

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **HENDERSON INVESTMENT LIMITED**

Incorporated in Hong Kong with limited liability  
(Stock Code : 97)

# **2010 INTERIM RESULTS ANNOUNCEMENT**

### **INTERIM RESULTS AND DIVIDEND**

The Board of Directors announces that, for the six months ended 30 June 2010, the unaudited Group profit attributable to equity Shareholders amounted to HK\$84 million, representing an increase of HK\$43 million or 105% over the amount of HK\$41 million for the six months ended 30 June 2009. Earnings per share were HK\$0.03 (2009: HK\$0.01).

The significant increase in profit was mainly attributable to a net gain on disposal of the Group's entire interest in a toll road in Anhui Province and the increased profit contribution from its infrastructure operation in Zhejiang Province.

The Board resolved to pay an interim dividend of HK\$0.02 per share (2009: HK\$0.02 per share) to Shareholders whose names appear on the Register of Members of the Company on 14 September 2010.

### **CLOSING OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 10 September 2010 to Tuesday, 14 September 2010, 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, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 9 September 2010. Interim dividend will be distributed to Shareholders on Tuesday, 28 September 2010.

## BUSINESS RESULTS

### Consolidated Income Statement for the six months ended 30 June 2010 - unaudited

|   |      | Six months ended 30 June |                      |
|---|------|--------------------------|----------------------|
|   | Note | 2010<br>HK\$ million     | 2009<br>HK\$ million |
| <b>Turnover</b>                               | 4    | <b>148</b>               | 143                  |
| Direct costs                                  |      | <b>(24)</b>              | (30)                 |
|   |      | <hr/>                    | <hr/>                |
|   |      | <b>124</b>               | 113                  |
| Other income/other gains                      |      | <b>16</b>                | 10                   |
| Administrative expenses                       |      | <b>(9)</b>               | (8)                  |
| Profit for the period of disposal group       | 11   | <b>4</b>                 | 7                    |
| Net gain on disposal of disposal group        | 11   | <b>47</b>                | -                    |
|   |      | <hr/>                    | <hr/>                |
| <b>Profit from operations</b>                 |      | <b>182</b>               | 122                  |
| Finance costs                                 | 5(a) | -                        | -                    |
|   |      | <hr/>                    | <hr/>                |
| <b>Profit before taxation</b>                 | 5    | <b>182</b>               | 122                  |
| Income tax                                    | 6    | <b>(42)</b>              | (41)                 |
|   |      | <hr/>                    | <hr/>                |
| <b>Profit for the period</b>                  |      | <b>140</b>               | 81                   |
|   |      | <hr/> <hr/>              | <hr/> <hr/>          |
| <b>Attributable to:</b>                       |      |                          |                      |
| Equity shareholders of the Company            |      | <b>84</b>                | 41                   |
| Non-controlling interests                     |      | <b>56</b>                | 40                   |
|   |      | <hr/>                    | <hr/>                |
| <b>Profit for the period</b>                  |      | <b>140</b>               | 81                   |
|   |      | <hr/> <hr/>              | <hr/> <hr/>          |
|   |      | <b>HK\$</b>              | <b>HK\$</b>          |
| <b>Earnings per share – basic and diluted</b> | 7    | <b>0.03</b>              | 0.01                 |
|   |      | <hr/> <hr/>              | <hr/> <hr/>          |

Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated Statement of Comprehensive Income  
for the six months ended 30 June 2010 - unaudited

|  | Six months ended 30 June |                      |
|--|--------------------------|----------------------|
|  | 2010<br>HK\$ million     | 2009<br>HK\$ million |
| <b>Profit for the period</b>   | <b>140</b>               | 81                   |
| <b>Other comprehensive income for the period:</b>  |                          |                      |
| Exchange difference on translation of financial statements of subsidiaries outside Hong Kong | 8                        | -                    |
| Exchange reserve reclassified from equity to profit or loss on disposal of a subsidiary      | (21)                     | -                    |
|  | (13)                     | -                    |
| <b>Total comprehensive income for the period</b>   | <b>127</b>               | 81                   |
| <b>Attributable to:</b>  |                          |                      |
| Equity shareholders of the Company   | 75                       | 41                   |
| Non-controlling interests  | 52                       | 40                   |
| <b>Total comprehensive income for the period</b>   | <b>127</b>               | 81                   |

## Consolidated Balance Sheet at 30 June 2010

|   | Note | At 30 June<br>2010<br>(unaudited)<br>HK\$ million | At 31 December<br>2009<br>(audited)<br>HK\$ million |
|---|------|---|---|
| <b>Non-current assets</b>   |      |   |   |
| Property, plant and equipment                                     |      | 1   | 1   |
| Intangible operating rights                                       |      | 491   | 508   |
| Other non-current assets  |      | 60  | 66  |
|   |      | <u>552</u>  | <u>575</u>  |
| <b>Current assets</b>   |      |   |   |
| Trade and other receivables                                       | 9    | 110   | 100   |
| Amounts due from affiliates                                       |      | 12  | 137   |
| Cash and cash equivalents   |      | 1,366   | 1,272   |
|   |      | <u>1,488</u>                                      | <u>1,509</u>  |
| Assets classified as held for sale                                | 11   | -   | 199   |
|   |      | <u>1,488</u>                                      | <u>1,708</u>  |
| <b>Current liabilities</b>  |      |   |   |
| Trade and other payables  | 10   | 45  | 53  |
| Amounts due to affiliates   |      | 6   | 199   |
| Current taxation  |      | 21  | 27  |
|   |      | <u>72</u>   | <u>279</u>  |
| Liabilities associated with assets<br>classified as held for sale | 11   | -   | 39  |
|   |      | <u>72</u>   | <u>318</u>  |
| <b>Net current assets</b>   |      | <u>1,416</u>                                      | <u>1,390</u>  |
| <b>Total assets less current liabilities</b>                      |      | <u>1,968</u>                                      | <u>1,965</u>  |
| <b>Non-current liabilities</b>                                    |      |   |   |
| Deferred tax liabilities  |      | 28  | 25  |
| <b>NET ASSETS</b>   |      | <u>1,940</u>                                      | <u>1,940</u>  |

## Consolidated Balance Sheet at 30 June 2010 (continued)

|  | Note | <b>At 30 June<br/>2010<br/>(unaudited)<br/>HK\$ million</b> | At 31 December<br>2009<br>(audited)<br>HK\$ million |
|--|------|---|---|
| <b>CAPITAL AND RESERVES</b>  |      |   |   |
| Share capital  |      | <b>609</b>  | 609   |
| Reserves   |      | <b>969</b>  | 955   |
|  |      | <hr/>   | <hr/>   |
| <b>Total equity attributable to equity<br/>shareholders of the Company</b> |      | <b>1,578</b>  | 1,564   |
| <b>Non-controlling interests</b>   |      | <b>362</b>  | 376   |
|  |      | <hr/>   | <hr/>   |
| <b>TOTAL EQUITY</b>  |      | <b>1,940</b>  | 1,940   |
|  |      | <hr/> <hr/>   | <hr/> <hr/>   |

## NOTES

### 1 Review of results

The condensed interim financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers (“PwC”) in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). PwC’s independent review report to the Board of Directors is included in the interim report to be sent to shareholders. In addition, the condensed interim financial statements have been reviewed with no disagreement by the Company’s Audit Committee.

### 2 Basis of preparation

The condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting* issued by the HKICPA.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company’s consolidated financial statements for the eighteen months ended 31 December 2009 except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 December 2010. Details of these changes in accounting policies are set out in note 3.

The preparation of the condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis.

### 3 Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

|                          |  |
|--------------------------|--|
| HKAS 1 (Revised)         | Presentation of financial statements           |
| HKAS 27 (Revised)        | Consolidated and separate financial statements |
| HKFRS 3 (Revised)        | Business combinations                          |
| HKFRS 7 (Amendments)     | Financial instruments: Disclosures             |
| HKFRS 8                  | Operating segments                             |
| HKFRSs (Amendments 2008) | Improvements to HKFRSs (2008)                  |
| HKFRSs (Amendments 2009) | Improvements to HKFRSs (2009)                  |

### 3 Changes in accounting policies (continued)

Except as described below, the adoption of the above developments have no material impact on these condensed interim financial statements.

(a) ***HKAS 1 (Revised), Presentation of financial statements***

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity have been adopted in these condensed interim financial statements and corresponding amounts have been restated to conform to current period's presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any of the periods presented.

(b) ***HKAS 27 (Revised), Consolidated and separate financial statements***

HKAS 27 (Revised) has removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2010 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising the dividend income in the profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions, this new policy is applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

HKAS 27 (Revised) also provides that when changes in a parent's ownership interest in a subsidiary do not result in a loss of control, this will be accounted for as equity transactions which will no longer result in goodwill, or gain or loss. When the changes result in a parent losing control over a subsidiary, this will be accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any remaining interest would be recognised at fair value as if reacquired and the difference between the fair value and the carrying amount is recognised in profit or loss. This new policy is applied prospectively in accordance with the transitional provisions and there has been no effect on reported profit or loss and net assets for the period.

(c) ***HKFRS 3 (Revised), Business combinations***

As a result of the adoption of HKFRS 3 (Revised), where a business combination is achieved in stages (other than that for existing subsidiary), the existing interest in the acquiree should be re-measured at fair value at each acquisition date and any resulting gain or loss is recognised in profit or loss. Previously, such gain or loss would be offset against goodwill. HKFRS 3 (Revised) has been applied prospectively for the transactions after 1 January 2010 and the adoption of HKFRS 3 (Revised) had no significant impact on the financial statements of the Group for the period.

### 3 Changes in accounting policies (continued)

The HKICPA has issued certain new standards, interpretations and amendments to standards which are not yet effective for the Group in relation to the year ending 31 December 2010. The Group has not early adopted any of these new or revised HKFRSs. The Group is in the process of making an assessment of what the impact of these standards on the Group's results of operations and financial position.

### 4 Turnover

Turnover represents toll fee income, net of business tax, from infrastructure business in mainland China.

No segment information for the six months ended 30 June 2009 and 2010 is presented as the Group's turnover and trading results for the abovementioned periods are generated solely from its infrastructure business in mainland China, the turnover of which amounted to HK\$148 million during the period (2009: HK\$143 million) and the segment results of which amounted to HK\$128 million during the period (2009: HK\$109 million).

### 5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2010                     | 2009         |
|   | HK\$ million             | HK\$ million |
| (a) <i>Finance costs</i>                            |                          |              |
| Bank loans and overdrafts                           | -                        | -            |
| Other borrowings wholly repayable within five years | -                        | -            |
|   | <hr/>                    | <hr/>        |
|   | -                        | -            |
| (b) <i>Other items</i>                              |                          |              |
| Amortisation  | 21                       | 23           |
| Depreciation  | -                        | -            |
| Interest income                                     | (8)                      | (5)          |
|   | <hr/>                    | <hr/>        |

## 6 Income tax

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2010                     | 2009         |
|   | HK\$ million             | HK\$ million |
| <b>Current tax – mainland China</b>                 |                          |              |
| – charge for the period                             | 39                       | 25           |
| – under provision in respect of prior years         | -                        | 10           |
|   | <hr/>                    | <hr/>        |
|   | 39                       | 35           |
|   | <hr/>                    | <hr/>        |
| <b>Deferred tax</b>                                 |                          |              |
| – origination and reversal of temporary differences | -                        | (1)          |
| – withholding tax on undistributed profits          | 3                        | 7            |
|   | <hr/>                    | <hr/>        |
|   | 3                        | 6            |
|   | <hr/>                    | <hr/>        |
|   | 42                       | 41           |
|   | <hr/>                    | <hr/>        |

No provision for Hong Kong Profits Tax has been made as there is no assessable profit subject to Hong Kong Profits Tax for both the current and prior periods.

Taxation for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China, under which the Group's principal income tax rate applicable to its operations in mainland China is gradually accelerated to a higher tax rate of 25% in a period of 5 years starting from 1 January 2008. The applicable principal income tax rate for the period is 22% (2009: 20%).

In addition, dividend distribution out of the retained profits of foreign-invested enterprises earned after 1 January 2008 is subject to withholding tax at a tax rate of 10% unless reduced by treaty. Under the tax treaty between Hong Kong and mainland China, the withholding tax rate applicable to the Group for both the current and prior periods is 5%.

## 7 Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$84 million (2009: HK\$41 million) and 3,047,327,395 (2009: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the periods.

## 8 Dividends

(a) *Dividend payable to equity shareholders of the Company attributable to the interim period*

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2010                     | 2009         |
|   | HK\$ million             | HK\$ million |
| Interim dividend (2009: second interim dividend) declared after the balance sheet date of HK2 cents (2009: HK2 cents) per share | <b>61</b>                | 61           |

The interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) *Dividend payable to equity shareholders of the Company attributable to the previous period, approved/declared and paid during the interim period*

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2010                     | 2009         |
|   | HK\$ million             | HK\$ million |
| Final dividend (2009: first interim dividend) in respect of the previous period, approved/declared and paid during the period, of HK2 cents (2009: HK2 cents) per share | <b>61</b>                | 61           |

## 9 Trade and other receivables

|   | At 30 June<br>2010<br>(unaudited)<br>HK\$ million | At 31 December<br>2009<br>(audited)<br>HK\$ million |
|---|---|---|
| Trade debtors                               | <b>39</b>   | 37  |
| Deposits, prepayments and other receivables | <b>10</b>   | 12  |
| Consideration receivable                    | <b>61</b>   | 51  |
|   | <b>110</b>  | 100   |

## 9 Trade and other receivables (continued)

The ageing analysis of trade debtors of the Group at 30 June 2010 is as follows:

|  | <b>At 30 June<br/>2010<br/>(unaudited)<br/>HK\$ million</b> | At 31 December<br>2009<br>(audited)<br>HK\$ million |
|--|---|---|
| Current or less than 1 month past due                      | <b>28</b>   | 28  |
| More than 1 month past due and up to<br>3 months past due  | -   | 3   |
| More than 3 months past due and up to<br>6 months past due | <b>1</b>  | 2   |
| More than 6 months past due                                | <b>10</b>   | 4   |
|  | <hr/> <b>39</b> <hr/>                                       | <hr/> <b>37</b> <hr/>                               |

Trade debtors represent toll income receivable from the toll bridge which has been collected on behalf of the Group since January 2004 by 杭州市“四自”工程道路綜合收費管理處 (Hangzhou City “Sizi” Engineering & Highway General Toll Fee Administration Office), a relevant government body in Hangzhou, mainland China (the “Hangzhou Government Body”) in accordance with the terms of an agreement entered into between the Group and the Hangzhou Government Body.

In respect of other trade and other receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. Normally, the Group does not obtain collateral from customers.

Included in the consideration receivable of HK\$61 million above was an amount of RMB13 million (equivalent to HK\$15 million), which related to an amount overdue for more than six months but was not impaired. Based on past experience, management considers that no impairment allowance is necessary as there has not been a significant change in credit quality and such amount is considered to be fully recoverable.

## 10 Trade and other payables

|                                     | <b>At 30 June<br/>2010<br/>(unaudited)<br/>HK\$ million</b> | At 31 December<br>2009<br>(audited)<br>HK\$ million |
|-------------------------------------|---|---|
| Trade creditors                     | <b>8</b>  | 8   |
| Accrued expenses and other payables | <b>37</b>   | 45  |
|                                     | <hr/> <b>45</b> <hr/>                                       | <hr/> <b>53</b> <hr/>                               |

## 10 Trade and other payables (continued)

The ageing analysis of trade creditors of the Group at 30 June 2010 is as follows:

|  | <b>At 30 June<br/>2010<br/>(unaudited)<br/>HK\$ million</b> | At 31 December<br>2009<br>(audited)<br>HK\$ million |
|--|---|---|
| Due within 1 month or on demand        | -   | 1   |
| Due after 1 month but within 3 months  | 6   | 5   |
| Due after 3 months but within 6 months | -   | -   |
| Due after 6 months                     | 2   | 2   |
|  | <hr/> <b>8</b> <hr/>  | <hr/> <b>8</b> <hr/>                                |

## 11 Disposal group

On 12 March 2009, Hong Kong Vigorous Limited (“Vigorous”), a 70%-owned subsidiary of the Company, entered into an 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”) in relation to the sale by Vigorous of its entire 70% interest in Maanshan Huan Tong Highway Development Limited (“Maanshan Highway JV”) to Maanshan Highway JV Partner for a cash consideration of RMB122 million (equivalent to HK\$139 million). The transaction was completed on 26 February 2010 and a net gain on disposal of HK\$47 million was recognised in the consolidated income statement for the six months ended 30 June 2010. The net gain on disposal attributable to equity shareholders of the Company amounted to HK\$26 million.

Immediately before the completion of the disposal, the results associated with the operations of Maanshan Highway JV recognised in the consolidated income statement for the six months ended 30 June 2010 are as follows:

|                       | <b>Six months ended 30 June<br/>2010<br/>HK\$ million</b> | 2009<br>HK\$ million |
|-----------------------|---|----------------------|
| Revenue               | 7   | 16                   |
| Expenses              | (3)   | (9)                  |
| Profit for the period | <hr/> <b>4</b> <hr/>                                      | <hr/> <b>7</b> <hr/> |

The cumulative income recognised directly in the Group’s equity attributable to equity shareholders of the Company relating to the Maanshan Highway JV amounted to HK\$15 million immediately before the completion of the Group’s disposal of its interest therein.

At 31 December 2009, included in assets classified as held for sale was toll highway operating right with carrying amount of HK\$177 million which was pledged to secure the Group’s bank loans of HK\$22 million grouped under “Liabilities associated with assets classified as held for sale”.

## 12 Comparative figures

As a result of the application of HKAS 1 (Revised), *Presentation of financial statements*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time during the six months ended 30 June 2010. Further details of these developments are disclosed in note 3.

## **OTHER INFORMATION**

### **Review of Interim Results**

The unaudited interim results for the six months ended 30 June 2010 have been reviewed by the auditors of the Company, PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants.

### **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 August 2010 and reviewed the systems of internal control and compliance and the interim report for the six months ended 30 June 2010.

### **Code on Corporate Governance Practices**

During the six months ended 30 June 2010, 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 have not been segregated as required by 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is primarily engaged in infrastructure business in mainland China. The core asset in the Group's portfolio is its 60% interest in Hangzhou Qianjiang Third Bridge in Zhejiang Province.

The Group entered into an agreement to sell its entire interest in Maanshan City Ring Road, a toll road situated in Anhui Province in March 2009. With completion of the transaction on 26 February 2010, a net gain on disposal attributable to equity Shareholders of HK\$26 million was recognized in the six months ended 30 June 2010.

During the period under review, the Group's turnover grew 3.5% to HK\$148 million as compared to that for the same period in 2009. Excluding the turnover from Maanshan City Ring Road which was recognized in the Group's turnover for the corresponding period of six months ended 30 June 2009, the Group's turnover rose 13.8% to HK\$148 million (2009: HK\$130 million), reflecting the increase in traffic volume of Hangzhou Qianjiang Third Bridge during the period under review when compared to the same period a year ago. The breakdown of the Group's turnover is shown in the table below:

| HK\$ million                    | Toll Revenue<br>(For the six months ended 30 June) |                 | Change |
|---------------------------------|--|-----------------|--------|
|                                 | 2010   | 2009            |        |
| Hangzhou Qianjiang Third Bridge | 148  | 130             | +13.8% |
| Maanshan City Ring Road         | -  | 13 <sup>^</sup> |        |
| Total                           | 148  | 143             | +3.5%  |

<sup>^</sup>Only the toll revenue from 1 January 2009 to 31 March 2009 was included as turnover.

Benefiting from the increase in profit contribution from Hangzhou Qianjiang Third Bridge and the net gain attributable to equity Shareholders from the disposal of its entire interest in Maanshan City Ring Road, the Group's profit attributable to equity Shareholders for the six months ended 30 June 2010 surged 105% to HK\$84 million (2009: HK\$41 million).

Hangzhou Qianjiang Third Bridge is located on National Highway No.104 in Zhejiang Province, spanning approximately 5.8 km over the Qiantangjiang River in Hangzhou and connecting the urban parts of Southern Hangzhou and Xiaoshan and Binjiang. The toll bridge is a major trunk route linking Beijing and Fujian Province. It is also an important nodal point for access to major roads leading to the Hangzhou Airport.

## **FINANCIAL REVIEW**

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2010.

### **Material acquisitions and disposals**

On 26 February 2010, Hong Kong Vigorous Limited ("Vigorous"), a 70%-owned subsidiary of the Company, completed the disposal of its entire 70% interest in Maanshan Huan Tong Highway Development Limited to 馬鞍山市過境公路建設開發有限公司 (Maanshan City Cross Boarder Highway Construction Development Company Limited)(the "Disposal"). As a result of the Disposal, the Group recognized a net gain on the Disposal attributable to equity shareholders of the Company of HK\$26 million in the six months ended 30 June 2010.

Save as disclosed above, the Group did not undertake any significant acquisition or other significant disposal of subsidiaries or assets during the six months ended 30 June 2010.

### **Results of operations**

During the six months ended 30 June 2010, the Group was engaged in the infrastructure business in mainland China, which comprised (i) the operating right of a toll bridge in Hangzhou, Zhejiang Province; and (ii) the operating right of a toll highway in Maanshan, Anhui Province up to the completion of the Disposal on 26 February 2010 (as referred to in the paragraph headed "Material acquisitions and disposals" above). Turnover for the six months ended 30 June 2010 amounted to HK\$148 million (2009 : HK\$143 million), representing an increase of HK\$5 million, or 3.5%, over that for the corresponding period of six months ended 30 June 2009. Nevertheless, excluding the turnover generated by the Group's operating right of a toll highway in Maanshan of HK\$13 million which amount was recognised in the Group's turnover for the corresponding period of six months ended 30 June 2009, the Group's turnover for the six months ended 30 June 2010 represents an increase of HK\$18 million, or 13.8%, over that for the corresponding period of six months ended 30 June 2009. The increase in the Group's turnover for the six months ended 30 June 2010 was mainly attributable to the increase in traffic volume of the toll bridge in Hangzhou during the period when compared with the corresponding period of six months ended 30 June 2009.

Profit attributable to equity shareholders for the six months ended 30 June 2010 amounted to HK\$84 million (2009: HK\$41 million), representing an increase of HK\$43 million, or 104.9%, over that for the corresponding period of six months ended 30 June 2009. Such an increase was attributable to (i) the increased profit contribution from the Group's operating right of a toll bridge in Hangzhou during the six months ended 30 June 2010 compared with the corresponding period of six months ended 30 June 2009; and (ii) the net gain on the Disposal attributable to equity shareholders of HK\$26 million (as referred to in the paragraph headed "Material acquisitions and disposals" above).

## Financial resources, liquidity and loan maturity profile

At 30 June 2010, the Group had no bank borrowings (31 December 2009: HK\$22 million). The cash and bank balances, the maturity profile of the bank borrowings and the gearing ratio of the Group were as follows :

|                                   | <i>At</i><br><b>30 June 2010</b><br>HK\$ million | <i>At</i><br><i>31 December 2009</i><br>HK\$ million |
|-----------------------------------|--|--|
| Cash and bank balances            | <u>1,366</u>                                     | <u>1,278</u>   |
| Less: Bank borrowings repayable:  |  |  |
| - Within 1 year                   | -  | 11   |
| - After 1 year but within 2 years | <u>-</u>   | <u>11</u>  |
| Total bank borrowings             | <u>-</u>   | <u>22</u>  |
| Net cash and bank balances        | <u><u>1,366</u></u>                              | <u><u>1,256</u></u>                                  |
| Gearing ratio                     | <u>Nil</u>                                       | <u>Nil</u>   |

Finance costs for the six months ended 30 June 2010 amounted to HK\$Nil million (2009: HK\$Nil million).

Based on the Group's net cash and bank balances of HK\$1,366 million at 30 June 2010, 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 30 June 2010, the Group had no bank borrowings. During the six months ended 30 June 2010, 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 30 June 2010.

## Charge on assets

Assets of the Group were not charged to any third parties at 30 June 2010 (31 December 2009: certain project financing facilities extended by banks to a subsidiary of the Company engaged in infrastructure projects in mainland China, with an outstanding balance of HK\$22 million which was grouped under "Liabilities associated with assets classified as held for sale" at 31 December 2009, were secured by the Group's toll highway operating right).

## **Capital commitments**

At 30 June 2010, the Group did not have any capital commitments (31 December 2009: Nil).

## **Contingent liabilities**

At 30 June 2010, the Group did not have any contingent liabilities (31 December 2009: Nil).

## **Employees and remuneration policy**

At 30 June 2010, the Group had 63 (31 December 2009: 130) 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 six months ended 30 June 2010 amounted to HK\$3 million (2009: HK\$4 million).

## **PROSPECTS**

For the first half of 2010, mainland China's economy continued to experience sound and fast development, with a year-on-year growth rate in GDP of 11.1%, 3.7 percentage points higher than that in the same period a year ago. This reflected the timely implementation of effective policies and measures introduced by the Central Government in response to the global financial crisis. Considering the growth momentum of the economy on the mainland to be very likely maintained and the prime location of Hangzhou Qianjiang Third Bridge in Zhejiang Province, the Group believes that the return from its core asset will continue to be satisfactory in the second half of the year.

By Order of the Board  
**Timon LIU Cheung Yuen**  
*Company Secretary*

Hong Kong, 26 August 2010

*As at the date of this announcement, 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, Patrick Kwok Ping Ho and Augustine Wong Ho Ming; (2) non-executive directors: Philip Yuen Pak Yiu and Leung Hay Man; and (3) independent non-executive directors: Gordon Kwong Che Keung, Ko Ping Keung and Wu King Cheong.*