

Chairman's Statement

Dear Shareholders

On behalf of your Board, I am pleased to report on the operations of the Group for the year ended 30 June 2008.

Disposal of the Group's Entire Interest in The Hong Kong and China Gas Company Limited to Henderson Land Development Company Limited

On 2 October 2007, the Company and Henderson Land Development Company Limited ("Henderson Land") entered into an agreement providing for the acquisition by Henderson Land of the Group's entire interest in 2,366,934,097 shares of The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas"), representing approximately 39.06% of the total issued share capital of Hong Kong and China Gas. The consideration for the acquisition comprised (i) the issue to the Company of a share entitlement note (the "Share Entitlement Note"), which conferred on the holder the right to call for the issue by Henderson Land of 636,891,425 shares (including entitlement to Henderson Land's final dividend for the year ended 30 June 2007); and (ii) approximately HK\$3,707 million in cash. On 7 November 2007, Henderson Land agreed to increase the cash consideration for the acquisition by approximately

HK\$3,121 million as an additional incentive to Shareholders of the Company, making a total cash consideration of approximately HK\$6,828 million in addition to the Share Entitlement Note.

At an extraordinary general meeting of the Company held on 7 December 2007, Shareholders voted overwhelmingly in favour of the transaction. This was a concrete endorsement of the Group's efforts to unlock value for Shareholders.

As part of the transaction which was completed on 17 December 2007, a distribution in specie per share of the entitlement to 0.209 Henderson Land share allotted under the Share Entitlement Note and a cash distribution of HK\$1.03 per share was made to Shareholders. With the share premium reduction having become unconditional, a further cash distribution of HK\$1.21 per share was made to Shareholders on 25 January 2008, making total cash distributions of HK\$2.24 per share or approximately HK\$6,826 million in aggregate. A gain of HK\$33,781 million from the transaction was recorded by the Group.

Following completion of the transaction, the Group has remained as a listed company focusing on the infrastructure business in mainland China.

Profit and Net Assets

The Group profit attributable to equity Shareholders for the year amounted to HK\$35,390 million, representing an increase of HK\$29,999 million over the previous year. Earnings per share were HK\$11.61 (2007: HK\$1.77).

Excluding the profit for the year from discontinued operations of HK\$35,265 million, the profit attributable to equity Shareholders for the year from continuing operations amounted to HK\$125 million, representing a decrease of HK\$97 million or 44% from the previous year. This was mainly attributable to a reduction in bank interest income, the effect of which was partially offset by a higher profit contribution from the infrastructure business for the year. Earnings per share from continuing operations were HK\$0.04 (2007: HK\$0.07).

The reduction in bank interest income was due to a lower average cash balance maintained by the Group during the year when compared with that for the previous year, following the Group's cash distributions to Shareholders of approximately HK\$15,237 million (or HK\$5 per share) in June 2007, approximately HK\$3,139 million (or HK\$1.03 per share) in December 2007 and approximately HK\$3,687 million (or HK\$1.21 per share) in January 2008.

With the completion of disposal of the Group's entire interest in Hong Kong and China Gas to Henderson Land, the net asset value attributable to equity Shareholders as shown by the consolidated balance sheet at 30 June 2008 amounted to approximately HK\$1,630 million or HK\$0.53 per share.

Dividends

Your Board recommends the payment of a final dividend of HK\$0.02 per share (to Shareholders whose names appear on the Register of Members of the Company on 8 December 2008. Including the interim dividend already paid of HK\$0.02 per share, the total dividends for the full year will be HK\$0.04 per share (2007: HK\$0.28). Warrants for the final dividend will be sent to Shareholders on or before 9 December 2008.

In addition to the interim and final dividends for the year, as mentioned earlier a distribution in specie per share of the entitlement to 0.209 Henderson Land share allotted under the Share Entitlement Note and total cash distributions of HK\$2.24 per share or approximately HK\$6,826 million in aggregate were approved and made to Shareholders during the year following the disposal of interests in Hong Kong and China Gas and the share premium reduction.

Business Review

Continuing Operations

Infrastructure Business

The Group's infrastructure business comprises interests in Hangzhou Qianjiang Third Bridge and Maanshan City Ring Road, which are both held through China Investment Group Limited except for certain shareholdings in the toll bridge which the Group holds directly. In September 2007, the Group acquired the remaining 35.94% interest in China Investment Group Limited for a cash consideration of approximately HK\$145 million, making it a wholly-owned subsidiary of the Group. The Group's

effective interests in Hangzhou Qianjiang Third Bridge and Maanshan City Ring Road have thus increased to 60% and 49% respectively.

Hangzhou Qianjiang Third Bridge is situated on National Highway No.104, a major trunk route linking Beijing and Fujian Province. Completed in 1997, this toll bridge spans approximately 5.8 km over the Qiantangjiang River in Hangzhou, Zhejiang Province and connects the urban parts of Southern Hangzhou and Xiaoshan and Binjiang. It is also an important nodal point for access to major roads leading to the Hangzhou Airport. During the year, its toll revenue amounted to HK\$216 million, an increase of HK\$78 million or 57%, reflecting the increased traffic volumes following the completion of major repair and maintenance work in October 2006.

Maanshan City Ring Road is a class I highway that stretches approximately 40.5 km around Maanshan, a leading industrial city in Anhui Province. Completed in 1997, it is also the major artery in the National Highway No.205 network with connections to Nanjing-Maanshan Expressway in the North and the Wuhu-Maanshan Expressway in the South. Toll revenue generated from this highway for the year amounted to HK\$56 million, an increase of HK\$5 million or 10%.

Discontinued Operations

A review of the discontinued operations is contained in the section headed "Financial Review" of this report.

Prospects

As announced by the Company on 27 August 2008, it is currently negotiating with the joint venture partner of Hangzhou Henderson Qianjiang Third Bridge Company Limited (the "Third Bridge JV") to sell the Company's entire 60% equity interest in the Third Bridge JV to the joint venture partner, although no agreement has been entered into. The Company, subject to the entering into of an agreement for the disposal of the interest in the Third Bridge JV, is considering the acquisition of new assets. Shareholders will be kept informed of developments in this respect through appropriate announcements.

Appreciation

I would like to take this opportunity to thank my fellow Directors for their wise counsel and support, and the management and staff at all levels for their dedication, hard work and contributions in the past year.

Lee Shau Kee
Chairman

Hong Kong, 18 September 2008