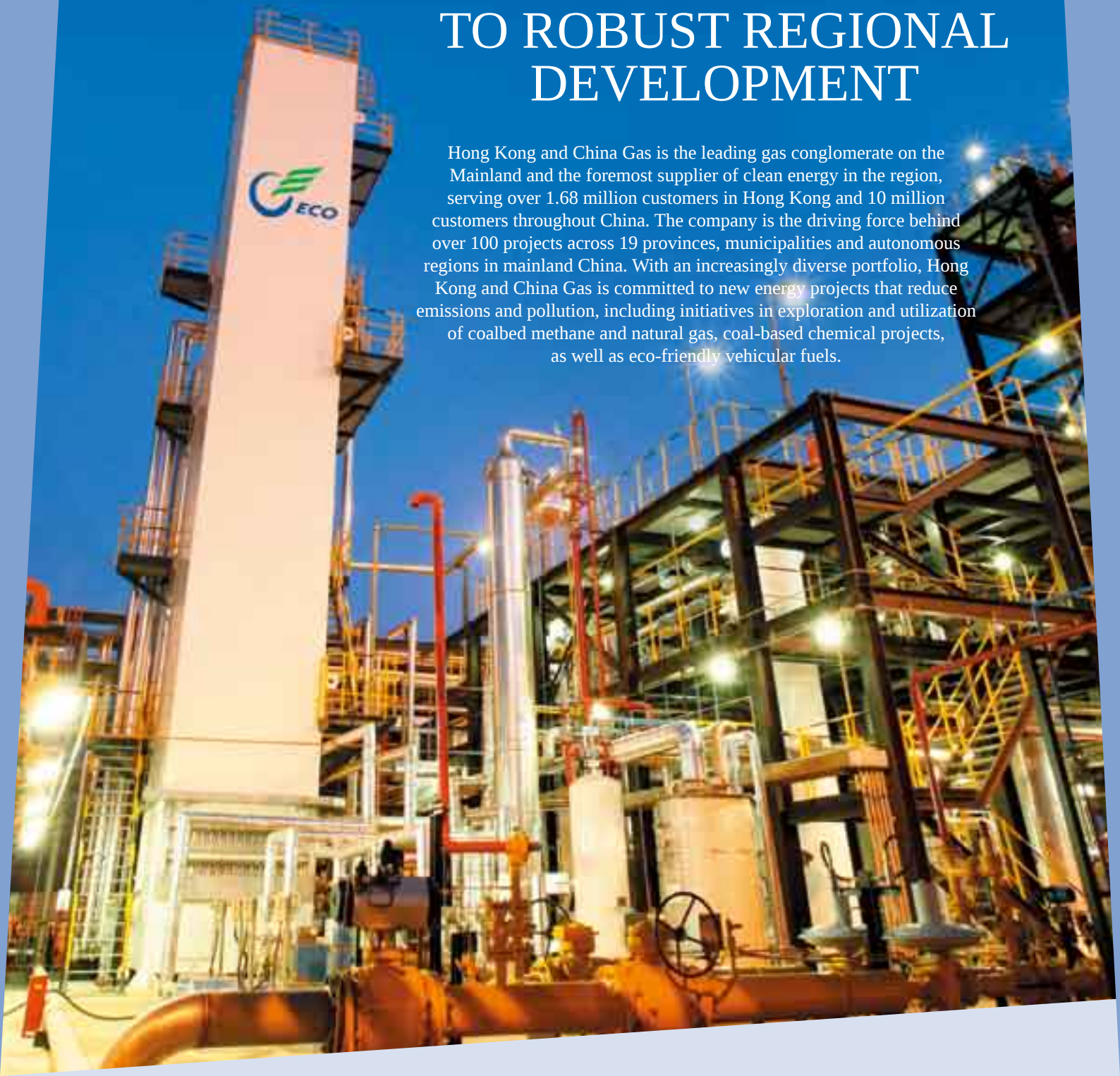




FROM STRONG LOCAL FOUNDATIONS TO ROBUST REGIONAL DEVELOPMENT

Hong Kong and China Gas is the leading gas conglomerate on the Mainland and the foremost supplier of clean energy in the region, serving over 1.68 million customers in Hong Kong and 10 million customers throughout China. The company is the driving force behind over 100 projects across 19 provinces, municipalities and autonomous regions in mainland China. With an increasingly diverse portfolio, Hong Kong and China Gas is committed to new energy projects that reduce emissions and pollution, including initiatives in exploration and utilization of coalbed methane and natural gas, coal-based chemical projects, as well as eco-friendly vehicular fuels.



Henderson Investment Limited (“HIL”) (67.94%-owned by the Company)

For the eighteen months ended 31 December 2009, this group’s profit attributable to equity shareholders amounted to HK\$156 million compared to HK\$35,392 million (restated) for the financial year ended 30 June 2008. The significant decrease in profit was mainly attributable to a one-off gain of HK\$35,265 million from the divestment of this group’s entire interest in The Hong Kong and China Gas Company Limited during the financial year ended 30 June 2008. Excluding the effect of such gain from the discontinued operations, the profit of this group attributable to equity shareholders for the financial year ended 30 June 2008 amounted to HK\$127 million (restated). The profit of this group attributable to equity shareholders of HK\$156 million for the eighteen months ended 31 December 2009 represented an increase of HK\$29 million or 23% as compared with that of HK\$127 million (restated) for the financial year ended 30 June 2008, reflecting the effect of an extended accounting period currently being reported on when compared with the previous period of twelve months ended 30 June 2008, and the increased profit contribution from this group’s infrastructure business during the extended reporting period compared with the financial year ended 30 June 2008.

During the eighteen months ended 31 December 2009, this group decided to sell its entire interest in Maanshan City Ring Road. As announced on 12 March 2009, a 70%-owned subsidiary of HIL

had entered into an agreement with the joint venture partner of Maanshan Huan Tong Highway Development Limited (“Maanshan Highway JV”, being the joint venture engaged in the operation of Maanshan City Ring Road) in relation to the sale by that subsidiary of its entire 70% equity interest in Maanshan Highway JV to the joint venture partner for a consideration of RMB122 million (equivalent to HK\$139 million). The transaction was completed on 26 February 2010, resulting in a net gain on disposal attributable to equity shareholders of HIL of approximately HK\$26 million which will be recognized in this group’s accounts for the financial year ending 31 December 2010.

After completion of the disposal of the Maanshan City Ring Road, this group’s core asset is its 60% interest in Hangzhou Qianjiang Third Bridge. During the eighteen months ended 31 December 2009, this group posted a turnover of HK\$441 million compared to HK\$272 million for the previous period of twelve months ended 30 June 2008. This increase in turnover was primarily attributable to the extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2008, the growth of traffic volume of the toll bridge in Hangzhou and the increase in exchange gain upon conversion of Renminbi to Hong Kong dollars during the period when compared with the financial year ended 30 June 2008.



Hangzhou Qianjiang Third Bridge

The Hong Kong and China Gas Company Limited

(39.88%-owned by the Company)

Stock code: 3 Website: www.towngas.com

Towngas China Company Limited

(45.61%-owned by The Hong Kong and China Gas Company Limited)

Stock code: 1083 Website: www.towngaschina.com

Background and Lines of Business

(I) Hong Kong Core Businesses

Founded in 1862 and listed in Hong Kong since 1960, The Hong Kong and China Gas Company Limited (“Hong Kong and China Gas”) was the first public utility in Hong Kong and today remains the sole supplier of piped gas in Hong Kong.

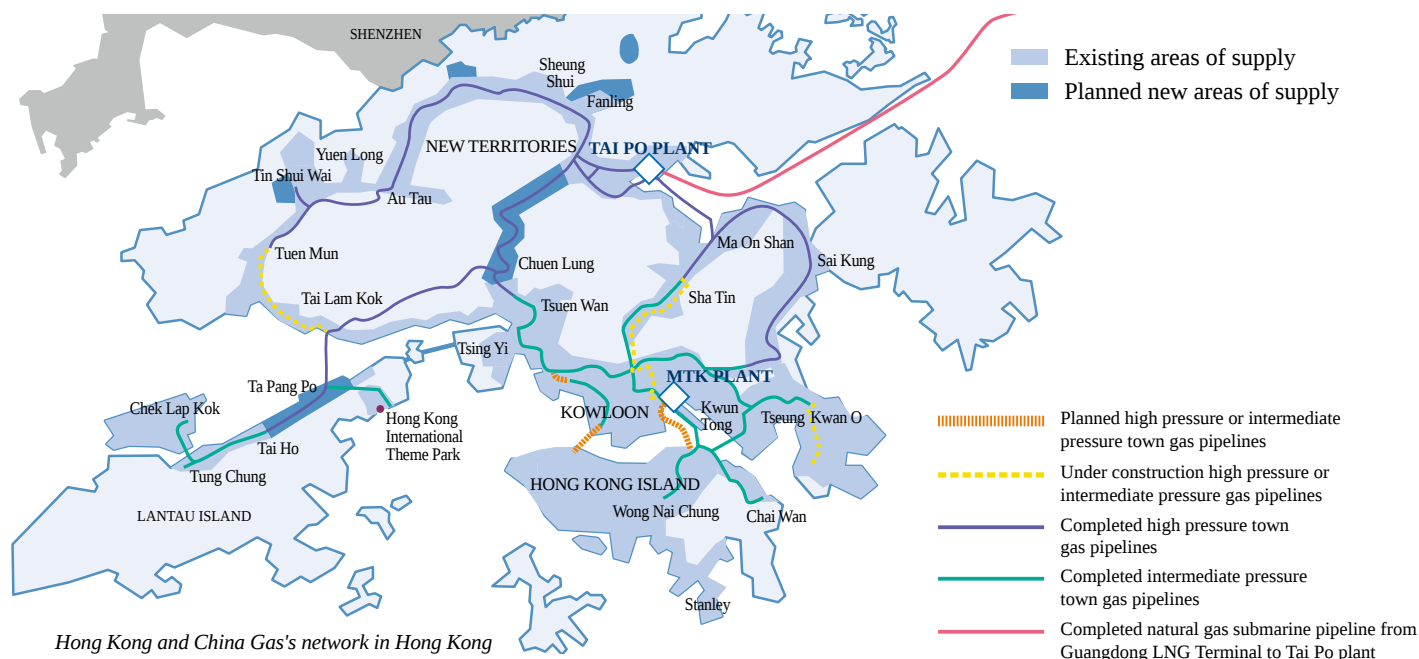
In Hong Kong, town gas is produced at two production plants. Major supplies of 97% come from the Tai Po Plant, with the Ma Tau Kok Plant making up the rest. With a pipeline network consisting of more than 3,400 km of gas pipes, Hong Kong and China Gas supplies town gas to over 1.6 million customers in Hong Kong. Its gas infrastructure has grown and improved over the years, such that the customers today enjoy a supply continuity rate of over 99.99%.

Starting from 2006, Hong Kong and China Gas uses naphtha

and natural gas to produce town gas, with an increasing focus on natural gas. The signing of a 25-year agreement with Guangdong Dapeng in 2004 has ensured a stable price and reliable supply of natural gas to Hong Kong and China Gas.

(II) Mainland China Businesses

Hong Kong and China Gas first began its Mainland business with joint venture in the Guangdong province in 1994, at which time it served approximately 5,000 customers. A significant milestone was reached in December 2006 when it agreed to acquire an approximately 43.97% equity stake in Panva Gas Holdings Limited (currently known as Towngas China Company Limited, “Towngas China”), a well-established mainland China piped city-gas operator, in exchange for interests in ten Hong Kong and China Gas’s piped city-gas projects in Shandong and Anhui provinces. On a combined basis, Hong Kong and China Gas and Towngas China maintained interests in 84 piped city-gas projects in



Review of Operations – Business in Hong Kong Subsidiary & Associated Companies

16 provinces and municipalities and served, through the Towngas brand, over ten million commercial, industrial and residential customers as at 31 December 2009. In 2009, sales volumes were over 6.8 billion cubic metres.

In order to complement downstream piped city-gas joint venture projects, Hong Kong and China Gas has made investments in mid-stream transportation projects that connect the upstream supplier and the downstream piped city-gas provider, whilst some upstream projects including the exploitation and sale of petroleum and natural gas have also been participated. Meanwhile, Hong Kong and China Gas operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province.

(III) Diversified Businesses

Through its wholly-owned subsidiary, ECO Environmental Investments Limited and its subsidiaries (collectively known as “ECO”), Hong Kong and China Gas has diversified into various alternative energy and environmentally-friendly businesses including Liquefied Petroleum Gas (LPG) vehicle filling stations and the utilization of landfill gas. To date, ECO is operating five dedicated LPG filling stations in Chai Wan, Mei Foo, Tuen Mun, West Kowloon and Wan Chai, providing 18,000 taxis and 2,300 LPG minibuses in Hong Kong with 24-hour gas filling services. ECO’s landfill gas project began operations in May 2007, following several years of construction. Treated landfill gas is transported to its Tai Po plant, serving as a partial substitute for naphtha as a feedstock for town gas production. The use of landfill gas greatly reduces the amount of methane and carbon dioxide (both significant sources of global warming) released into the atmosphere, whilst the reduced use of naphtha, which comes from the cracking of fossil fuel, will also enable greater conservation of resources.

In the mid-1990s, Hong Kong and China Gas entered the local property development business in Hong Kong, with the aim of realizing the potential of its land resources and maximizing returns to its shareholders by deploying its excess cash. In 1995, Hong Kong and China Gas took a 45% equity interest in the King’s Park Hill development project, which was completed in early 2000 with a mixture of luxury houses and apartments. In 1996, it participated in the development of International Finance Centre, a landmark project in the heart of Hong Kong, and it currently held 15.8% of its stake. Grand Promenade and Grand Waterfront, two successful



Hong Kong and China Gas's business in mainland China

luxury residential developments, were also co-developed by Hong Kong and China Gas and Henderson Land. It has a 50% interest in the Grand Promenade project at Sai Wan Ho, while for the Grand Waterfront at the former south plant site at Ma Tau Kok, it is entitled to 73% of the net sales proceeds of the residential portion. In addition, Hong Kong and China Gas has full interest in its commercial portion of 150,000 square feet and approximately 300 car parking spaces.

Results for the Year Ended 31 December 2009

Profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK\$5,175.0 million, an increase of HK\$872.5 million compared to 2008 mainly due to growth in profits of Mainland businesses, one-off gains from investments in projects in mainland China, and an increase in financial investment income. During the year under review, this group invested HK\$2,760.2 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various businesses in Hong Kong and the Mainland.

Review of Operations – Business in Hong Kong

Subsidiary & Associated Companies

(I) Gas business in Hong Kong

Total volume of gas sales in Hong Kong decreased slightly by 1.1% compared to 2008, whilst the total number of appliances sold in 2009 was 219,896 units, an increase of 6.1% over 2008. As at the end of 2009, the number of customers was 1,698,723, an increase of 26,639 compared to 2008.

Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, is progressing well. Construction of a 9 km pipeline in the western New Territories to strengthen supply reliability is also in progress. In tandem with the development of West Kowloon, South East Kowloon and a cruise terminal, planning for the networks in these regions is underway, including a route diversion for the submarine pipeline from Ma Tau Kok to North Point. Meanwhile, Hong Kong and China Gas reached a 30-year agreement with Ocean Park Hong Kong in 2009 for gas supply and utilization and thus, a gas transportation system will be developed.

(II) Mainland utility businesses

In 2009, Hong Kong and China Gas successfully established new city-gas projects in Xinmi in Henan province, in Fengxian county Economic Development Zone and Suining county in Jiangsu province, and in Zhangshu, Fengcheng and Pingxiang in Jiangxi province.

Meanwhile, Hong Kong and China Gas currently had a 45.61% interest in Towngas China Company Limited (“Towngas China”, stock code: 1083) which recorded a profit of HK\$265 million in 2009, an increase of 31% over 2008. With an effective control over the majority of the board of directors of Towngas China, Towngas China was accounted for and consolidated into its consolidated accounts as a subsidiary commencing from 31 December 2009.

In 2009, Towngas China set up new city-gas project companies in Chiping county in Shandong province, in Xinjin county and the Xindu district of Chengdu in Sichuan province, in Huangshan in Anhui province, in Yangjiang in Guangdong province and in the Changjiu Industrial Corridor in Jiangxi province. Towngas China also signed agreements for the development of city-gas projects in Linqi in Shandong province and in the New Industrial District of Anshan in Liaoning province in November 2009 and February 2010 respectively. Inclusive of seven new projects established by Towngas China in 2009, this group had 84 city-gas projects

in Mainland cities spread across 16 provinces/municipalities as at the end of 2009. With the total volume of gas sales for its 10,617,000 residential customers reaching 6,870 million cubic metres, this group has become the largest city-gas enterprise in the Mainland.

This group’s midstream natural gas projects include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province, and a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province. It also operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Jiangsu province.

Overall as at the end of 2009, inclusive of projects of its subsidiary company, Towngas China, this group had 103 projects spread across 19 provinces/municipalities/autonomous regions, encompassing upstream, midstream and downstream natural gas sectors, the water supply and wastewater treatment sector, natural gas filling stations and emerging environmentally-friendly energy projects.

(III) Environmentally-friendly energy businesses

This group developed emerging environmentally-friendly energy projects through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter’s subsidiaries (together known as “ECO”). ECO’s five dedicated liquefied petroleum gas filling stations and its North East New Territories landfill gas treatment facility continue to operate well. By making use of landfill gas which would otherwise be flared off, such projects help reduce greenhouse gas emissions and depletion of fossil fuels, thus improving air quality in Hong Kong. Construction of ECO’s phase-one aviation fuel facility, comprising a tank farm for storage of aviation fuel served by tanker jetties in Area 38, Tuen Mun, for Hong Kong International Airport, is basically complete with commencement of operation scheduled for the first quarter of 2010. Construction of a neighbouring second tank farm is also progressing well and commissioning is expected before the end of 2010.

ECO has endeavoured to develop clean and emerging environmentally-friendly energy projects on the Mainland since early 2008 and in order to enhance its management effectiveness and financing flexibility, ECO established a

Review of Operations – Business in Hong Kong Subsidiary & Associated Companies

Chinese holding company in Erdos, Inner Mongolia at the end of 2009. Phase one of its coalbed methane liquefaction facility located in Jincheng, Shanxi province commissioned in the fourth quarter of 2008 produced approximately 100 million cubic metres of liquefied coalbed methane in 2009 for transportation by tankers to downstream markets. Construction of phase two of the facility is in progress. Once commissioned, which is expected to be in the fourth quarter of 2010, the annual production capacity will be increased to 300 million standard cubic metres. In 2009, ECO, in joint co-operation with Mainland scientific research institutes, successfully developed a technology to remove oxygen from coal-mine methane so as to produce liquefied methane which is compatible with liquefied natural gas. ECO has recently pinned down a project in Chongqing to utilize the abundant coal-mine methane there for production of liquefied methane. ECO is now constructing a methanol production plant and developing a coal mine in Junger, Erdos, Inner Mongolia; both are expected to be commissioned by the end of 2010. The annual production capacity of this methanol plant is 200,000 tonnes of methanol. For its coal mining and coking plant project in Fengcheng, Jiangxi province, the total amount of resources reserves of coal mine projects invested by ECO is approximately 180 million tonnes, including thermal coal and prime coking coal. ECO is also proactively developing and establishing vehicular clean fuel filling station businesses in places such as Shandong, Shanxi, Shaanxi, Henan and Liaoning provinces following the successful commissioning of a compressed natural gas filling station in Shaanxi province in 2008.

(IV) Property development

For the property development projects of Grand Promenade and Grand Waterfront, over 99% and over 98% of their total residential floor areas had been sold by the end of December 2009. For property leasing, this group has an approximately 15.8% interest in the International Finance Centre (“ifc”) complex in its rental portfolio, in addition to the commercial area of Grand Waterfront. Both of them reported good leasing performance.

Hong Kong and China Gas anticipates steady growth and an increase of about 26,000 new customers in Hong Kong during 2010, whilst its city-gas and natural gas businesses in the Mainland are expected to continue to progress well. It is anticipated that the results of this group’s emerging environmentally-friendly energy businesses and Mainland utility businesses will reach the same level as that of Hong Kong gas businesses in 2012, and will maintain growth momentum faster than Hong Kong businesses thereafter.

Notes Programmes

In August 2008, HKCG (Finance) Limited, a wholly-owned subsidiary of this group, issued and sold US\$1 billion notes guaranteed by Hong Kong and China Gas. Credit rating of A1 (stable) was assigned to the Notes by international rating agency Moody’s Investors Service and rating A+ (stable) by Standard and Poor’s rating services.

In May 2009, this group further established a US\$1 billion medium term note programme through HKCG (Finance) Limited and since then, this group has issued medium term notes with an aggregate amount of HK\$3.01 billion at nominal interest rates ranging from 3.90% to 5.00% per annum with a maturity of 10 to 40 years. These included the first ever issue of 30-year notes and 40-year notes - the longest term corporate papers ever issued - in the Hong Kong dollar bond market.

Acquisition Of Interests In Certain Projects By Towngas China

On 17 March 2010, Towngas China entered into an agreement with a wholly-owned subsidiary of Hong Kong and China Gas pursuant to which Towngas China has conditionally agreed to purchase six piped gas projects from Hong Kong and China Gas in the Liaoning and Zhejiang province for a consideration of HK\$1,721.75 million, which will be satisfied by issuing new shares of Towngas China to Hong Kong and China Gas. Following completion of the acquisition, Hong Kong and China Gas will be interested in approximately 56.40% of the enlarged issued share capital of Towngas China.

Towngas China currently has existing piped gas projects in Liaoning province. After completion of the acquisition, all of this group’s piped gas businesses in the Liaoning and Zhejiang provinces will be held exclusively under Towngas China, which will have 53 piped gas projects in 43 cities serving around 5.5 million users in the Mainland with combined piped gas sales volume of 3.4 billion cubic metres.

Hong Kong Ferry (Holdings) Company Limited (31.36%-owned by the Company)

Stock code: 50 Website: www.hkf.com

Background and Lines of Business

After running a passenger ferry operation in the territories for over 80 years since its establishment in 1923, Hong Kong Ferry (Holdings) Company Limited (“Hong Kong Ferry”, formerly known as The Hongkong and Yaumati Ferry Company Limited prior to a corporate restructuring in 1989) currently focuses on business activities of property development and investment; ferry, shipyard and related operations; travel and hotel operations.

(I) Property Development and Investment

Metro Harbour View: Located at 8 Fuk Lee Street, Tai Kok Tsui, Kowloon, it consists of 10 blocks of residential buildings, divided into 3,520 residential units, plus a 2-storey commercial arcade and about 1,100 car parking spaces.

Shining Heights: Situated at 83 Sycamore Street, Tai Kok Tsui, Kowloon. It is a 60-storey building of 700 feet high with gross floor area of approximately 336,000 square feet. It is the highest building in the district.

The Spectacle: The project at 8 Cho Yuen Street, Yau Tong has a total gross floor area of approximately 165,000 square feet.

Metro Regalia: The project at 51 Tong Mi Road has a total gross floor area of approximately 53,000 square feet.

This group also has 3 houses in Cheung Sha, Lantau and a warehouse site in Yuen Long as investment properties.

(II) Ferry, Shipyard and Related Operations

Its passenger ferry operations ceased upon transfer of the local ferry licences in January 2000. The ferry operation is now confined to dangerous goods vehicular ferry service. Meanwhile, it also runs harbour cruise and restaurant service, and engages in trading of fuel oil.

Its shipyard at North Tsing Yi provides ship repairing and maintenance services as well as certain civil engineering services. The shipyard, built on a site of about 200,000 square feet, is equipped with the largest and most advanced Syncrolift in Hong Kong. The Syncrolift has a lifting capacity up to 2,000 tonnes, and can lift up various types of ships including ferries, work boats, and pleasure crafts. Equipped with a flexible ship transfer system, the Shipyard can drydock ten vessels simultaneously.



The Spectacle offers panoramic views

Review of Operations – Business in Hong Kong Subsidiary & Associated Companies

(III) Travel and Hotel Operations

HYFCO Travel provides comprehensive travel services including local tours, China tours, overseas tours, ship & train ticketing, and hotel reservation. HYFCO Travel has a total of 9 agency offices located all over Hong Kong and Macau.

Silvermine Beach Hotel is a resort hotel located at Silvermine Beach, Mui Wo, Lantau Island with a total of 128 rooms.

Results for the Year Ended 31 December 2009

The consolidated profit after taxation of Hong Kong Ferry for the year ended 31 December 2009 amounted to approximately HK\$1,099 million, compared with the consolidated loss after taxation in 2008 of HK\$526 million.

During the year under review, Hong Kong Ferry sold more than 50% of the units of Shining Heights and more than one third of the units of The Spectacle. A total of 372 residential units were sold which accounted for a profit of approximately HK\$770 million. Rental and other income from its commercial arcades amounted to approximately HK\$32 million. At the end of the year, the occupancy rates of commercial arcade of Metro Harbour View and Shining Heights were 95% and 66% respectively. The commercial arcade of MetroRegalia was fully let.

Hong Kong Ferry acquired a property located at 52-56 Kwun Chung Street for leasing purpose and it might be redeveloped into a new building with a gross floor area of 14,000 square feet. It also acquired a great majority of the ownership of the property at 204-214 Tung Chau Street, which comprises six blocks of buildings with a site area of approximately 6,600 square feet. It will be re-developed into a commercial/residential building with a gross floor area of approximately 55,000 square feet upon consolidation of its entire ownership.

Its investments in available-for-sale securities and equity-link-notes recorded marked-to-market profits of HK\$54 million and HK\$257 million respectively.



The Spectacle's stylish clubhouse

The Ferry, Shipyard and Related Operations recorded a profit of approximately HK\$3 million in total, a decrease of 17% as compared with last year. The Harbour Cruise operation achieved a profit of HK\$2 million, whilst the Shipyard operation recorded a loss of approximately HK\$3.1 million against a slide of 22% in its turnover.

The Travel operation recorded a profit of HK\$0.7 million. After the completion of renovation of Silvermine Beach Hotel, its turnover rose 2.8%, reducing the loss to HK\$2 million, a decrease of 11%.

The revenue from the sale of flats at Shining Heights and The Spectacle will be the major source of income of the year, whilst Hong Kong Ferry will continue to look for properties with re-development potential at reasonable prices.

Miramar Hotel and Investment Company, Limited

(44.21%-owned by the Company)

Stock code: 71

Website: www.miramar-group.com

Background and Lines of Business

Based in Hong Kong, Miramar Hotel and Investment Company, Limited (“Miramar”) was established in 1957 and has been listed on the Hong Kong Stock Exchange since 1970. Miramar has a diversified business portfolio covering hotels and serviced apartments, property investment, food & beverage and travel services in Hong Kong, mainland China and the United States.

(I) Hotel ownership and hotel management business

Miramar owns and/or provides management services for a total of eight hotels and serviced apartment complexes. Miramar is the sole owner of The Mira Hong Kong (“The Mira”) in Hong Kong and of Miramar Apartments in Shanghai, a block of serviced apartments, both of which properties it also manages. This group also partially owns two hotels in Shekou, and provides contract management services for both these and for another three independently owned hotels in Shanghai and Hong Kong, along with an independently owned service apartment complex in Hong Kong.

(II) Property business

Opposite The Mira are the Miramar Shopping Centre and Miramar Tower, Miramar’s premier investment properties with a total gross rentable area of over 1.0 million square feet. For the Shopping Centre, Miramar has over recent years carried out an ongoing process of upgrading its tenant mix, recruiting tenants that best support an image of youth and trend-setting fashion, and moving the shopping centre more upscale to match its shift upwards in hotel style. Miramar Tower, the office tower above the Miramar Shopping Centre, comprises 18 storeys of Grade A office space. This modern and quality commercial property features a well-planned layout and the latest technological advancements in building management. In Placer County, California of the United States, Miramar owns approximately 80 acres of residential land and 70 acres of commercial land for sale.

(III) Travel business

Miramar Express, with more than two decades of experience, is the official Hong Kong general agent for Crystal Cruises, voted the World’s Best Cruise by Conde Nast Traveller. This company also provides business and tourist shuttle services, airport transfers and even wedding rentals all the way to Guangdong Province. With branches across Hong Kong, Kowloon and the New Territories since its establishment in 2006, Miramar Travel is the trusted choice for providing worldwide tours, booking air tickets and hotels, cruise holidays, free and individual travel packages.

(IV) Food and beverage operations

Miramar operates three Tsui Hang Village restaurants: one located in the Miramar Shopping Centre, Tsim Sha Tsui; one in the New World Tower, Central; and one situated in Club Marina Cove, Sai Kung. This group also operates one Sichuan restaurant named Yunyan Szechuan Restaurant located in the Miramar Shopping Centre, and Two ifc venues: Cuisine Cuisine and a high-end French restaurant named “The French Window”, which was converted from Lumiere in 2009.

Results for nine months ended 31 December 2009

Miramar’s turnover amounted to approximately HK\$1,303 million for the nine months ended 31 December 2009 (the “Reporting Period”), compared with HK\$1,616 million for the twelve months ended 31 March 2009 due to the change of financial year end date. Profit attributable to shareholders amounted to approximately HK\$243 million (for the twelve months ended 31 March 2009: HK\$164 million). Excluding the net increase in the fair value of its investment properties, profit after tax from its core businesses for the nine months period was approximately HK\$152 million (for the twelve months ended 31 March 2009: HK\$276 million).

Review of Operations – Business in Hong Kong Subsidiary & Associated Companies



“The French Window” in the ifc mall was opened in December 2009

During the first six months of the Reporting Period, The Mira Hong Kong (“The Mira”), its flagship hotel, was still under renovation which led to a decline in its occupancy rate and operating profit. The average occupancy rate for the Reporting Period decreased by approximately 15 percentage points while the average room rate was kept at a constant level as compared to the previous period of twelve months ended 31 March 2009. Following its grand opening on 17 September 2009 with renovation substantially completed, occupancy rate surged with an increase of over 40% in room rate as compared to the pre-renovation period.

Miramar has launched a brand-new website for The Mira, designed to encourage direct online bookings for the hotel, whilst representative offices were also established in mainland China, Japan, the United States and Australia, strengthening the prospects of increased room sales for the hotel sector.

The property rental business registered a turnover of approximately HK\$364 million during the Reporting Period with occupancy maintained at about 87%. The average unit rate of Miramar Shopping Centre for the Reporting Period increased by approximately 8% in comparison with that of the previous period of twelve months ended 31 March 2009, whilst its average occupancy rate decreased by approximately 9 percentage points mainly due to tenants who were located in Basement 1 being moved out for refurbishment work, which commenced in September 2009. This refurbishment work will be completed and new tenants will move in during the

first quarter of 2010. Meanwhile, the average occupancy rate of Miramar Tower for the Reporting Period dropped by approximately 4 percentage points while the average unit rate increased by approximately 8% when compared to the previous period of twelve months ended 31 March 2009.

Within the Tsim Sha Tsui district two new shopping centres opened in 2009 while a shopping centre will open next to The Mira in 2010, adding a total gross floor area of approximately 1,300,000 square feet. The retail property leasing market will witness intense competition in the coming year, but at the same time, it will make the district more attractive for visitors. Miramar has thus commenced the renovation of the Miramar Tower’s common area in the fourth quarter of 2009, with completion expected to be by early 2011. It has also decided to renovate the shopping centre within The Mira from basement 1 to 2/F of the hotel building in the middle of 2010 and the work will probably take about a year.

The closure for renovation of Lumiere in the ifc affected the patronage of the neighbouring Cuisine Cuisine. This, together with the global financial turmoil and Human Swine Flu Pandemic outbreak, resulted in a loss for the food and beverage division during the Reporting Period. To respond to these challenges, Yunyan Szechuan Restaurant is scheduled to be renovated in early 2010, and Lumiere re-opened after a complete transformation in December 2009 as an upscale French-style dining venue named “The French Window”. They will also continue with their plans for gradual expansion in mainland China, with a Chinese restaurant planned to be set up in Beijing in the year 2010.

Total turnover for its travel business amounted to approximately HK\$605 million during the Reporting Period, representing an increase of approximately 20% as compared to the same period last year, whilst the operating profit rose approximately two times. Such successful performance was largely due to a boost in travellers by its competitive differentiation strategy in long-haul tours, with an approximately 140% rise as compared to the previous whole-year period. Meanwhile, its travel arm continues to be the first and only accredited agent in Hong Kong of Richard Branson’s Virgin Galactic enterprise, which offers the opportunity of space travel to wealthy individuals, further underlining its status for innovative and up-market travel.