.47% held by Henderson Investment Limited ("HI"). HI was 67.94% held by HL which in turn was 57.80% held by HD; and (v) 192,500 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in China Gas, HD and Fu Sang as set out in Notes 1 and 9 and HL by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.
5. Mr. Lee Tat Man was the beneficial owner of these shares.
6. Of these shares, Mr. Lee King Yue was the beneficial owner of 42,900 shares, and the remaining 19,800 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr. Lee King Yue and his wife.
7. Mr. Lau Chi Keung was the beneficial owner of these shares.
8. These shares were owned by the wife of Mr. Woo Ka Biu, 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 HI; (ii) 476,165,946 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of HI; (iii) 3,966,472 shares were owned by Baldwin Enterprises Limited, a wholly-owned subsidiary of Yamina Investment Limited which was 100% held by HD; and (iv) 80,479,759 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in HI, HD and Fu Sang as set out in Note 1 and China Gas by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.
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 HI; 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 HI. Dr. Lee Shau Kee was taken to be interested in HI as set out in Note 1 and Hong Kong Ferry (Holdings) Company Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.
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 HI. Dr. Lee Shau Kee was taken to be interested in HI as set out in Note 1 and Miramar Hotel and Investment Company, Limited ("Miramar") by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.
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. Hong Kong & China Gas (China) Limited, a wholly-owned subsidiary of China Gas, was deemed to have acquired 772,911,729 shares in Panva Gas Holdings Limited ("Panva") pursuant to a conditional agreement entered into with Panva on 4 December 2006. 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 HL.
23. Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, both of which were wholly-owned subsidiaries of Jetwin International Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr. Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in such shares by virtue of the SFO. As the spouse of a discretionary beneficiary of the discretionary trusts holding units in such unit trust, Mr. Li Ning was taken to be interested in such shares by virtue of the SFO.
24. Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, both of which were wholly-owned subsidiaries of Jetwin International Limited.
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 Andcoe Limited which was wholly-owned by HC.

Deloitte.

德勤

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HENDERSON INVESTMENT LIMITED (Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 5 to 21.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report 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 interim financial report.

REVIEW CONCLUSION

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 interim financial report for the six months ended 31 December 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2007



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