

Financial Review

Management discussion and analysis

The following discussions should be read in conjunction with the Company's audited consolidated accounts for the eighteen months ended 31 December 2009.

Material acquisitions and disposals

On 12 March 2009, Hong Kong Vigorous Limited ("Vigorous"), a 70%-owned subsidiary of the Company, entered into an agreement (the "Agreement") with 馬鞍山市過境公路建設開發有限公司 (Maanshan City Cross Border Highway Construction Development Company Limited) ("Maanshan Highway JV Partner"), a state-owned enterprise which has a 30% beneficial interest in 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 Vigorous of its entire 70% interest in Maanshan Highway JV to Maanshan Highway JV Partner for a consideration of RMB122 million (equivalent to HK\$139 million). At 31 December 2009, the transaction had yet to be completed and the assets and liabilities associated with the operations of Maanshan Highway JV were classified as held for sale. Further details are set out in note 28(a) to the Company's audited consolidated accounts for the eighteen months ended 31 December 2009.

On 26 February 2010, the transaction was completed. A net gain on disposal attributable to equity Shareholders of approximately HK\$26 million will be recognised in the Group's accounts for the year ending 31 December 2010.

Save as disclosed above, the Group did not undertake any significant acquisition or other significant disposal of subsidiaries or assets during the eighteen months ended 31 December 2009.

Results of operations

The Group's operations comprised the infrastructure business in mainland China, being the operating right of a toll bridge in Hangzhou, Zhejiang Province and the operating right of a toll highway in Maanshan, Anhui Province. Turnover for the eighteen months ended 31 December 2009 amounted to HK\$441 million (Year ended 30 June 2008: HK\$272 million), representing an increase of HK\$169 million, or 62%, over that for the financial year ended 30 June 2008. This was mainly attributable to (i) an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months for the year ended 30 June 2008; (ii) the increase in traffic volume of the toll bridge in Hangzhou during the period when compared with the financial year ended 30 June 2008; and (iii) the exchange gain upon conversion of Renminbi ("RMB") to Hong Kong dollars during the period when compared with the financial year ended 30 June 2008.

Profit attributable to equity Shareholders for the eighteen months ended 31 December 2009 amounted to HK\$156 million (2008 (restated): HK\$35,392 million), representing a decrease of HK\$35,236 million from that for the financial year ended 30 June 2008. Such a decrease was due to the fact that the profit attributable to equity Shareholders (as restated) of HK\$35,392 million for the financial year ended 30 June 2008 included the profit attributable to equity Shareholders from discontinued operations of HK\$35,265 million, which figure comprised (i) the Group's share of post-tax profit of The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas") of HK\$1,484 million for the financial year ended 30 June 2008; and (ii) the gain on disposal of the Group's entire interest in Hong Kong and China Gas (the "Transaction", which was completed on 17 December 2007) of HK\$33,781 million.

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Excluding the effect of the abovementioned discontinued operations for the financial year ended 30 June 2008, the profit attributable to equity Shareholders for the financial year ended 30 June 2008 amounted to HK\$127 million (restated). The profit 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%, over that for the financial year ended 30 June 2008 for the reasons of (i) an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months for the year ended 30 June 2008; and (ii) increased profit contribution from the Group's infrastructure business during an extended reporting period compared with the financial year ended 30 June 2008.

Financial resources, liquidity and loan maturity profile

At 31 December 2009, the aggregate amount of the Group's bank borrowings was HK\$22 million (30 June 2008: HK\$40 million). The cash and bank balances, the maturity profile of the bank borrowings and the gearing ratio of the Group were as follows:

	At 31 December 2009 HK\$ million	At 30 June 2008 HK\$ million
Cash and bank balances	1,278	836
Less: Bank borrowings repayable		
— Within 1 year	11	11
— After 1 year but within 2 years	11	18
— After 2 years but within 5 years	—	11
Total bank borrowings	22	40
Net cash and bank balances	1,256	796
Gearing ratio	Nil	Nil

Finance costs for the period amounted to HK\$2 million (Year ended 30 June 2008: HK\$5 million) which were immaterial to the Group's operations.

Based on the Group's net cash and bank balances of HK\$1,256 million at 31 December 2009, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group's financing and treasury activities are centrally managed at the corporate level. At 31 December 2009, the Group had no bank borrowings other than a Renminbi-denominated secured bank loan in relation to Maanshan Highway JV, which amount was classified as a liability associated with assets classified as held for sale as referred to in note 28(a) to the Company's audited consolidated accounts for the eighteen months ended 31 December 2009. During the period, the Group did not enter into any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure and foreign exchange rate exposure (the latter being its investments in the infrastructure business in mainland China which is denominated in Renminbi and is not hedged) and will consider hedging these exposures should the need arise.

Apart from the foregoing, the Group did not have any material exposures to interest rates or foreign exchange rates at 31 December 2009.

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Charge on assets

Assets of the Group were not charged to any third parties at 31 December 2009, except that certain project financing facilities which were extended by banks to a subsidiary of the Company engaged in infrastructure projects in mainland China were secured by the Group's toll highway operating right. At 31 December 2009, the outstanding balance of the Group's secured bank loans was HK\$22 million (30 June 2008: HK\$40 million).

Capital commitments

At 31 December 2009, the Group did not have any capital commitments (30 June 2008: Nil).

Contingent liabilities

At 31 December 2009, the Group did not have any contingent liabilities (30 June 2008: Nil).

Employees and remuneration policy

At 31 December 2009, the Group had approximately 130 (30 June 2008: 215) full-time employees. The remuneration of the employees is in line with the market and commensurable with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the continuing and discontinued operations for the period amounted to HK\$17 million (Year ended 30 June 2008: HK\$13 million), which comprised staff costs (other than directors' remuneration) for the period of HK\$15 million (Year ended 30 June 2008: HK\$12 million) and directors' remuneration for the period of HK\$2 million (Year ended 30 June 2008: HK\$1 million).