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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Henderson Investment Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code:97)

**GROUP REORGANISATION OF
HENDERSON LAND DEVELOPMENT COMPANY LIMITED'S INTERESTS
IN THE HONG KONG AND CHINA GAS COMPANY LIMITED**

**VERY SUBSTANTIAL DISPOSAL
AND CONNECTED TRANSACTION**

**ACQUISITION OF HENDERSON INVESTMENT LIMITED'S INTERESTS IN
THE HONG KONG AND CHINA GAS COMPANY LIMITED
BY HENDERSON LAND DEVELOPMENT COMPANY LIMITED**

**PROPOSED DISTRIBUTIONS AND
REDUCTION OF SHARE PREMIUM ACCOUNT**

Independent Financial Adviser to the Independent Shareholders



CIMB-GK Securities (HK) Limited

A letter from the Board is set out on pages 6 to 27 of this circular. A letter from CIMB-GK Securities (HK) Limited containing its advice to the Independent Shareholders is set out on pages 28 to 52 of this circular.

A notice convening the EGM to be held at Cuisine Cuisine, 3101, Podium Level 3, ifc mall, Central, Hong Kong, on Monday, 12 November 2007 at 4:00 p.m. is set out on pages N-1 to N-3 of this circular. A form of proxy for use by the Shareholders at the EGM is also enclosed. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the meeting, or any adjourned meeting, should you so wish.

20 October 2007

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EXPECTED TIMETABLE

2007

Latest time for lodging transfers of Shares in order to be entitled to attend and vote at the EGM	4:00 p.m. on Wednesday, 7 November
Closure of the register of members of the Company for determination of entitlements to attend and vote at the EGM	Thursday, 8 November to Monday, 12 November (both days inclusive)
Latest time for lodging forms of proxy for the EGM	4:00 p.m. on Saturday, 10 November
EGM	4:00 p.m. on Monday, 12 November
Announcement of the results of the EGM	Monday, 12 November
Latest day for dealing in the Shares cum-entitlement to the Completion Distribution	Tuesday, 13 November
First day of dealing in the Shares ex-entitlement to the Completion Distribution	Wednesday, 14 November
Latest time for lodging transfers of Shares in order to be entitled to the Completion Distribution	4:00 p.m. on Thursday, 15 November
Closure of the register of members of the Company for determination of entitlements to the Completion Distribution	Friday, 16 November
Record date for the Completion Distribution	Friday, 16 November
Completion and despatch of share certificates of HLD Shares to the Shareholders (other than the Overseas Shareholders)	Tuesday, 20 November
Despatch of cheques for cash entitlements to the Overseas Shareholders pursuant to the Completion Distribution on or before	Tuesday, 18 December

EXPECTED TIMETABLE

2008

- Court hearing of petition for confirmation of
the Share Premium Reduction*Tuesday, 8 January
- Latest day for dealing in the Shares cum-entitlement
to the Further DistributionWednesday, 9 January
- First day of dealing in the Shares ex-entitlement
to the Further DistributionThursday, 10 January
- Latest time for lodging transfers of Shares
in order to be entitled to the Further Distribution4:00 p.m. on Friday, 11 January
- Closure of the register of members of the Company for
determination of entitlements to the Further DistributionMonday, 14 January to
Wednesday, 16 January
(both days inclusive)
- Record date for the Further DistributionWednesday, 16 January
- Despatch of cheques for cash payments
and payments through CCASS to the Shareholders pursuant to
the Further Distribution (Note)Tuesday, 22 January

* **Shareholders should note that if the Share Premium Reduction is approved at the EGM, the dates of the events subsequent to the Completion and Completion Distribution in the above expected timetable, which mainly depend on the availability of the dates of the Court to hear the proceedings relating to the Share Premium Reduction, are indicative only and are subject to change. The Court may fix another date for the hearing of the petition for confirmation of the Share Premium Reduction by the Court. The dates of closure of the register of members of the Company, the record date for the Further Distribution and the other relevant dates as stated in the expected timetable above may also change if the Court hearing date is changed.** In case of any such changes, further announcement(s) in relation to the closure of the register of members of the Company for the purpose of determination of entitlements to the Further Distribution and the record date therefor will be made by the Company.

Note: If the Share Premium Reduction is confirmed by the Court, it will become effective upon satisfaction of all conditions imposed by the Court and registration by the Registrar of Companies in Hong Kong of an office copy of the Court order together with such other documents as may be required under section 61 of the Companies Ordinance. The Further Distribution of HK\$1.21 per Share will then be made. If the Court refuses to confirm the Share Premium Reduction, the Further Distribution will not be made.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Agreement”	means the conditional agreement dated 2 October 2007 entered into between HLD and the Company in relation to the Transaction
“Allotment Right”	means a right to the holder of the Share Entitlement Note to call for the issue by HLD to it of a fixed number of fully paid HLD Shares without having to make any payment
“Announcement”	means the announcement dated 2 October 2007 issued jointly by HLD and the Company relating to, amongst other things, the Transaction
“associate”	has the meaning given to such term under the Listing Rules
“Board”	means the board of Directors
“CIG”	means China Investment Group Limited
“CIMB-GK”	means CIMB-GK Securities (HK) Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Shareholders regarding the terms of the Transaction
“Company”	means Henderson Investment Limited, which shares are listed on the Stock Exchange
“Companies Ordinance”	means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion”	means completion of the Transaction in accordance with the terms of the Agreement
“Completion Date”	means 10 business days after the fulfilment or waiver of the Conditions, or such other date as may be agreed between HLD and the Company
“Completion Distribution”	means the proposed distribution by the Company to the Shareholders, upon Completion, of 0.209 HLD Share to be allotted under the Share Entitlement Note for each Share

DEFINITIONS

“Conditions”	means the conditions precedent to Completion, as more particularly set out under the section headed “Conditions to Completion” of this circular
“Court”	means the Court of First Instance of the High Court of Hong Kong
“Director(s)”	means the director(s) of the Company
“Dividend Amount”	means any amount which is equal to any dividend payable by HLD based on any record date which is on or after the date of the Agreement for which any HLD Shares to be allotted pursuant to the Share Entitlement Note do not rank due to their being issued (or the relevant entries to HLD’s register of members being made) after such record date, which amount is payable by HLD to the holder of such HLD Shares pursuant to the Share Entitlement Note
“EGM”	means the extraordinary general meeting of the Company to be convened at 4:00 p.m. on Monday, 12 November 2007 (or any adjournment thereof) for the purposes of approving, among other matters (if any), the Agreement, the Share Premium Reduction and the Proposed Distributions
“Fu Sang”	means Fu Sang Company Limited, a company incorporated in Hong Kong with limited liability. Hopkins (Cayman) Limited (“Hopkins”) as trustee of a unit trust (the “Unit Trust”) owns all the issued ordinary shares of Fu Sang. Rimmer (Cayman) Limited (“Rimmer”) and Riddick (Cayman) Limited (“Riddick”), as trustees of the respective discretionary trusts, hold units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick are owned by Dr. Lee Shau Kee
“Further Distribution”	means the proposed distribution by the Company to the Shareholders, if the Share Premium Reduction becomes unconditional, of HK\$1.21 per Share
“Group”	means the Company and its subsidiaries
“HIL Average Closing Price”	means the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the 10 trading days immediately preceding 2 October 2007
“HKCG”	means The Hong Kong and China Gas Company Limited, which shares are listed on the Stock Exchange

DEFINITIONS

“HKCG Average Closing Price”	means the average closing price of the HKCG Shares as stated in the Stock Exchange’s daily quotation sheets for the 10 trading days immediately preceding 2 October 2007
“HKCG Interests”	means the Company’s interest in 2,366,934,097 HKCG Shares, represented by its interest in the Sale Companies and the Shareholder’s Loans
“HKCG Share(s)”	means share(s) of HK\$0.25 each in the share capital of HKCG
“HLD”	means Henderson Land Development Company Limited, which shares are listed on the Stock Exchange
“HLD Average Closing Price”	means the average closing price of the HLD Shares as stated in the Stock Exchange’s daily quotation sheets for the 10 trading days immediately preceding 2 October 2007
“HLD Board”	means the board of directors of HLD
“HLD Group”	means HLD and its subsidiaries
“HLD Share(s)”	means share(s) of HK\$2.00 each in the share capital of HLD
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	means the Shareholders other than HLD, Dr. Lee Shau Kee and their respective associates and Fu Sang
“Issuer”	means Kamston Investment Limited, a wholly-owned subsidiary of HLD, the issuer of the Share Entitlement Note
“Latest Practicable Date”	means 15 October 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Overseas Shareholder”	means a Shareholder whose address as shown on the register of members of the Company on the record date for the Completion Distribution is in a place outside Hong Kong and who the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place where practical, consider the exclusion of such holder from the distribution of HLD Shares under the Completion Distribution is necessary or expedient
“PRC”	means the People’s Republic of China
“Proposed Distributions”	means the Completion Distribution and the Further Distribution
“Remaining Group”	means the Group, other than the Sale Companies and their subsidiaries
“Sale Companies”	means Macrostar Investment Limited and Timpani Investments Limited, each a wholly-owned subsidiary of the Company
“SFC”	means the Securities and Futures Commission of Hong Kong
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	means share(s) of HK\$0.20 each in the share capital of the Company
“Share Entitlement Note”	means the share entitlement note to be issued by a wholly-owned subsidiary of HLD (and guaranteed by HLD) to the Company at Completion, which shall confer the right to call for the issue of a fixed number of fully paid HLD Shares, including any share entitlement note resulting from any assignment of such share entitlement note
“Share Premium Reduction”	means the proposed reduction of the share premium account of the Company to increase the distributable reserve of the Company as described in this circular
“Shareholder”	means holder of the Share(s)
“Shareholder’s Loans”	means, in relation to a Sale Company, the shareholder’s loans owing by such company and (if any) its subsidiaries to the Company as at Completion

DEFINITIONS

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Takeovers Code”	means The Code on Takeovers and Mergers issued by the SFC
“Transaction”	means the acquisition by the HLD Group of interests in the Sale Companies and the Shareholder’s Loans due from the Sale Companies to the Company pursuant to the Agreement
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	means per cent.

LETTER FROM THE BOARD



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

(Incorporated in Hong Kong with limited liability)

(Stock Code:97)

Executive Directors:

Lee Shau Kee (*Chairman and Managing Director*)
Lee Ka Kit (*Vice Chairman*)
Colin Lam Ko Yin (*Vice Chairman*)
Lee Ka Shing (*Vice Chairman*)
Lee Tat Man
Suen Kwok Lam
Lee King Yue
Eddie Lau Yum Chuen
Li Ning
Patrick Kwok Ping Ho
Augustine Wong Ho Ming
Sit Pak Wing

Registered Office:

72nd -76th Floors
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Non-executive Directors:

Woo Po Shing
Philip Yuen Pak Yiu
Leung Hay Man
Jackson Woo Ka Biu (*Alternate Director to Woo Po Shing*)

Independent Non-executive Directors:

Gordon Kwong Che Keung
Ko Ping Keung
Wu King Cheong

20 October 2007

To the Shareholders

Dear Sir or Madam,

**GROUP REORGANISATION OF
HENDERSON LAND DEVELOPMENT COMPANY LIMITED'S INTERESTS
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**VERY SUBSTANTIAL DISPOSAL
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**PROPOSED DISTRIBUTIONS AND
REDUCTION OF SHARE PREMIUM ACCOUNT**

LETTER FROM THE BOARD

1. INTRODUCTION

In the Announcement, the Company and HLD jointly announced that on 2 October 2007, they entered into the Agreement pursuant to which the HLD Group agreed to acquire from the Group the HKCG Interests, being the Company's entire interests in 2,366,934,097 HKCG Shares (representing approximately 39.06% of the total issued share capital of HKCG), through acquisition of its interests in the Sale Companies and the Shareholder's Loans.

The Transaction is an effective reorganisation of HLD Group's interest in HKCG and will unlock value for the Shareholders through realisation of the market value of the HKCG Interests. The Transaction will also result in the Company becoming a publicly listed standalone infrastructure group.

Following Completion, the Company will remain a listed company and the Remaining Group will focus on its infrastructure business in the PRC. The Remaining Group's infrastructure business currently comprises principally controlling interests in Hangzhou Qianjiang Third Bridge in Zhejiang Province and Maanshan City Ring Road in Anhui Province.

Based on the HKCG Average Closing Price of HK\$18.108, the value of the HKCG Interests is approximately HK\$42,860 million. The consideration comprises:

- (a) the issue to the Company of the Share Entitlement Note, which shall confer on the holder the right to call for the issue by HLD of 636,891,425 HLD Shares credited as fully paid. Based on the HLD Average Closing Price of HK\$61.475, the aggregate value of such 636,891,425 HLD Shares is approximately HK\$39,153 million; and
- (b) HK\$3,707 million in cash.

In the Announcement, the Board also announced that it proposed to recommend for approval by the Shareholders:

- (a) upon Completion, a dividend of a total amount which is equal to the sum of (i) the closing price of the HLD Shares as stated in the Stock Exchange's daily quotation sheets as at the date of Completion multiplied by 636,891,425 and (ii) the aggregate Dividend Amount (if any), which is to be satisfied not by payment of cash but by a distribution in specie of the entitlement to 0.209 HLD Share to be allotted under the Share Entitlement Note for each Share; and
- (b) if the Share Premium Reduction becomes unconditional, a further distribution of approximately HK\$3,687 million in cash, being HK\$1.21 per Share.

Out of the distribution of the entitlement to up to 636,891,425 HLD Shares, HLD or its subsidiaries would have an entitlement to up to 432,729,036 HLD Shares (based on their holding of 2,070,473,859 Shares as at the Latest Practicable Date). Such entitlement will be cancelled upon distribution to HLD and its subsidiaries and the HLD Shares relating thereto will not be allotted.

LETTER FROM THE BOARD

Accordingly, only up to 204,162,389 HLD Shares will be allotted to the other Shareholders. The 204,162,389 HLD Shares represent approximately 10.51% of the existing issued share capital of HLD, or approximately 9.51% of the issued share capital of HLD as enlarged by the issue of such HLD Shares.

For the purpose of reference only, based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date, the Proposed Distributions and the net asset value of the Group (excluding the HKCG Interests) attributable to the Shareholders where there will or will not be the Share Premium Reduction respectively are as follows:

	Proposed Distribution(s) of			
	either		or	
	(a) Without Share Premium Reduction		(b) With Share Premium Reduction	
	209 HLD Shares per 1,000 Shares		209 HLD Shares, plus HK\$1,210 per 1,000 Shares	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(million)</i>		<i>(million)</i>	
		Per 1,000 Shares		Per 1,000 Shares
	Total		Total	
<i>Distributions:</i>				
HLD Shares (<i>Note 1</i>)	39,153	12,848	39,153	12,848
Cash	—	—	3,687	1,210
<i>Value of the Remaining Group:</i>				
The net asset value of the Group (excluding the HKCG Interests) attributable to the Shareholders (<i>Note 2</i>)	<u>5,685</u>	<u>1,866</u>	<u>1,998</u>	<u>656</u>
Total	<u><u>44,838</u></u>	<u><u>14,714</u></u>	<u><u>44,838</u></u>	<u><u>14,714</u></u>
Total per Share (X)		14.71		14.71
HIL Average Closing Price (Y)		12.94		12.94
Premium ((X-Y)/Y)		13.7%		13.7%

LETTER FROM THE BOARD

Notes:

- (1) *Based on the HLD Average Closing Price of HK\$61.475.*
- (2) *Based on the consolidated balance sheet of the Company as at 30 June 2007 after taking into account the acquisition of 31,159,000 HKCG Shares and the remaining interest of 35.9% in CIG subsequent to 30 June 2007 but without taking into account the final dividend for the year ended 30 June 2007 which is yet to be approved and paid.*

The value of HK\$14.71 per Share set out above represents a premium of 13.7% to the HIL Average Closing Price.

The Transaction constitutes a very substantial disposal and connected transaction of the Company under the Listing Rules, and is therefore subject to approval by the Independent Shareholders at the EGM. The purpose of this circular is to provide you with further details of the Agreement, the Share Premium Reduction, the Proposed Distributions, the letter of advice from CIMB-GK to the Independent Shareholders and other information as required by the Listing Rules and to give you notice of EGM.

2. THE AGREEMENT

Date

2 October 2007

Parties

HLD
The Company

The Transaction

The Transaction comprises the acquisition by the HLD Group from the Group the HKCG Interests, being the Company's entire interests in 2,366,934,097 HKCG Shares (representing approximately 39.06% of the total issued share capital of HKCG), through acquisition of its interests in the Sale Companies and the Shareholder's Loans. The Sale Companies are wholly-owned subsidiaries of the Company whose principal business activity is investment holding in HKCG. HKCG is a company incorporated in Hong Kong which shares are listed on the Stock Exchange. The principal business activities of HKCG and its subsidiaries are the production, distribution and marketing of gas, water and related activities in Hong Kong and the PRC.

There is no change in control of HKCG as a result of the Transaction. The Executive Director of the Corporate Finance Division of the SFC has waived HLD's obligation to make a general offer for the HKCG Shares as a result of the Transaction pursuant to Note 6 to Rule 26.1 of the Takeovers Code.

LETTER FROM THE BOARD

Set out below is certain financial information in relation to the Sale Companies:

	2007	2006
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Aggregate net assets attributable to the interests in, and the Shareholder's Loans due from, the Sale Companies as at 30 June (<i>Note</i>)	14,387	11,693
Aggregate profits before and after taxation for the year ended 30 June (<i>Note</i>)	3,404	1,798

Note: attributable to the interests in the Sale Companies and their subsidiaries as a whole comprised in the audited consolidated accounts of the Company, with the interests in HKCG being equity accounted for in relation to the Sale Companies and their subsidiaries

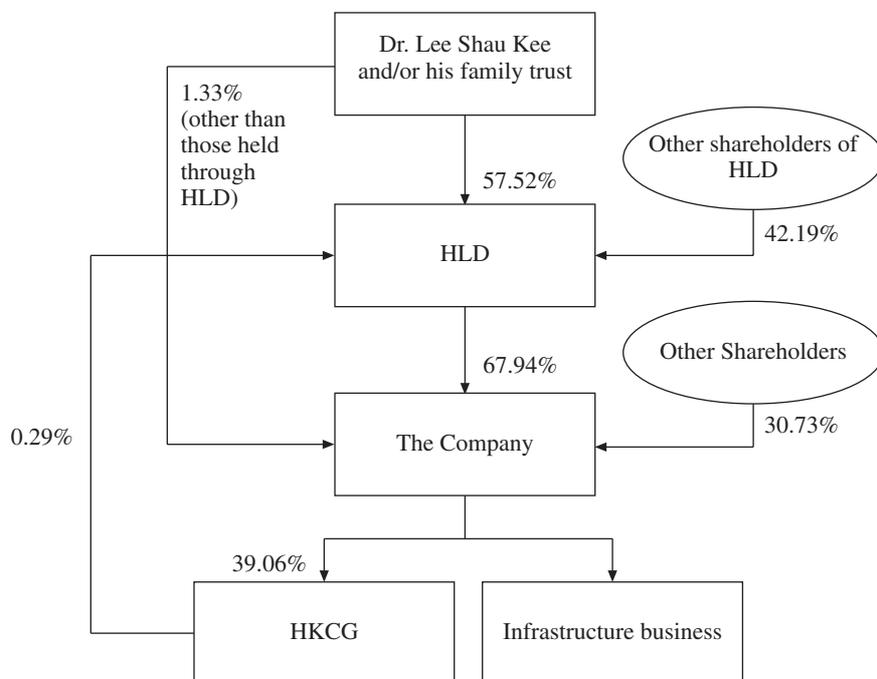
The net assets attributable to the interests in the Sale Companies and the Shareholder's Loans as at 30 June 2007 were HK\$8,964 million and HK\$5,423 million respectively and the net assets attributable to the interests in the Sale Companies and the Shareholder's Loans as at 30 June 2006 were HK\$6,302 million and HK\$5,391 million respectively. Apart from the interests in 2,366,934,097 HKCG Shares and the Shareholder's Loans, the Sale Companies did not have any other major assets or liabilities as at 30 June 2007.

The Sale Companies and their subsidiaries will cease to be subsidiaries of the Company following Completion. HKCG will continue to be equity accounted for in the books of HLD following the Completion.

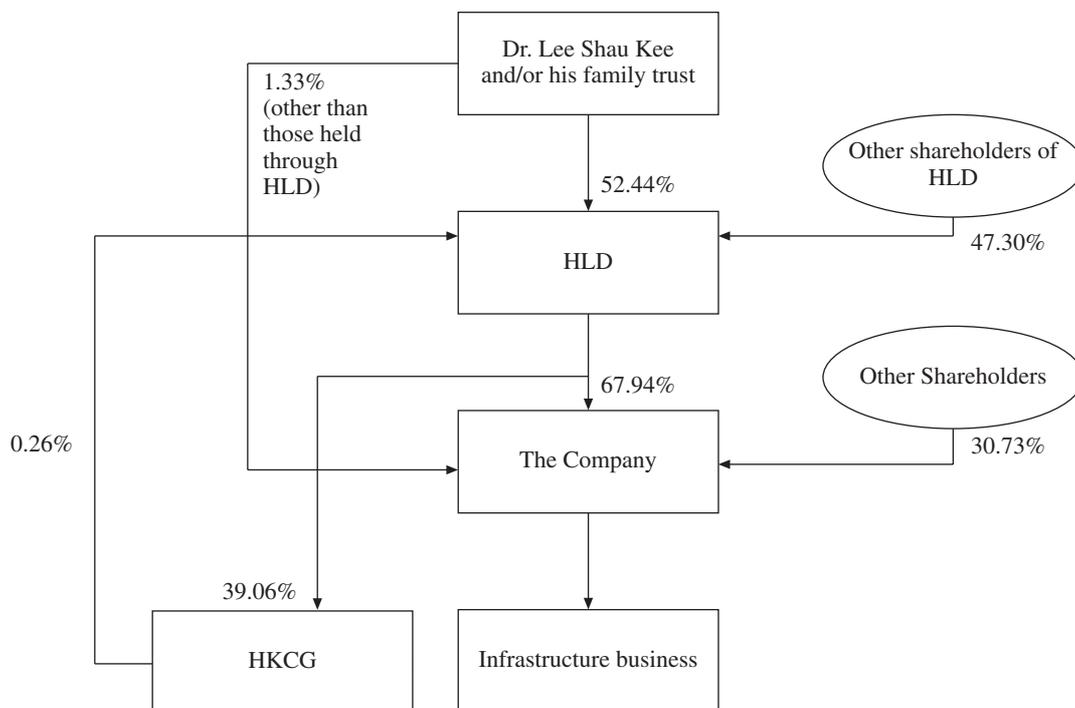
LETTER FROM THE BOARD

Simplified overviews of the approximate shareholding interest between HLD, the Company and HKCG as at the Latest Practicable Date and upon Completion are set out below:

As at the Latest Practicable Date:



Upon Completion:



LETTER FROM THE BOARD

Consideration

Based on the HKCG Average Closing Price of HK\$18.108, the value of the HKCG Interests is approximately HK\$42,860 million. The consideration comprises:

- (a) the issue to the Company of the Share Entitlement Note, which shall confer on the holder the right to call for the issue by HLD of 636,891,425 HLD Shares credited as fully paid. Based on the HLD Average Closing Price of HK\$61.475, the aggregate value of such 636,891,425 HLD Shares is approximately HK\$39,153 million; and
- (b) HK\$3,707 million in cash.

HLD has undertaken that, before the Share Entitlement Note is issued and while any HLD Share remains to be issued pursuant to the Share Entitlement Note, it will not take certain actions which will have a dilutive effect on the market price per share in HLD, such as sub-division of HLD Shares, capitalisation of profits or reserves, capital distributions in cash or specie and rights issues. The Company has further undertaken to procure that any dividends received before Completion from HKCG which are based on any record date which is on or after the date of the Agreement will be retained in the Sale Companies or their subsidiaries.

Share Entitlement Note

Issuer

Kamston Investment Limited, a wholly-owned subsidiary of HLD

Guarantor

HLD

Pursuant to the terms of the Share Entitlement Note, HLD unconditionally and irrevocably guarantees to the Company the due and punctual performance and discharge by the Issuer of all obligations (whether present or future, actual or contingent) due, owing or incurred to the Company by the Issuer under or pursuant to the Share Entitlement Note to the intent that should the Issuer fail duly and punctually to perform or discharge any of its obligations, HLD shall forthwith upon demand perform and discharge or procure the performance and discharge of the Issuer's obligations. In addition, HLD unconditionally and irrevocably agrees, as a primary obligation, to indemnify the Company against all costs, expenses, losses or damages incurred by the Company as a result of the failure by the Issuer to comply with its obligations or as a result of any of the Issuer's obligations being or becoming void, voidable or unenforceable for any reason whatsoever (whether or not known to the Company), the amount of such costs, expenses, losses or damages being the amount which the Company would have otherwise been entitled to recover from the Issuer together with all expenses which the Company may reasonably and properly incur in proceeding against the Issuer or HLD.

LETTER FROM THE BOARD

Entitlement

The Share Entitlement Note confers on the holder the Allotment Right. The Share Entitlement Note procured to be issued by HLD to the Company at Completion will carry an Allotment Right for 636,891,425 HLD Shares.

Any HLD Shares to be issued pursuant to the Share Entitlement Note will be issued credited as fully paid and rank pari passu in all respects among themselves and with all other HLD Shares outstanding as at the date of issue and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of issue. If those HLD Shares do not rank for any dividend payable based on any record date which is on or after the date of the Agreement due to such HLD Shares being issued after such record date, the holder of such HLD Shares will be entitled to be paid by HLD an amount which is equal to such dividend.

Based on the terms of the Share Entitlement Note, the issuance of the Share Entitlement Note to the Company as part of the consideration payable by HLD under the Transaction and the holding of it by the Company are not contrary to the Companies Ordinance or any other applicable laws in Hong Kong.

Transferability and exercise

The Share Entitlement Note may be assigned once only under the Completion Distribution, and the Allotment Right thereunder is deemed to be automatically exercised upon such assignment, so that the relevant HLD Shares will be automatically issued to the relevant Shareholders. Accordingly, the Shareholders will not receive the Share Entitlement Note, but will receive HLD Shares directly, under the Completion Distribution. However, any Share Entitlement Note assigned to HLD or any of its subsidiaries will be automatically cancelled and the Allotment Right thereunder will be automatically extinguished, and therefore they will not receive any HLD Shares under the Completion Distribution. Any HLD Shares to be issued pursuant to the Share Entitlement Note will be issued at an issue price which is equal to the closing price of the HLD Shares as stated in the Stock Exchange's daily quotation sheets on the date of such issue (as required by applicable accounting standards) under the general mandate granted to the HLD Board by the resolutions passed at the annual general meeting of HLD held on 12 December 2006. Under such general mandate, the HLD Board is allowed to allot and issue up to a maximum of 388,516,000 new HLD Shares. As at the Latest Practicable Date, no HLD Shares have been allotted and issued pursuant to such general mandate. The closing price of the HLD Shares as stated in the Stock Exchange's daily quotation sheets on 28 September 2007 (being the last trading day before the release of the Announcement) was HK\$61.65 per HLD Share.

As the Share Entitlement Note is to be issued to the Company (which is not a connected person of HLD) in satisfaction in part of the consideration payable by HLD under the Transaction, any issue of HLD Shares or payment pursuant thereto upon distribution of the Share Entitlement Note by the Company to any Shareholder who happens to be a connected person of HLD will not constitute a connected transaction under the Listing Rules as the distribution is to be made by the Company and there is no transaction between HLD and such persons.

LETTER FROM THE BOARD

Validity period

The Share Entitlement Note remains valid until the Allotment Right is or is deemed to be exercised or cancelled.

Listing

No application will be made for the listing of the Share Entitlement Note. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, any new HLD Shares which may be issued pursuant to exercise of the Allotment Right.

Conditions to Completion

Completion of the Transaction is conditional upon the fulfilment (or waiver, in certain cases as stated below) of the following Conditions:

- (a) the obtaining of all relevant third party consents or approvals by HLD as are necessary for the purpose of the Transaction;
- (b) the obtaining of all relevant third party consents or approvals by the Company, the Sale Companies and their subsidiaries and HKCG as are necessary for the purpose of the Transaction;
- (c) there being no material breach of the warranties in or any other term of the Agreement on the part of the Company;
- (d) the obtaining of the approval of the independent shareholders of the Company in respect of the Agreement and the transactions contemplated under the Agreement and the Completion Distribution at the EGM; and
- (e) approval being granted or agreed to be granted by the Stock Exchange for the listing of, and permission to deal in, all HLD Shares which may be issued pursuant to the Share Entitlement Note on terms and conditions satisfactory to HLD and the Company.

The Company may at any time waive in writing the Condition set out in (b) (in so far as consents and approvals in respect of the Company are concerned) above either in whole or in part and such waiver may be made subject to such terms and conditions as the Company may require. HLD may at any time waive in writing either of the Conditions set out in (a) and (c) above either in whole or in part and such waiver may be made subject to such terms and conditions as HLD may require. HLD and the Company may together waive by agreement in writing the Condition set out in (b) (other than in relation to consents and approvals in respect of the Company) above either in whole or in part and such waiver may be made subject to such terms and conditions as they may agree.

LETTER FROM THE BOARD

If any Condition has not been fulfilled or waived on or before 2 January 2008 (or such later date as is otherwise agreed between the parties in writing), the Agreement shall terminate and be of no further effect, and no party shall be entitled to any rights or benefits or be under any obligation under or in respect of the Agreement or have any liability to the other party, save in respect of any antecedent breach.

Warranties and indemnities

Customary warranties (including those in relation to title to assets, record keeping and compliance with law and material contracts) have been given by the Company to HLD pursuant to the Agreement.

A deed of tax covenant will be entered into between HLD and the Company at Completion pursuant to which the Company will indemnify HLD in respect of certain tax liabilities relating to events occurring on or before Completion. The Company has also warranted that, as at Completion, the Sale Companies and their subsidiaries will not have any liabilities (except to each other) other than the Shareholder's Loans.

Completion

The Agreement provides that Completion will take place on the Completion Date.

3. PROPOSED DISTRIBUTIONS AND SHARE PREMIUM REDUCTION

The Board notes that the Remaining Group will have no immediate requirement for the use of the proceeds from the sale of the HKCG Interests when received, and after careful consideration, is of the opinion that it would be in the interests of the Shareholders that such proceeds be distributed in full to the Shareholders. While the Company may require cash resources to pursue investments or selective acquisitions to complement its existing infrastructure business in the future, the Board notes that the Group has not currently identified a specific acquisition or development that would require cash in excess of its resources remaining after such distribution which are set out under the section headed "Remaining Group" below.

Accordingly, the Board proposed to recommend for approval by the Shareholders:

- (a) upon Completion, a dividend of a total amount which is equal to the sum of (i) the closing price of the HLD Shares as stated in the Stock Exchange's daily quotation sheets as at the date of Completion multiplied by 636,891,425 and (ii) the aggregate Dividend Amount (if any), which is to be satisfied not by payment of cash but by a distribution in specie of the entitlement to 0.209 HLD Share to be allotted under the Share Entitlement Note for each Share; and
- (b) if the Share Premium Reduction becomes unconditional, a further distribution of approximately HK\$3,687 million in cash, being HK\$1.21 per Share.

LETTER FROM THE BOARD

Out of the distribution of the entitlement to up to 636,891,425 HLD Shares, HLD or its subsidiaries would have an entitlement to up to 432,729,036 HLD Shares (based on their holding of 2,070,473,859 Shares as at the Latest Practicable Date). Such entitlement will be cancelled upon distribution to HLD and its subsidiaries and the HLD Shares relating thereto will not be allotted. Accordingly, only up to 204,162,389 HLD Shares (with a total nominal value of HK\$408,324,778) will be allotted to the other shareholders of the Company. The 204,162,389 HLD Shares represent approximately 10.51% of the existing issued share capital of HLD, or approximately 9.51% of the issued share capital of HLD as enlarged by the issue of such HLD Shares.

Fractional entitlements to the HLD Shares will not be distributed under the Completion Distribution to the Shareholders, but will be converted into HLD Shares and sold in the market for the benefit of the Company. Any HLD Shares attributable to entitlements of the Overseas Shareholders (other than fractional entitlements) under the Completion Distribution will be sold and the proceeds thereof (less expenses) will be paid in cash to them. For further information regarding the entitlements of the Overseas Shareholders, please refer to the section headed "Overseas Shareholders" on page 23 of this circular.

In relation to the Further Distribution of approximately HK\$3,687 million in cash, being HK\$1.21 per Share, the HLD Group will receive approximately HK\$2,505 million (if the number of the Shares held by the HLD Group as at the relevant record date is the same as that held as at the Latest Practicable Date, being 2,070,473,859 Shares) and the other Shareholders will receive approximately HK\$1,182 million.

However, after Completion, there will not be sufficient distributable reserve to make such distribution in its entirety. Accordingly, the Board proposed that the Completion Distribution be made upon Completion, and application be made to reduce the share premium account of the Company by HK\$4,215,728,461.60, which will be credited to the distributable reserve of the Company. Upon the Share Premium Reduction becoming unconditional, the Further Distribution can then be made from the increased distributable reserve of the Company. The amount standing to the credit of the share premium account of the Company as shown in the audited balance sheet of the Company as at 30 June 2007 was HK\$4,215,728,461.60.

The proposed amount of reduction of the share premium account of the Company under the Share Premium Reduction is larger than that required to implement the Further Distribution, so that additional distributable reserves to the extent of approximately HK\$579 million will be available to enable distribution of cash held by the Group surplus to the requirement of the Group for its business from time to time. In determining the amount of cash to be returned to the Shareholders, the Board would take into account the amount of cash resources necessary to be retained for future acquisitions, expansion and operational prudence. Furthermore, the Company will continue to have access to external financing should the need arise in the future.

The Share Premium Reduction is subject to fulfilment of the following conditions:

- (a) the approval of the Transaction by the Independent Shareholders at the EGM and Completion having occurred;

LETTER FROM THE BOARD

- (b) the passing by the Independent Shareholders of ordinary resolutions to approve the Proposed Distributions at the EGM;
- (c) the passing by the Shareholders of a special resolution to approve the Share Premium Reduction at the EGM;
- (d) the obtaining of all requisite consents from lenders to the Group; and
- (e) the confirmation of the Share Premium Reduction by the Court, the satisfaction of all conditions imposed by the Court and the registration by the Registrar of Companies in Hong Kong of a copy of the Court order confirming the Share Premium Reduction together with such other documents as may be required under section 61 of the Companies Ordinance.

The Share Premium Reduction will become effective upon fulfilment of the above conditions. The effective date of the Share Premium Reduction cannot be ascertained at present as it depends on (a) the making of arrangements with creditors of the Company such as obtaining appropriate consents from them; and (b) the availability of the Court for the necessary hearing dates which cannot be fixed until after the passing of the special resolution to approve the Share Premium Reduction. Further announcement(s) will be made by the Company to inform the Shareholders of such effective date.

HLD has undertaken that, if the resolution to approve the Transaction has been passed by the Independent Shareholders at the EGM, the HLD Group will vote in favour of the resolution to approve the Share Premium Reduction. All Shareholders are permitted to vote at the EGM in respect of the resolution approving the Share Premium Reduction. The Company has undertaken to HLD in the Agreement that it will propose a resolution to approve the Completion Distribution at the EGM. Subject to the passing of the resolution in relation to the Proposed Distribution(s), record date(s) will be fixed to determine entitlements to the Proposed Distribution(s).

4. REMAINING GROUP

Following Completion, the Company will remain a listed company.

The principal businesses of the Remaining Group are investment holding and infrastructure in the PRC. The infrastructure business of the Group currently comprises principally controlling interests in Hangzhou Qianjiang Third Bridge in Zhejiang Province and Maanshan City Ring Road in Anhui Province.

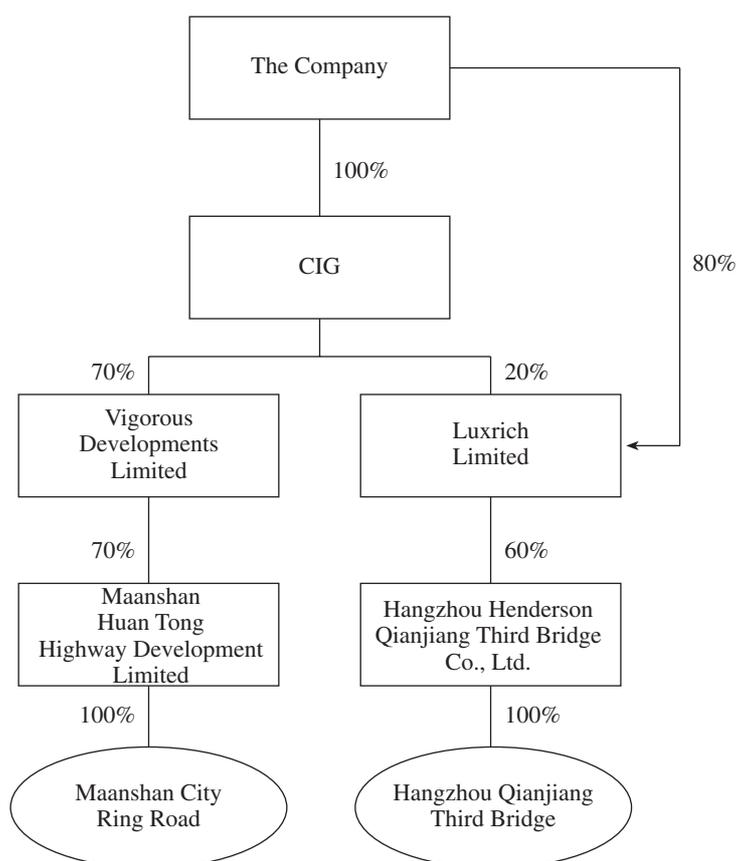
The Hangzhou Qianjiang Third Bridge, which was completed in 1997, is situated on National Highway No. 104, a major trunk route linking Beijing and Fujian Province. The toll bridge spans approximately 5.8 km over the Qiantangjiang River in Hangzhou, Zhejiang Province and connects the urban parts of Southern Hangzhou and Xiaoshan and Binjiang. The toll bridge is also an important nodal point for access to major roads leading to the Hangzhou Airport. After the recent completion of major repair and maintenance work, traffic volumes on the toll bridge have increased considerably.

LETTER FROM THE BOARD

The Maanshan City Ring Road, which was completed in 1997, is a class I highway that stretches approximately 40.5 km around Maanshan City in Anhui Province. Maanshan City is a leading industrial city in the PRC. The highway is part of the National Highway No. 205 linking the Nanjing-Maanshan Expressway in the North and the Wuhu-Maanshan Expressway in the South. The Group has a 25-year concession, during which time it has management and the toll-collection rights for the highway.

The Company holds the Hangzhou Qianjiang Third Bridge and Maanshan City Ring Road projects through CIG, except certain shareholdings in the toll bridge it holds directly. As described in the Company's announcement dated 29 August 2007, the Company increased its ownership in CIG from 64.1% to 100% and such increase of ownership in CIG by the Company has been completed. The acquisition of the remaining interest in CIG increased the Group's total investment in infrastructure projects in the PRC and provided it with further operating autonomy in the projects of CIG.

A simplified overview of the organisation chart of the principal businesses of the Remaining Group is set out below:



LETTER FROM THE BOARD

Set out below is a summary of certain financial information of the infrastructure business comprised in the audited consolidated accounts of the Company:

	For the year ended 30 June		
	2005	2006	2007
	HK\$ (million)	HK\$ (million)	HK\$ (million)
Turnover	236	136	189
Profit attributable to the Shareholders	57	51	62

The net assets of the infrastructure business attributable to the Shareholders as at 30 June 2007 were approximately HK\$644 million.

Based on the audited consolidated balance sheet of the Company as at 30 June 2007 after taking into account the acquisition of 31,159,000 HKCG Shares, the acquisition of the remaining interest of 35.9% in CIG subsequent to 30 June 2007 and assuming the proposed final dividend for the year ended 30 June 2007 had been paid, the total assets and net assets attributable to the Shareholders of the Remaining Group are as follows:

	After Completion Distribution (Without Share Premium Reduction) HK\$ (million)	After Proposed Distributions (With Share Premium Reduction) HK\$ (million)
Total assets (<i>Note</i>)	7,927	4,240
Including cash of (<i>Note</i>)	6,192	2,505
Net assets attributable to the Shareholders	5,228	1,541

Note: Including cash of approximately HK\$1,600 million arising from a loan to the Company by a fellow subsidiary which was repaid subsequent to 30 June 2007

5. FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

The unaudited pro forma financial information of the Remaining Group, which illustrates the financial effects of the Transaction and the Proposed Distributions on the Group's earnings, assets, liabilities and cashflows, is set out in Appendix III to this circular.

It is estimated that, based on the HLD Average Closing Price of HK\$61.475 and the carrying amount of the HKCG Interests as at the Latest Practicable Date, the Group would recognise a gain on disposal of the Sale Companies in the amount of approximately HK\$27,872 million. Such gain on disposal will be subject to changes as the HLD's share price moves and will be determined based on HLD's share price on the date of Completion and taking into account the change in the share of net assets of HKCG for the period from 1 July 2007 to the date of Completion as required by applicable accounting standards.

LETTER FROM THE BOARD

Based on the Group's audited consolidated profit and loss account for the year ended 30 June 2007 as set out in Appendix I to this circular, the profit attributable to the Shareholders was approximately HK\$5,391 million. Excluding the profit attributable to the Shareholders in relation to the discontinued operations of approximately HK\$1,765 million, the profit attributable to the Shareholders in relation to the continuing operations (including the Group's share of profit from the HKCG Interests) amounted to approximately HK\$3,626 million. Assuming the Completion and based on the unaudited pro forma consolidated profit and loss account of the Remaining Group as set out in Appendix III to this circular, the profit attributable to the Shareholders from continuing operations, excluding the gain on disposal of the Sale Companies in relation to the Transaction, was approximately HK\$222 million.

As at 30 June 2007, based on the Group's audited consolidated balance sheet as set out in Appendix I to this circular, the Group's total assets and total liabilities in relation to its continuing operations (including the HKCG Interests) amounted to approximately HK\$19,863 million and HK\$2,337 million, respectively. Assuming the Completion and based on the unaudited pro forma consolidated balance sheet of the Remaining Group as set out in Appendix III to this circular, the unaudited pro forma consolidated total assets of the Remaining Group were approximately (i) HK\$8,583 million after the Completion Distribution but before the Further Distribution; and (ii) HK\$4,896 million after both the Completion Distribution and the Further Distribution. The unaudited pro forma consolidated total liabilities of the Remaining Group were approximately HK\$2,337 million, both before and after the Proposed Distributions.

6. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

After Completion, the principal businesses of the Remaining Group will be investment holding and infrastructure in the PRC. The Remaining Group's infrastructure assets continue to benefit from the robust economic development and increased automobile ownership in the PRC. The Board currently expects the toll fee income generated by such infrastructure assets to represent an attractive and recurrent income source for the Remaining Group. The Remaining Group intends to identify additional infrastructure investment projects in the PRC.

7. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board believes that the Transaction will crystallise value for the Company through the realisation of the market value for its holding in HKCG. The Board believes that the current market price of the Shares does not fully reflect the value of its interest in HKCG Shares and infrastructure related business due to its existing corporate structure, and the Transaction will unlock value for the Shareholders and allow them to realise part of this value in HLD Shares and cash through the Proposed Distributions.

LETTER FROM THE BOARD

For the purpose of reference only, based on the 3,047,327,395 Shares in issue as at the Latest Practicable Date, the Proposed Distributions and the net asset value of the Group (excluding the HKCG Interests) attributable to the Shareholders where there will or will not be the Share Premium Reduction respectively are as follows:

	Proposed Distribution(s) of either or			
	(a) Without Share Premium Reduction		(b) With Share Premium Reduction	
	209 HLD Shares per 1,000 Shares		209 HLD Shares, plus HK\$1,210 per 1,000 Shares	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(million)</i>		<i>(million)</i>	
		Per 1,000 Shares		Per 1,000 Shares
	Total		Total	
<i>Distributions:</i>				
HLD Shares (<i>Note 1</i>)	39,153	12,848	39,153	12,848
Cash	—	—	3,687	1,210
<i>Value of the Remaining Group:</i>				
The net asset value of the Group (excluding the HKCG Interests) attributable to the Shareholders (<i>Note 2</i>)	<u>5,685</u>	<u>1,866</u>	<u>1,998</u>	<u>656</u>
Total	<u><u>44,838</u></u>	<u><u>14,714</u></u>	<u><u>44,838</u></u>	<u><u>14,714</u></u>
Total per Share (X)		14.71		14.71
HIL Average Closing Price (Y)		12.94		12.94
Premium ((X-Y)/Y)		13.7%		13.7%

Notes:

- (1) *Based on the HLD Average Closing Price of HK\$61.475.*
- (2) *Based on the consolidated balance sheet of the Company as at 30 June 2007 after taking into account the acquisition of 31,159,000 HKCG Shares and the remaining interest of 35.9% in CIG subsequent to 30 June 2007 but without taking into account the final dividend for the year ended 30 June 2007 which is yet to be approved and paid.*

LETTER FROM THE BOARD

The value of HK\$14.71 per Share set out above represents a premium of 13.7% to the HIL Average Closing Price.

Furthermore, the Board believes that the disposal of the Company's stake in HKCG and the establishment of a standalone infrastructure group will lead to favourable long-term value creation for Shareholders. The Company's portfolio of infrastructure assets is currently overshadowed by its significantly larger interest in HKCG Shares. As an infrastructure company, investors will be able to more easily identify the impact of new and existing infrastructure projects and assess their financial performance. Accordingly, the Board believes that the public markets will be able to apply suitable valuation metrics that account for the cash flow and dividend profile of the Company's infrastructure projects. In addition, as a publicly traded standalone infrastructure group, Shares may be a more effective form of acquisition currency for new infrastructure project acquisitions.

It is estimated that, upon Completion, the Group would recognise a gain on disposal of approximately HK\$27,872 million, representing the difference between the value of the consideration (including the Share Entitlement Note and cash) based on the HLD Average Closing Price and the current carrying amount of the interest in HKCG. Such gain on disposal will be subject to changes as the HLD's share price moves and will be determined based on HLD's share price on the date of Completion and taking into account the change in the share of net assets of HKCG for the period from 1 July 2007 to the date of Completion as required by applicable accounting standards.

The Board believes that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

8. LISTING RULES IMPLICATIONS

HLD is a holding company of the Company, and is therefore a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company. As one or more applicable percentage ratio(s) in respect of the Transaction exceeds 75%, the Transaction also constitutes a very substantial disposal of the Company. Therefore, for the Company, the Transaction is subject to the announcement, reporting and independent shareholders' approval requirements of Chapters 14 and 14A of the Listing Rules. A single resolution will be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder and the Proposed Distributions. As HLD and Dr. Lee Shau Kee are considered to have material interest which is different from other Shareholders so far as such matters are concerned, HLD, Dr. Lee Shau Kee and their respective associates and Fu Sang will be required to abstain from voting at the EGM on such resolution. As far as the Company is aware, as at the Latest Practicable Date, such persons in aggregate held a total of 2,122,559,709 Shares, representing approximately 69.65% of the issued share capital of the Company as at the Latest Practicable Date. So far as the Company is aware, no other Shareholder will be required by the Listing Rules to abstain from voting at the EGM on such resolution due to its having a material interest different from the other Shareholders.

LETTER FROM THE BOARD

As all independent non-executive directors of the Company are also independent non-executive directors of HLD, they are considered not to be independent to advise the Independent Shareholders in respect of the resolution to approve the Transaction. Therefore, no independent board committee of the Company will be formed to make recommendations to the Independent Shareholders in connection with the Transaction. CIMB-GK has been appointed by the Company to advise the Independent Shareholders in connection with the Transaction.

Completion of the Transaction, the Share Premium Reduction and the Proposed Distributions will not affect the listing of the Shares on the Stock Exchange.

9. DESPATCH OF HLD SHARE CERTIFICATES

Subject to Completion having occurred, the share certificates for the HLD Shares representing the Completion Distribution are currently expected to be despatched to the Shareholders on or before Tuesday, 20 November 2007.

In the absence of any specific instructions to the contrary received in writing by the share registrar of the Company before the register of members of the Company is closed for determination of entitlements to the Completion Distribution, the share certificates for the HLD Shares representing the Completion Distribution will be sent by ordinary mail to the Shareholders whose names appear on the register of members of the Company at the record date for the Completion Distribution at their respective addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first on the register of members of the Company in respect of the joint holding. All such share certificates will be sent at the risk of the persons entitled thereto and neither the Company nor HLD will be liable for any loss or delay in transmission.

10. OVERSEAS SHAREHOLDERS

The making of the Completion Distribution to those Shareholders not residing in Hong Kong may be subject to the laws and regulations of other jurisdictions. Such Shareholders should observe and inform themselves of any applicable legal or regulatory requirements in their respective jurisdictions. It is the responsibility of such Shareholders to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdictions in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Where the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place where practicable, consider the exclusion of a Shareholder whose addresses as shown on the register of members of the Company on the record date for the Completion Distribution is in a place outside Hong Kong under the Completion Distribution is necessary or expedient (e.g. where the Board has been advised that the allotment and issue of the HLD Shares by HLD to an Overseas Shareholder may be prohibited by any relevant law or so prohibited except after compliance with conditions or requirements which the Board regards as unduly onerous by reason of delay, expense or otherwise), the Board may assign the relevant entitlement (other than fractional entitlement) under the Share

LETTER FROM THE BOARD

Entitlement Note to a person to be selected by the Directors, such that the relevant HLD Shares will be issued to that person and that person will sell the same in the market as soon as reasonably practicable. The net proceeds of sale (less expenses) will be paid in cash to the relevant Overseas Shareholder in full satisfaction of his rights to the HLD Shares to which he would have been entitled under the Completion Distribution. The person to be selected by the Directors will sell the relevant HLD Shares in the market as soon as reasonably practicable on or after the date on which the share certificates for HLD Shares are despatched to the other Shareholders (which date is currently expected to be Tuesday, 20 November 2007) at such price(s) as may reasonably be obtained in the market. The net proceeds of sale, after deduction of expenses, will be sent by cheque via ordinary mail to the relevant Overseas Shareholder at his own risk within 14 days after any such sale but in any event within 28 days after the date of Completion. In the absence of bad faith or wilful default, none of the Company, HLD, any person selected by the Company to effect such sale or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale.

Based on legal advice received, the Board believes that it would be unduly onerous by reason of difficulty, delay, expense or otherwise to comply with the legal and regulatory requirements of Canada and the United States of America (including but not limited to the difficulty, delay and expense involved in ascertaining whether certain exemptions from compliance with the legal and regulatory requirements in relation to the Shareholders in the relevant jurisdictions are applicable on a case by case basis) in order to distribute HLD Shares to Shareholders whose addresses as shown on the register of members of the Company on the record date for the Completion Distribution are in Canada and the United States of America. The arrangement sets out in the preceding paragraph will therefore be applied to the Shareholders with registered addresses in Canada and the United States of America. It is not presently expected that the matters stated in the preceding paragraph will apply to any other overseas Shareholders based on their registered addresses as at the Latest Practicable Date.

11. TAXATION

Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Transaction and, in particular, whether the receipt of the Completion Distribution and/or the Further Distribution would make such Shareholder liable to taxation in Hong Kong or in other jurisdictions.

12. PRINCIPAL BUSINESSES OF THE HLD GROUP AND THE GROUP

The principal business activities of the HLD Group are property development and investment, finance, construction, infrastructure, hotel operation, department store operation, project management, investment holding and property management. The principal business activities of the Group are investment holding and infrastructure.

LETTER FROM THE BOARD

13. THE EGM

Set out on pages N-1 to N-3 of this circular is a notice convening the EGM to be held at Cuisine Cuisine, 3101, Podium Level 3, ifc mall, Central, Hong Kong on Monday, 12 November 2007 at 4:00 p.m. at which (i) an ordinary resolution will be proposed and, if thought fit, passed to approve the Agreement and the transactions contemplated thereunder and the Proposed Distributions; and (ii) a special resolution will be proposed and, if thought fit, passed to approve the Share Premium Reduction.

HLD, Dr. Lee Shau Kee and their respective associates and Fu Sang are required to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder and the Proposed Distributions which will be taken by poll. All Shareholders will be entitled to vote on the resolution approving the Share Premium Reduction at the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed. Shareholders are advised to read the notice and to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

14. CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

For the purpose of determination of entitlements to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 8 November 2007 to Monday, 12 November 2007, both days inclusive. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 7 November 2007.

In the event that the Agreement and the transactions contemplated thereunder and the Proposed Distributions are approved at the EGM, in order to establish entitlements to the Completion Distribution, the register of members of the Company will be closed on Friday, 16 November 2007, or such other date(s) as may be notified to the Shareholders by way of an announcement. In order to qualify for the Completion Distribution, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Thursday, 15 November 2007. The record date for the Completion Distribution will be on Friday, 16 November 2007.

LETTER FROM THE BOARD

The record date for determination of entitlements to the Further Distribution is dependent on, among other things, whether the Share Premium Reduction is approved at the EGM. In particular, such record date in the case where the Share Premium Reduction is approved at the EGM as specified in the “Expected Timetable” in this circular is indicative only. If the Share Premium Reduction is approved at the EGM, further announcement(s) in relation to the closure of the register of members of the Company for the purpose of determination of entitlements to the Further Distribution and the record date therefor will be made by the Company.

15. PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 80 of the articles of association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded or unless a poll is taken as may from time to time be required under the Listing Rules or under any other applicable laws, rules or regulations:

- (a) by the chairman of the meeting; or
- (b) by at least three members of the Company present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members of the Company present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members of the Company having the right to vote at the meeting; or
- (d) by a member or members of the Company present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

16. RECOMMENDATION

The Board considers that the Transaction is in the interests of the Company and that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole. The Board also considers that the Share Premium Reduction and the Proposed Distributions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that (a) the Independent Shareholders should vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder and the Proposed Distributions and (b) the Shareholders should vote in favour of the special resolution which will be proposed at the EGM to approve the Share Premium Reduction.

LETTER FROM THE BOARD

17. ADDITIONAL INFORMATION

Your attention is drawn to the letter of advice from CIMB-GK to the Independent Shareholders in respect of the terms of the Transaction and the information set out in the appendices to this circular.

Shareholders and potential investors should note that the Transaction, the Share Premium Reduction and the Proposed Distributions may or may not proceed as they are subject to a number of conditions, which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
Dr. Lee Shau Kee
Chairman and Managing Director

LETTER FROM CIMB-GK

The following is the full text of the letter of advice from CIMB-GK Securities (HK) Limited, the independent financial adviser to the Independent Shareholders prepared for the purpose of incorporation into this circular.



CIMB-GK Securities (HK) Limited

25/F Central Tower
28 Queen's Road Central
Hong Kong

20 October 2007

To the Independent Shareholders of Henderson Investment Limited

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Shareholders in relation to the Transaction, details of which are contained in a circular (the "Circular") to the Shareholders dated 20 October 2007, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

HLD is a holding company of the Company, and is therefore a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction as well as a very substantial disposal of the Company under the Listing Rules, and is subject to approval by the Independent Shareholders and any vote of the Independent Shareholders at the EGM shall be taken by poll. HLD, Dr. Lee Shau Kee and their respective associates and Fu Sang, being regarded as having a material interest under the Transaction, will abstain from voting in relation to the resolution approving the Transaction.

As all independent non-executive directors of the Company are also independent non-executive directors of HLD, they are considered not to be independent to advise the Independent Shareholders in respect of the resolution to approve the Transaction. Therefore, no independent board committee of the Company has been formed to make recommendations to the Independent Shareholders in connection with the Transaction.

LETTER FROM CIMB-GK

BASIS OF ADVICE

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of the Company. The Directors have declared in a responsibility statement set out in Appendix IV to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular. We have also assumed that the information and the Directors' representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truthfulness, accuracy and completeness of the information and representations provided to us by the Company. We have also been advised by the Directors that having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information and documents and have taken reasonable steps as required under Rule 13.80, including the notes thereto of the Listing Rules to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion relating to the Transaction, we have considered the following principal factors and reasons:

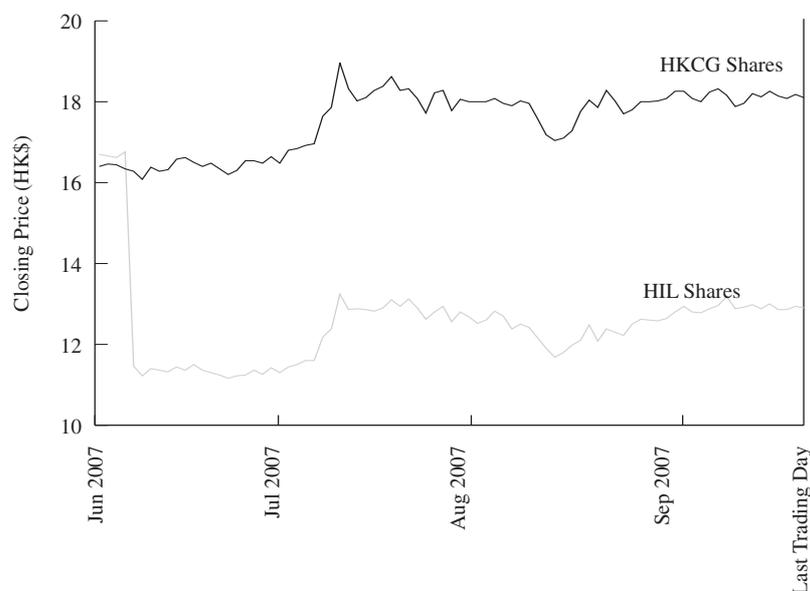
1. Background

On 27 March 2007, the Group announced its disposal (the "Previous Disposal") of its property portfolio and minority interests in two listed associated companies and other listed securities and the distribution of cash dividend. The main purpose of the Previous Disposal was to unlock the underlying asset value of the shares of the Company (the "HIL Shares") to the Shareholders. Following completion of the Previous Disposal on 13 June 2007, the principal business activities of the Group are investment holding of the HKCG Interests and infrastructure, with the HKCG Interests continuing to account for a majority of the Group's assets. With this asset composition structure and the Group's stated intention in the Previous Disposal that it will distribute in full the cash dividends received under the HKCG Interests, the HIL Shares principally represent a proxy holding for the HKCG Interests. Given the significant weighting of the HKCG Interests in the financial position and performances of the Group, we have reviewed the share price performances of the Company and HKCG during the

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period which commenced shortly before completion of the Previous Disposal in June 2007 up to and including 28 September 2007, being the last trading day of the HIL Shares on the Stock Exchange prior to the date of the Announcement (the “Last Trading Day”) as follows:

Price Performances of HIL Shares and HKCG Shares



As noted from the chart above, the share price performance of the Company closely tracked with that of HKCG during the period under review save for the acute decrease in the price of the HIL Shares in mid June 2007 which was due to the ex-dividend adjustment for the distribution of the HK\$5.00 cash dividend per HIL Share under the Previous Disposal at completion on 13 June 2007. We have assessed the trading discount of the HIL Shares to its consolidated net asset value (“NAV”) per HIL Share as adjusted by the relevant market price of the HKCG Shares following completion of the Previous Disposal since 14 June 2007 up to and including the Last Trading Day as follows:

Period (2007)	Average price per HIL Share (HK\$)	Average price per HKCG Share (HK\$)	<i>Notes</i>	Consolidated NAV per HIL Share as adjusted by the average market price of HKCG Shares on the value of the HKCG Interests (HK\$)	% of discount of the Average price per HIL Share to the adjusted consolidated NAV per HIL Share
14 June to 29 June	11.31	16.45	1	13.44	15.85%
For the month of July	12.45	17.80	2	14.65	15.02%
For the month of August	12.36	17.80	2	14.65	15.63%
3 September to 17 September	12.82	18.12	2&3	14.92	14.08%
18 September to 28 September <i>(the last trading day before the release of the Announcement)</i>	12.92	18.13	2&3	14.88	13.17%

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Notes:

1. Based on the consolidated NAV of the Group attributable to the Shareholders as at 30 June 2007, 3,047,327,395 HIL Shares in issue and 2,335,775,097 HKCG Shares held by the Company.
2. Based on the consolidated NAV of the Group attributable to the Shareholders as at 30 June 2007, 3,047,327,395 HIL Shares in issue and 2,366,934,097 HKCG Shares held by the Company.
3. The Company announced its annual results for the year ended 30 June 2007 after market closed on 17 September 2007.

As noted from the above, following completion of the Previous Disposal till the Last Trading Day, the HIL Shares were still traded within a range of discount of approximately 13.24% to 15.85% to its adjusted consolidated NAV per HIL Share based on the relevant market price of the HKCG Shares.

2. Reasons for the Transaction

The Board believes that the Transaction will crystallise value for the Company through the realisation of the market value for its holding in HKCG. The Transaction will unlock value for the Shareholders and allow them to realise part of this value in HLD Shares and cash through the Proposed Distributions. As a result of the Transaction, the Board proposes to recommend for approval by the Shareholders:

- (i) upon Completion, for each HIL Share a distribution of the entitlement of 0.209 HLD Share to be allotted under the Share Entitlement Note; and
- (ii) if the Share Premium Reduction becomes unconditional, a further distribution in cash of approximately HK\$3,687 million, being HK\$1.21 per HIL Share.

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Estimated theoretical enhancement in value

We have reviewed the value to be unlocked under the Proposed Distributions with the consolidated NAV of the Remaining Group (excluding the HKCG Interests) attributable to the Shareholders as extracted from the Letter from the Board of the Circular, where there will or will not be the Share Premium Reduction respectively as follows:

	Proposed Distribution(s) of			
	either (a) <u>without</u> Share		or (b) <u>with</u> Share	
	Premium Reduction		Premium Reduction	
	209 HLD Shares per 1,000 HIL Shares		209 HLD Shares, <i>plus</i> HK\$1,210 per 1,000 HIL Shares	
	<i>HK\$ million</i>	<i>HK\$ Per 1,000 HIL Shares</i>	<i>HK\$ million</i>	<i>HK\$ Per 1,000 HIL Shares</i>
	Total	HIL Shares	Total	HIL Shares
<i>Distributions:</i>				
HLD Shares (<i>Note 1</i>)	39,153	12,848	39,153	12,848
Cash	—	—	3,687	1,210
<i>Value of the Remaining Group:</i>				
Consolidated NAV of the Remaining Group (excluding the HKCG Interests) attributable to the Shareholders (<i>Note 2</i>)	<u>5,685</u>	<u>1,866</u>	<u>1,998</u>	<u>656</u>
Total	<u><u>44,838</u></u>	<u><u>14,714</u></u>	<u><u>44,838</u></u>	<u><u>14,714</u></u>
Total per HIL Share (X)		14.71		14.71
HIL Average Closing Price (Y)		12.94		12.94
Estimated theoretical enhancement in value per HIL Share ((X-Y)/Y) of approximately		13.7%		13.7%

Notes:

1. Based on the HLD Average Closing Price of HK\$61.475.
2. Based on the audited consolidated balance sheet of the Group as at 30 June 2007 after taking into account the acquisition of 31,159,000 HKCG Shares and the remaining interest of 35.9% in CIG subsequent to 30 June 2007 but without taking into account the final dividend of the Company for the year ended 30 June 2007 which has yet to be approved and paid.

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As noted from the above, based on the HLD Average Closing Price, the total value per HIL Share implied under the Transaction and the Proposed Distributions will be equivalent to approximately HK\$14.71. When comparing this value per HIL Share with the HIL Average Closing Price of HK\$12.94, the Transaction and the Proposed Distributions will give rise to an estimated theoretical enhancement in the value of each HIL Share by approximately 13.7%.

We have conducted an alternate analysis on the estimated theoretical impact arising from the Transaction on the Shareholders based on the terms of the Transaction and the Proposed Distributions, and assuming that the Shareholders have disposed of the HIL Shares at the HIL Average Closing Price/closing price of the HIL Shares on the Last Trading Day, retained HK\$1,210 per 1,000 HIL Shares while using the remaining proceeds to purchase HLD Shares at the HLD Average Closing Price/closing price of the HLD Shares on the Last Trading Day. The purpose of this alternate analysis is to ascertain the number of HLD Shares that can be purchased under that scenario (net of the HK\$1,210 cash payment so as to maintain the same basis with the terms of the Transaction) and compares it with the 209 HLD Shares to be received under the Transaction. Details of the findings are as follows:

	Based on the closing prices of the HIL Shares and the HLD Shares on the Last Trading Day HK\$	Based on the HIL Average Closing Price and the HLD Average Closing Price HK\$
Gross disposal proceeds of 1,000 HIL Shares	12,900 (at closing price of the HIL Shares of HK\$12.90 on the Last Trading Day)	12,940 (at HIL Average Closing Price of HK\$12.94)
Less: cash payment of HK\$1,210 per 1,000 HIL Shares <i>(to be retained by the Shareholders)</i>	(1,210)	(1,210)
Remaining proceeds available (A)	11,690	11,730
Purchase price of the HLD Shares (B)	61.65 (closing price of HLD Shares on the Last Trading Day)	61.475 (the HLD Average Closing Price)
Number of HLD Shares to be purchased (A)/(B)	<u>190</u>	<u>191</u>
Under the terms of the Transaction:		
Number of HLD Shares to be distributed	209	209
Number of HIL Shares to be retained	1,000 <i>(Note)</i>	1,000 <i>(Note)</i>

Note: The consolidated NAV of the Remaining Group attributable to the Shareholders after the Proposed Distributions (with Share Premium Reduction) is approximately HK\$1,998 million, representing approximately HK\$0.656 per HIL Share.

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As noted from the above analysis, should Shareholders have disposed of 1,000 HIL Shares at the HIL Average Closing Price, retained HK\$1,210 and used the remaining proceeds to purchase the HLD Shares based on the HLD Average Closing Price, they can purchase 191 HLD Shares, which is less than the 209 HLD Shares to be distributed under the Transaction. This is notwithstanding the fact that under the Transaction, Shareholders can continue to hold onto their HIL Shares, with the consolidated NAV of the Remaining Group attributable to the Shareholders of approximately HK\$1,998 million, representing approximately HK\$0.656 per HIL Share) after the Proposed Distributions (with Share Premium Reduction), while under the alternate theoretical scenario, the Shareholders have to dispose of their holdings in the HIL Shares in order to receive 191 HLD Shares per 1,000 HIL Shares. The alternate theoretical analysis shows that the Transaction enhances the value of the Shareholders' interests in the HIL Shares. We have not used the closing price of the HIL Shares as at the Latest Practicable Date to conduct the aforesaid alternate analysis as we consider that inappropriate because the price of the HIL Shares after the release of the Announcement would have already reflected the theoretical value arising from the Transaction.

Given the above and also i) the fact that based on the HLD Average Closing Price approximately 91% of the consideration for the Transaction will be payable in the form of HLD Shares which, we consider, will provide the Shareholders with the flexibility to continue indirectly retaining a substantial part of their interests in the HKCG Interests through holding of the HLD Shares and to sell the HLD Shares as and when the Shareholders see fit; and ii) the historical share price performances of the HIL Shares, the HKCG Shares and the HLD Shares as further elaborated in the sub-section headed "Payment structure" under the section headed "4. The consideration for the Transaction" below, we concur with the views of the Board that the Transaction would enable the Shareholders to unlock value in the HIL Shares by realizing part of this value in HLD Shares and cash through the Proposed Distributions.

A standalone infrastructure company

We noted that the Company will become a standalone infrastructure company following Completion, and given this focused line of business and asset backing, we concur with the views of the Board that the Transaction will enable investors to more easily identify the impact of new and existing infrastructure projects and assess their financial implications to the Remaining Group. This will facilitate the market to attribute an appropriate and fair valuation of the potentials of the infrastructure projects of the Remaining Group, which is in the interests of the Company and the Shareholders as a whole. In addition, we also believe that as a standalone infrastructure group (whereby the overall valuation of the Company, hence the HIL Shares, will not be complicated by the market valuation of the share of interests in HKCG, an associated company), the HIL Shares would be fairly used as a form of acquisition currency for new infrastructure project acquisitions.

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Views

Having considered the above factors in particular:

- i) the historical discounts of the price of the HIL Shares to the consolidated NAV per HIL Share (as adjusted by the market value of the HKCG Shares) before the release of the Announcement;
- ii) the estimated theoretical enhancement in the implied value per HIL Share under the Transaction and the Proposed Distributions;
- iii) the historical share price performance of the HIL Shares, the HKCG Shares and the HLD Shares and the reasonableness of the payment structure of the Transaction as further elaborated in the sub-section headed "Payment structure" under the section headed "4. The consideration for the Transaction" below; and
- iv) the standalone infrastructure business nature and asset composition of the Remaining Group which facilitates a clearer valuation by the market on the future potentials of the Remaining Group,

we consider that the Transaction is in the interests of the Company and the Shareholders as a whole.

3. *Information on the Sale Companies and HKCG*

The assets to be disposed of under the Transaction are principally the HKCG Interests, being the Company's entire interests in HKCG of approximately 39.06% of HKCG's total issued share capital, through the disposal of interests in the Sale Companies and the Shareholder's Loans. The principal business activities of the Sale Companies are investment holding in HKCG, whereas the principal business activities of HKCG and its subsidiaries are the production, distribution and marketing of gas, water and related activities in Hong Kong and the PRC. The following table sets out certain financial information in relation to the Sale Companies as extracted from the Letter from the Board contained in the Circular:

	2007	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>
Aggregate net assets attributable to the interests in, and the Shareholder's Loans due from, the Sale Companies as at 30 June (<i>Note 1</i>)	14,387 (<i>Note 2</i>)	11,693 (<i>Note 3</i>)
Aggregate profits before and after taxation for the year ended 30 June (<i>Note 1</i>)	3,404	1,798

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Notes:

1. The net assets attributable to the interests in the Sale Companies and their subsidiaries as a whole comprised in the audited consolidated accounts of the Company, with the interests in HKCG being equity accounted for in relation to the Sale Companies and their subsidiaries.
2. The net assets attributable to the interests in the Sale Companies and the Shareholder's Loans as at 30 June 2007 were HK\$8,964 million and HK\$5,423 million respectively
3. The net assets attributable to the interests in the Sale Companies and the Shareholder's Loans as at 30 June 2006 were HK\$6,302 million and HK\$5,391 million respectively.

We note that apart from the HKCG Interests and the Shareholder's Loans, the Sale Companies did not have any other major assets or liabilities as at 30 June 2007.

HKCG

As the assets of the Sale Companies are the HKCG Interests, we set out below the audited financial results of HKCG and its subsidiaries (the "HKCG Group") for the two years ended 31 December 2006 and the unaudited financial results of the HKCG Group for the six months ended 30 June 2007 and the previous comparative period:

	For the year ended		For the six months	
	31 December		ended 30 June	
	2005	2006	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	9,350.9	13,465.3	5,418.4	5,763.7
Profit attributable to the shareholders of HKCG				
— Gas business and property rental	3,061.8	3,224.4	1,803.6	1,963.8
— Sales of property units and property development projects	1,621.5	1,779.4	117.7	728.2
— Revaluation surplus on investment property	598.1	858.8	588.2	542.2
— Gain on disposal of assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,235.7</u>
	<u>5,281.4</u>	<u>5,862.6</u>	<u>2,509.5</u>	<u>5,469.9</u>

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For the year ended 31 December 2006, the HKCG Group recorded a turnover of approximately HK\$13,465.3 million, representing an increase of 44.0% as compared with the previous year ended 31 December 2005 of approximately HK\$9,350.9 million. The substantial increase in turnover for the year ended 31 December 2006 was mainly attributable to the property sales revenue of approximately HK\$3,366.5 million. No property sales revenue was recorded by the HKCG Group for the year ended 31 December 2005. The profit attributable to the shareholders of HKCG for the year ended 31 December 2006 was approximately HK\$5,862.6 million, representing an increase of approximately 11.0% from approximately HK\$5,281.4 million reported in the previous year.

For the six months ended 30 June 2007, the HKCG Group recorded a turnover of approximately HK\$5,763.7 million representing an increase of 6.4% as compared with the previous period of approximately HK\$5,418.4 million. Such increase in turnover was mainly attributable to the property sales revenue of approximately HK\$384.8 million. No property sales revenue was recorded by the HKCG Group for the previous period. The profit attributable to the shareholders of HKCG for the six months ended 30 June 2007 was approximately HK\$5,469.9 million, representing an increase of approximately 118.0% from approximately HK\$2,509.5 million reported in the previous period. Such substantial increase in profit was mainly attributable to a one-off gain of approximately HK\$2,235.7 million resulting from the HKCG Group's disposal of its interests in ten piped city-gas joint ventures to Towngas China Company Limited ("Towngas China").

As at 30 June 2007, the unaudited consolidated NAV of the HKCG Group attributable to the shareholders amounted to approximately HK\$25,172.6 million as compared to approximately HK\$20,693.7 million as at 31 December 2006.

4. The consideration for the Transaction

a) *Basis*

The valuation of the HKCG Interests has been determined based on the HKCG Average Closing Price of HK\$18.108 and the 2,366,934,097 HKCG Shares held by the Company (as at the date of the Agreement) and amounted to approximately HK\$42,860 million (the "Consideration"). We noted that the Consideration represents:

- a historic price-earnings ratio ("PER") of approximately 18.72 times the 39.06% attributable interest in the audited consolidated net profit attributable to the shareholders of HKCG for the year ended 31 December 2006 of approximately HK\$5,862.6 million; and
- a price to NAV ("PBR") of approximately 4.36 times the 39.06% attributable interests in the unaudited consolidated NAV of the HKCG Group attributable to the shareholders as at 30 June 2007 of approximately HK\$25,172.6 million.

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The Consideration will be satisfied by:

- the issue to HIL of the Share Entitlement Note, which shall confer on the holder the right to call for the issue by HLD of 636,891,425 HLD Shares credited as fully paid. The number of HLD Shares have been determined based on the HLD Average Closing Price of HK\$61.475, with an aggregate value of such 636,891,425 HLD Shares at approximately HK\$39,153 million; and
- HK\$3,707 million in cash.

In assessing the fairness of the basis of the Consideration, we have taken into account the share price performance of HKCG, as well as the implied PER and PBR for the HKCG Interests as compared with the relevant listed comparable companies and the relevant comparable transactions.

Share price performance of HKCG

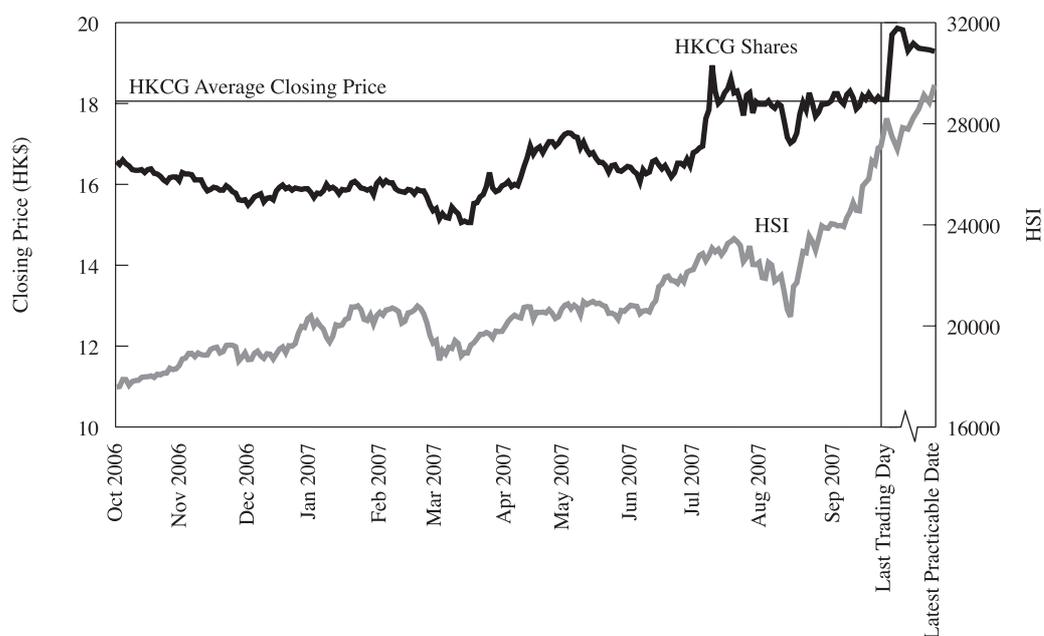
The HKCG Average Closing Price represents:

Share price reference	Premium / (Discount) of the HKCG Average Closing Price over/to the closing price of HKCG Shares %
— to the closing price of HK\$18.10 per HKCG Share as quoted on the Stock Exchange on 28 September 2007, the Last Trading Day;	0.04
— to the average closing price of approximately HK\$18.108 per HKCG Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;	At par
— to the average closing price of HK\$18.084 per HKCG Share as quoted on the Stock Exchange for the last 30-day period immediately up to and including the Last Trading Day;	0.13
— to the average closing price of HK\$17.960 per HKCG Share as quoted on the Stock Exchange for the last 60-day period up to and including the Last Trading Day;	0.82
— to the average closing price of HK\$17.496 per HKCG Share as quoted on the Stock Exchange for the last 120-day period up to and including the Last Trading Day; and	3.50
— to the closing price of HK\$19.300 per HKCG Share as quoted on the Stock Exchange on the Latest Practicable Date.	(6.18)

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We have reviewed the share price performance of HKCG relative to the Hang Seng Index during the 12 months preceding the date of Announcement (the “Pre-Announcement Period”) and from the date of the release of the Announcement up to the Latest Practicable Date (the “Post-Announcement Period”) as follows:

Price Performance of HKCG Shares relative to Hang Seng Index (HSI) performance



During the Pre-Announcement Period, HKCG Shares generally traded below the HKCG Average Closing Price, and recorded the lowest closing price of HK\$15.07 in March 2007 and the highest closing price of HK\$18.10 on the Last Trading Day. The performance of the HKCG Shares was principally in line with those of the Hang Seng Index throughout the Pre-Announcement Period.

The share price of HKCG experienced an acute increase following the release of the Announcement to record at the highest closing of HK\$19.88 on 4 October 2007. Thereafter, the closing price of the HKCG Shares decreased from its peak to the lowest of HK\$19.30 on the Latest Practicable Date.

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PER and PBR analysis on the HKCG Average Closing Price

As the principal source of revenue of HKCG is the sale and distribution of piped city-gas with its core market in Hong Kong, in assessing the fairness of the Consideration, we have to the best of our knowledge, reviewed the PER and PBR of other similar companies listed on the Main Board of the Stock Exchange (the “Utility Comparables”) whose principal businesses are also engaged in the provision of other utility services with a core market focus in Hong Kong:

Name of the Utility Comparables	Market capitalization <i>(note 1)</i> <i>HK\$ million</i>	PER (times) <i>(note 2)</i>	PBR (times) <i>(note 2)</i>
CLP Holdings Limited	129,588	13.09	2.14
Hongkong Electric Holdings Limited	86,160	12.58	1.94
HKCG (Based on the HKCG Average Closing Price) (Note 3)	109,728 <i>(Note 4a)</i>	18.72 <i>(Note 4b)</i>	4.36 <i>(Note 4c)</i>

Notes:

1. Calculated based on the 10-day average closing prices of the Utility Comparables up to and including the Last Trading Day and the number of shares reported on the Stock Exchange’s Website on the Last Trading Day.
2. Calculated based on the 10-day average closing prices of the Utility Comparables up to and including the Last Trading Day divided by the respective reported earnings and NAV per share as the case may be (based on the number of shares reported on the Stock Exchange’s Website on the Last Trading Day) per the latest published financial results of the Utility Comparables available on the Latest Practicable Date.
3. The closing price of the HKCG Shares as at the Latest Practicable Date has not been used in conducting the analysis as the price of the HKCG Shares after the release of the Announcement would have been affected by the market conditions and sentiment towards the Transaction.
4. Based on a) 6,059,635,986 HKCG Shares in issue as at the Last Trading Day; b) the 39.06% attributable interest in the audited consolidated net profit attributable to the shareholders of HKCG for the year ended 31 December 2006; and c) the 39.06% attributable interest in the unaudited consolidated NAV of the HKCG Group attributable to the shareholders as at 30 June 2007.

As noted above, the implied PER and PBR of HKCG under the HKCG Average Closing Price of approximately 18.72 times and 4.36 times are higher than those of the PER and the PBR of the Utility Comparables.

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We have also compared the other comparable companies listed on the Main Board of the Stock Exchange whose principal business is engaged in the distribution of gas and related business (“Gas Comparables”). Given the market capitalization of HKCG of approximately HK\$109,728 million (based on the HKCG Average Closing Price), to provide a meaningful analysis, we have included those Gas Comparables with a market capitalization of above HK\$5,000 million and compared their PERs and PBRs with those of HKCG as implied by the HKCG Average Closing Price as follows:

Name of the Gas Comparables	Market capitalization <i>(note 1)</i> <i>HK\$ million</i>	PER (times) <i>(note 2)</i>	PBR (times) <i>(note 2)</i>
China Gas Holdings Limited (“China Gas”)	10,407	50.69	4.43
Towngas China	8,763	Loss making	1.63
XinAo Gas Holdings Limited (“XinAo Gas”)	13,519	<u>32.65</u>	<u>4.00</u>
<i>Average</i>		41.67	3.35
HKCG (Based on the HKCG Average Closing Price) (Note 3)	109,728 <i>(Note 4a)</i>	18.72 <i>(Note 4b)</i>	4.36 <i>(Note 4c)</i>

Notes:

- (1) Calculated based on the 10-day average closing prices of the Gas Comparables up to and including the Last Trading Day and the number of shares reported on the Stock Exchange’s Website on the Last Trading Day.
- (2) Calculated based on the 10-day average closing prices of the Gas Comparables up to and including the Last Trading Day divided by the respective reported earnings and NAV per share as the case may be (based on the number of shares reported on the Stock Exchange’s Website on the Last Trading Day) per the latest published financial results of the Gas Comparables available on the Latest Practicable Date.
- (3) The closing price of the HKCG Shares as at the Latest Practicable Date has not been used in conducting the analysis as the price of the HKCG Shares after the release of the Announcement would have been affected by the market conditions and sentiment towards the Transaction.
- (4) Based on a) 6,059,635,986 HKCG Shares in issue as at the Last Trading Day; b) the 39.06% attributable interest in the audited consolidated net profit attributable to the shareholders of HKCG for the year ended 31 December 2006; and c) the 39.06% attributable interest in the unaudited consolidated NAV of the HKCG Group attributable to the shareholders as at 30 June 2007.

As noted from the table above, the PER of HKCG as implied under the HKCG Average Closing Price is lower than those of the Gas Comparables. We noted that the operations of the Gas Comparables are in the PRC. As the piped city-gas distribution market in Hong Kong (being the core market of HKCG) is a mature market as compared to those in the PRC, HKCG only recorded a rate of growth of approximately 5.9% in its gas revenue in FY2006 as compared to those of China Gas and XinAo Gas, which recorded a growth rate in gas revenue of approximately 160.3% and 98.8%, respectively, in their latest financial years. Notwithstanding this, the PBR of HKCG as implied under the HKCG Average Closing Price is still comparable to those of the Gas Comparables.

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Comparable transaction analysis

We noted that the Gas Comparables have effected comparable transactions in the 12 months before the Last Trading Day, with details as follows:

Name of the Gas Comparables/(Date of announcement)	Particulars of business acquired/disposed	Consideration	Historic PER (times) (Note)	Historic PBR (times) (Note)
Towngas China (4 December 2006)	Acquired HKCG's interests in various piped city-gas joint venture companies in the PRC and the related shareholders' loans.	Approximately HK\$3,799 million	147.0	3.98
Xinao Gas (6 November 2006)	Acquired the remaining minority interests in a non-wholly subsidiary with investment in gas pipeline infrastructure and sales of piped gas and bottled liquefied petroleum gas in Huaian city, Jiangsu Province, the PRC.	Approximately RMB27.8 million	59.5	Not available
Xinao Gas (6 November 2006)	Disposal of interests in business in relation to the manufacture of dimethyl ether, which can be used as a substitute for and/or to mix with natural gas or liquefied petroleum gas.	Approximately RMB14.86 million	Not available	1.0

Note: As extracted from the relevant announcements and circulars of the Gas Comparables.

As explained above, given that all the comparable transactions were related to the acquisition and disposal of gas business and assets in the PRC, this may have been attributable to their higher acquisition PERs as compared to the PER of HKCG as implied under the HKCG Average Closing Price. We noted from the circular of Towngas China that the higher acquisition PER was attributable to the fact that the subject PRC piped city-gas joint venture companies acquired by Towngas China were at an early stage of development and the consideration was based on the future prospects of those piped gas joint ventures as well as their PBRs. Nonetheless, we noted that in terms of PBR comparison, the implied PBR of HKCG under the HKCG Average Closing Price of approximately 4.36 times compares favourably with those noted in the aforesaid comparable transactions effected by the Gas Comparables.

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Views

Having taken into account the above analyses, we consider that the HKCG Average Closing Price is fair and reasonable to be used in determining the Consideration.

b) *Payment structure*

Based on the HLD Average Closing Price, approximately 91% of the Consideration will be satisfied by the issue of 636,891,425 HLD Shares, with the remaining balance to be payable in cash. Of the distribution of the entitlement to up to 636,891,425 HLD Shares, HLD or its subsidiaries would have an entitlement of up to 432,729,036 HLD Shares (based on their holding of 2,070,473,859 HIL Shares as at the Latest Practicable Date). Such entitlement will be cancelled upon distribution to HLD and its subsidiaries and the HLD Shares relating thereto will not be allotted. Accordingly, only up to 204,162,389 HLD Shares will be allotted to the other Shareholders. The 204,162,389 HLD Shares represent approximately 10.51% of the existing issued share capital of HLD, or approximately 9.51% of the issued share capital of HLD as enlarged by the issue of such HLD Shares.

Financial information on HLD

We set out below, for information purposes, the audited financial results of the HLD Group for the three years ended 30 June 2007 as extracted from its relevant annual reports:

	For the year ended 30 June		
	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	5,833.3	6,773.0	8,355.9
Profit before taxation	13,699.3	17,196.0	12,671.7
Profit attributable to the shareholders of HLD	10,852.8	13,548.7	9,817.7

For the year ended 30 June 2006 (“FY2006”), HLD and its subsidiaries recorded a turnover of approximately HK\$6,773.0 million representing an increase of 16.1% as compared with the previous year ended 30 June 2005 (“FY2005”) of approximately HK\$5,833.3 million. Property development revenue showed an increase of 43.7% over the previous year. The profit attributable to the shareholders of HLD for FY2006 was approximately HK\$13,548.7 million, representing an increase of approximately 24.8% from approximately HK\$10,852.8 million reported in FY2005. The increase in profit after taxation attributable to shareholders of HLD in FY2006 was partially contributed by the increase in revaluation surplus of investment properties by HK\$531.5 million when compared with FY2005. The underlying profit for FY2006, excluding the unrealized revaluation surplus of investment properties (net of deferred tax), was approximately HK\$5,268.2 million, representing an increase of HK\$855.4 million or 19.4% as compared to FY2005.

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For the year ended 30 June 2007 (“FY2007”), the HLD Group recorded a turnover of approximately HK\$8,355.9 million representing an increase of 23.4% as compared with FY2006 of approximately HK\$6,773.0 million. The increase in turnover for FY2007 was mainly attributable to the increase in property sales revenue. The profit attributable to the shareholders of HLD for FY2007 was approximately HK\$9,817.7 million, representing a decrease of approximately 27.5% from approximately HK\$13,548.7 million reported in FY2006. Such decrease in profit was mainly due to the higher revaluation surplus (net of deferred tax) of investment properties held by the Group, its associates and jointly controlled entities recognized in FY2006 for an additional amount of approximately HK\$4,345.6 million when compared with FY2007. The underlying profit for FY2007, excluding the revaluation surplus of investment properties (net of deferred tax), was HK\$5,882.8 million, representing an increase of approximately HK\$614.6 million or 11.7% as compared to FY2006.

As at 30 June 2007, the audited consolidated NAV attributable to the shareholders of HLD amounted to approximately HK\$92,219 million, representing approximately HK\$47.47 per HLD Share (based on 1,942,580,000 HLD Shares in issue). For illustrative purposes, assuming the 204,162,389 HLD Shares falling to be issued under the Share Entitlement Note were to be issued at the HLD Average Closing Price and to have been issued on 30 June 2007, in accordance with the applicable accounting standards in Hong Kong, the consolidated NAV attributable to the shareholders of HLD per HLD Share as at 30 June 2007 would have been adjusted to approximately HK\$48.80 as a result of the Transaction. The actual change in the consolidated NAV per HLD Share will depend on, among other things, the share price of HLD on the date of Completion.

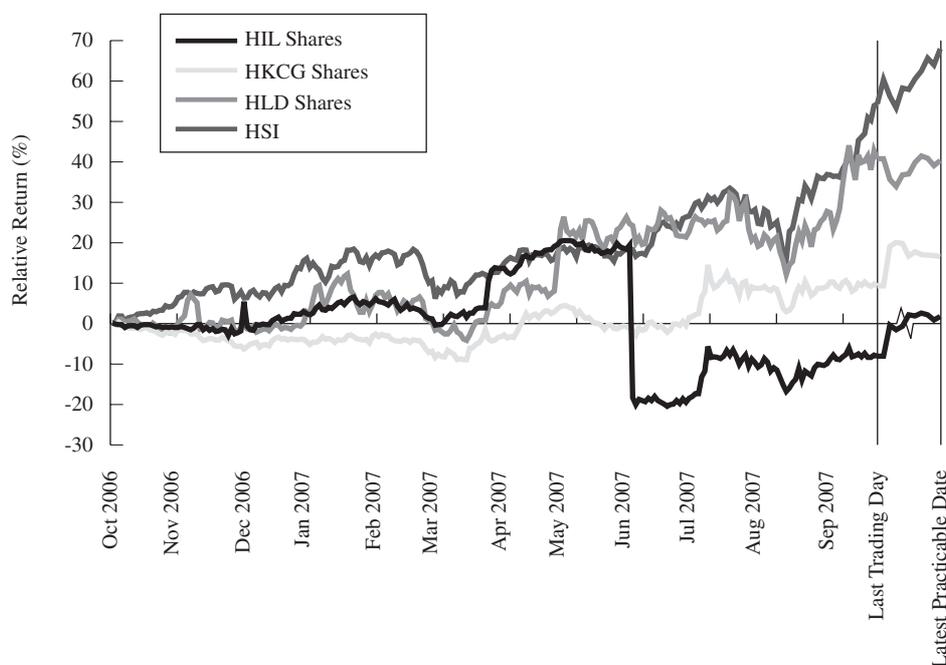
Relative share price performances

We noted that the estimated theoretical enhancement in value per HIL Share under the Transaction and the Proposed Distributions will vary in accordance with the share price performance of the Company, HKCG and HLD, which are affected by the market conditions, perceptions and speculative activities towards the share prices of the Company, HKCG and HLD. If the HLD Shares continue to outperform the HIL Shares and the HKCG Shares, the theoretical enhancement in the value

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of each HIL Share under the Transaction will be higher and vice versa. We have assessed the respective price performances of the HIL Shares, HKCG Shares, the HLD Shares relative to the Hang Seng Index during the Pre-Announcement Period and the Post-Announcement Period as follows:

Price Performances of HLD Shares, HKCG Shares, HIL Shares relative to HSI performance



We note that during the Pre-Announcement Period, the relative share price movements of HLD, the Company and HKCG were generally in line with each other and with the Hang Seng Index save for the acute decrease in the share price of the Company in early June 2007 following payment of the HK\$5.00 cash dividend per HIL Share under the Previous Disposal.

Following the release of the Announcement, the respective prices of the HIL Shares and the HKCG Shares increased from HK\$12.90 and HK\$18.10 on the Last Trading Day to reach the highest of HK\$14.40 and HK\$19.88 during the Post-Announcement Period and closed at HK\$14.28 and HK\$19.30 on the Latest Practicable Date, respectively. The price of the HLD Shares also increased from HK\$61.65 on the Last Trading Day to the highest of HK\$61.95 during the Post-Announcement Period and closed at HK\$61.45 on the Latest Practicable Date. We noted that the share price performances of the HIL Shares, HKCG Shares and the HLD Shares during the Post-Announcement Period were generally in line with each other and with the Hang Seng Index.

Views

Although we are not in a position to opine on the future trend of the share price performances of the Company, HKCG and HLD, and hence the theoretical enhancement in the value of each HIL Share going forward, on the basis that i) the general alignment of the historical share price performances of the three companies with each other and with the Hang Seng Index during the Pre-Announcement Period as elaborated above; and ii) there were no anomalies noted in the share

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price performances of the Company, HKCG and HLD during the Pre-Announcement Period and the Post-Announcement Period, we consider the substantial part of the Consideration payable in the form of HLD Shares, which will be distributed to the Shareholders, will provide the Independent Shareholders with the flexibility to continue enjoying the prospects of HKCG indirectly through holding of the HLD Shares and to sell the HLD Shares as and when the Independent Shareholders see fit. Having considered these factors, we regard the payment structure of the Transaction to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

c) *Share price performance of HLD*

The number of HLD Shares falling to be issued under the Share Entitlement Note to be received by the Company under the Transaction has been determined based on the HLD Average Closing Price. In assessing the fairness of the HLD Average Closing Price, we have reviewed the share price of HLD and conducted the PBR analysis with other listed comparable property companies.

The HLD Average Closing Price represents:

Share price reference	Premium / (Discount) of the HLD Average Closing Price over/to the closing price of HLD Shares (%)
— to the closing price of HK\$61.65 per HLD Share as quoted on the Stock Exchange on 28 September 2007, the Last Trading Day;	(0.28)
— to the average closing price of approximately HK\$61.475 per HLD Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;	At par
— to the average closing price of HK\$58.27 per HLD Share as quoted on the Stock Exchange for the last 30-day period immediately up to and including the Last Trading Day;	5.50
— to the average closing price of HK\$55.52 per HLD Share as quoted on the Stock Exchange for the last 60-day period up to and including the Last Trading Day;	10.73
— to the average closing price of HK\$54.99 per HLD Share as quoted on the Stock Exchange for the last 120-day period up to and including the Last Trading Day; and	11.79
— to the closing price of HK\$61.45 per HLD Share as quoted on the Stock Exchange on the Latest Practicable Date.	0.04

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The share price performance of HLD relative to the Hang Seng Index during the Pre-Announcement Period and the Post-Announcement Period is as follows:

Price Performance of HLD Shares relative to HSI performance



During the Pre-Announcement Period, HLD Shares generally traded below the HLD Average Closing Price and recorded the lowest closing price of HK\$41.95 as at 19 March 2007 and the highest closing price of HK\$63.10 as at 14 September 2007. The performance of the HLD Shares was principally in line with the Hang Seng Index in the first half of the Pre-Announcement Period, and began to outperform the Hang Seng Index since May 2007. During the Post-Announcement Period, the closing price of the HLD Shares ranged from HK\$58.65 on 4 October 2007 to HK\$61.95 on 10 October 2007 and closed at HK\$61.45 on the Latest Practicable Date.

PBR analysis on the HLD Average Closing Price

As the HLD Group is principally engaged in property development and investment business, whereby the earnings in each year (hence the PER) will fluctuate depending on the sales of property units and development projects in that year, we consider it more appropriate to analyse the fairness of the HLD Average Closing Price with reference to the PBR. The HLD Average Closing Price represents a PBR of approximately 1.30 times the audited consolidated NAV attributable to the shareholders of HLD per HLD Share of approximately HK\$47.47 as at 30 June 2007 (based on the consolidated NAV attributable to the shareholders of HLD of approximately HK\$92,219 million and 1,942,580,000 HLD Shares in issue). In assessing the fairness of the HLD Average Closing Price, as

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HLD is a constituent stock of the Hang Seng Property Index, we have reviewed the PBR of the other listed property companies (the “HLD Comparables”) which are also constituent stocks of the Hang Seng Property Index, details of which are as follows:

HLD Comparables	Market capitalization HK\$ million (Note 1)	PBR (times) (Note 2)
Cheung Kong Holdings Limited	290,725	1.34
Hang Lung Properties Limited	138,336	2.55
Sino Land Holdings Limited	94,355	1.98
Sun Hung Kai Properties Limited	306,396	<u>1.65</u>
<i>Average</i>		1.88
HLD (Based on the HLD Average Closing Price) (Note 3)	119,420	1.30 (Note 4)

Notes:

1. Calculated based on the 10-day average closing prices of the HLD Comparables up to and including the Last Trading Day and the number of shares reported on the Stock Exchange’s Website on the Last Trading Day.
2. Calculated based on the 10-day average closing prices of the HLD Comparables up to and including the Last Trading Day divided by the respective NAV per share (based on the number of shares reported on the Stock Exchange’s Website on the Last Trading Day) per the latest published financial results of the HLD Comparables available on the Latest Practicable Date.
3. The closing price of the HLD Shares as at the Latest Practicable Date has not been used in conducting the analysis as the price of the HLD Shares after the release of the Announcement would have been affected by the market conditions and sentiment towards the Transaction.
4. Calculated based on the HLD Average Closing Price and the audited consolidated NAV of the HLD Group attributable to the shareholders as at 30 June 2007.

As noted from the table above, the PBR of HLD as implied under the HLD Average Closing Price compares favourably with the average PBR of the HLD Comparables.

Views

Having considered the above, we regard the HLD Average Closing Price to be fair and reasonable in determining the number of HLD Shares falling to be issued under the Share Entitlement Note.

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Other factor

Despite the fact that the Company will no longer have any interests in HKCG following Completion, we note that the Transaction will not result in a change in control of HKCG. Furthermore, the Executive Director of the Corporate Finance Division of the SFC has waived HLD's obligation to make a general offer for the HKCG Shares as a result of the Transaction pursuant to Note 6 to Rule 26.1 of the Takeovers Code. Notwithstanding the Transaction, since HLD, by virtue of its 67.94% controlling interest in the Company which holds the HKCG Interests, is already a controlling shareholder of HKCG, we consider it reasonable to value the HKCG Interests based on the HKCG Average Closing Price.

Overall views

Having taken into account the above, in particular:

- the share price performances of HKCG and HLD as compared to the overall market performance during the Pre-Announcement Period;
- the payment structure of substantially satisfying the Consideration by granting entitlements to the HLD Shares, enabling the Independent Shareholders to continue enjoying the prospects of HKCG indirectly thereunder and to sell the HLD Shares as and when they see fit;
- the PER and PBR of HKCG as implied under the HKCG Average Closing Price as compared with the PERs and PRBs of the Utility Comparables, Gas Comparables and the comparable transactions;
- the PBR of HLD as implied under the HLD Average Closing Price as compared with those of the HLD Comparables;
- the historical share price performances of the Company, HKCG and HLD relative to the Hang Seng Index performance during the Pre-Announcement Period and the Post-Announcement Period; and
- the fact that the Transaction will not result in a change in control of HKCG,

we are of the opinion that the Consideration, its basis of determination and the payment structure of the Transaction are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Remaining Group

As stated in the Letter from the Board, following Completion, the Company will remain a listed company and the Remaining Group will focus on its infrastructure business in the PRC. The principal businesses of the Remaining Group are investment holding and infrastructure in the PRC, which

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comprise controlling interests in Hangzhou Qianjiang Third Bridge in Zhejiang province and Maanshan City Ring Road in Maanshan City, Anhui Province. Set out below is a summary of certain financial information of the infrastructure business comprised in the audited consolidated accounts of the Company as extracted from the Letter from the Board of the Circular:

	For the year ended 30 June		
	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	236	136	189
Profit attributable to the Shareholders	57	51	62

The net assets of the infrastructure business attributable to the Shareholders as at 30 June 2007 were approximately HK\$644 million. Based on the audited consolidated balance sheet of the Group as at 30 June 2007 after taking into account the acquisition of 31,159,000 HKCG Shares, the acquisition of the remaining interest of 35.9% in CIG subsequent to 30 June 2007 and assuming the proposed final dividend for the year ended 30 June 2007 had been paid, the total assets and net assets attributable to the Shareholders of the Remaining Group are as follows:

	After Completion Distribution (Without Share Premium Reduction)	After Proposed Distributions (With Share Premium Reduction)
	<i>HK\$ million</i>	<i>HK\$ million</i>
	Total assets (<i>Note</i>)	7,927
Including cash of (<i>Note</i>)	6,192	2,505
Net assets attributable to the Shareholders	5,228	1,541

Note: Including cash of approximately HK\$1,600 million arising from a loan granted to the Company by a fellow subsidiary which was repaid subsequent to 30 June 2007

We note that as both the toll bridge and the highway continue to benefit from the robust economic development and increased automobile ownership in the PRC, the Company intends to continue to identify additional infrastructure investment projects in the PRC following Completion.

6. Possible financial effects

Asset and liabilities

As stated in the unaudited pro forma consolidated balance sheet of the Remaining Group in Appendix III to the Circular, the unaudited pro forma consolidated total assets of the Remaining Group would be approximately i) HK\$8,583 million after the Completion Distribution but before the Further Distribution; and ii) HK\$4,896 million after the Proposed Distributions. The unaudited pro forma consolidated total liabilities of the Remaining Group would be approximately HK\$2,337 million both before and after the Proposed Distributions.

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Earnings

As stated in the Letter from the Board, it is estimated that, upon Completion, the Group would recognise a gain on the Transaction of approximately HK\$27,872 million, representing the difference between the value of consideration (including the Share Entitlement Note and cash) based on the HLD Average Closing Price and the current carrying amount of the HKCG Interests. Such gain on disposal will be subject to changes depending on the share price movement of the HLD Shares and will be determined based on HLD's share price on the date of Completion and taking into account the change in the share of net assets of HKCG for the period from 1 July 2007 to the date of Completion as required by applicable accounting standards.

Working capital

The Board advises that having taken into account the financial resources available to the Group, including internally generated funds but without taking into account the available banking facilities, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of the Circular.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, in particular:

- the estimated theoretical enhancement in the value per HIL Share under the Transaction and the Proposed Distributions;
- the fairness of the HKCG Average Closing Price and the Consideration;
- the payment structure of substantially satisfying the Consideration by granting entitlements to the HLD Shares based on the HLD Average Closing Price, enabling the Independent Shareholders to continue enjoying the prospects of HKCG indirectly thereunder and to have the flexibility to sell the HLD Shares as and when they see fit;
- the historical share price performances of the HIL Shares, HKCG Shares and the HLD Shares relative to the Hang Seng Index performance during the Pre-Announcement Period; and
- the standalone infrastructure business nature and asset composition of the Remaining Group which facilitates a clearer valuation by the market on the future potentials of the Remaining Group,

we consider that the Transaction is under normal commercial terms, in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. In our analyses above, we have not placed emphasis on the short term relative share price performances of the HIL Shares, the HKCG Shares and the HLD Shares since short term share price performances can be affected by a number of uncontrollable factors and market conditions. In addition, based on our observation as stated in our analyses above, the

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historical share price performances of HIL, HKCG and HLD fairly aligned with each other during the Pre-Announcement Period which covers a 12 months period preceding the date of Announcement. In particular, the payment structure of the Transaction provides the Independent Shareholders with the flexibility to continue enjoying the prospects of HKCG indirectly through holding of the HLD Shares and to sell their HLD Shares as and when they see fit. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) Limited

Alex Lau

Flavia Hung

Executive Vice President

Senior Vice President

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

20 October 2007

The Directors
Henderson Investment Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Henderson Investment Limited (the "Company") and its subsidiaries (together the "Group") set out in Sections I to IV below, for inclusion in the circular of the Company dated 20 October 2007 (the "Circular") in connection with the proposed disposal of 39.06% interest in The Hong Kong and China Gas Company Limited ("HKCG") through the disposal of the entire issued share capital and shareholder's loans of Macrostar Investment Limited and Timpani Investments Limited, wholly-owned subsidiaries of the Company whose principal business activity is investment holding in HKCG. The Financial Information comprises the consolidated balance sheets of the Group as at 30 June 2005, 2006 and 2007, the balance sheets of the Company as at 30 June 2005, 2006 and 2007, and the consolidated profit and loss accounts, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the years ended 30 June 2005, 2006 and 2007 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Hong Kong on 12 September 1972 with limited liability under the Hong Kong Companies Ordinance.

As at the date of this report, the Company had direct and indirect interests in the principal subsidiaries as set out in note 40 of section II below. All of these companies are private companies.

The consolidated accounts of the Group for each of the years ended 30 June 2005, 2006 and 2007 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (the “Underlying Financial Statements”). The consolidated accounts of the Group for the year ended 30 June 2007 were audited by PricewaterhouseCoopers, and the consolidated accounts of the Group for each of the years ended 30 June 2005 and 2006 were audited by Deloitte Touche Tohmatsu, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared based on the Underlying Financial Statements, after making such adjustments as are appropriate.

Directors’ responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company and the Group as at 30 June 2005, 2006 and 2007 and of the Group’s results and cash flows for the Relevant Periods.

(I) FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Continuing operations:				
Turnover	5	235.5	136.4	188.7
Direct costs		<u>(75.1)</u>	<u>(47.0)</u>	<u>(49.5)</u>
		160.4	89.4	139.2
Other income/other gains	6	58.1	124.4	224.0
Administrative expenses		(39.9)	(43.0)	(44.6)
Profit for the year of disposal group	31	—	11.2	11.3
Amortisation of goodwill		<u>(66.5)</u>	<u>—</u>	<u>—</u>
Profit from operations		112.1	182.0	329.9
Finance costs	7(a)	(12.0)	(9.9)	(4.1)
Share of profits less losses of associates		<u>1,755.6</u>	<u>1,798.9</u>	<u>3,404.2</u>
Profit before taxation	7	1,855.7	1,971.0	3,730.0
Income tax	8	<u>(29.6)</u>	<u>(12.4)</u>	<u>(36.0)</u>
Profit for the year from continuing operations		1,826.1	1,958.6	3,694.0
Discontinued operations:				
Profit for the year from discontinued operations	9	<u>1,747.3</u>	<u>1,736.5</u>	<u>1,775.2</u>
Profit for the year	33	<u><u>3,573.4</u></u>	<u><u>3,695.1</u></u>	<u><u>5,469.2</u></u>
Attributable to:				
Equity shareholders of the Company				
— Continuing operations		1,761.2	1,928.0	3,626.3
— Discontinued operations		<u>1,746.5</u>	<u>1,739.2</u>	<u>1,764.8</u>
	12	<u>3,507.7</u>	<u>3,667.2</u>	<u>5,391.1</u>
Minority interests				
— Continuing operations		64.9	30.6	67.7
— Discontinued operations		<u>0.8</u>	<u>(2.7)</u>	<u>10.4</u>
		<u>65.7</u>	<u>27.9</u>	<u>78.1</u>
Profit for the year		<u><u>3,573.4</u></u>	<u><u>3,695.1</u></u>	<u><u>5,469.2</u></u>

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Dividends payable to equity shareholders of the Company attributable to the year	13			
Interim dividend declared during the year		366.3	396.2	396.2
Cash distribution declared during the year		—	—	15,236.6
Final dividend proposed after the balance sheet date		<u>422.6</u>	<u>457.1</u>	<u>457.1</u>
		<u>788.9</u>	<u>853.3</u>	<u>16,089.9</u>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings per share — basic and diluted	14(a)			
From continuing operations		0.63	0.67	1.19
From discontinued operations		<u>0.62</u>	<u>0.61</u>	<u>0.58</u>
		<u>1.25</u>	<u>1.28</u>	<u>1.77</u>

CONSOLIDATED BALANCE SHEETS

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Non-current assets				
Investment properties	16	5,000.7	6,058.0	—
Property, plant and equipment	17	685.7	637.7	596.6
Prepaid lease payments	18	80.6	63.3	—
Toll highway operation rights	19	561.5	171.1	178.9
Interests in associates	21	13,715.6	16,243.0	14,443.7
Other non-current assets	22	379.4	412.7	118.6
Deferred tax assets	30	—	3.2	—
		<u>20,423.5</u>	<u>23,589.0</u>	<u>15,337.8</u>
Current assets				
Inventories	23	288.2	309.5	—
Trade and other receivables	24	351.1	280.4	353.7
Amounts due from affiliates	25	129.4	142.4	68.0
Pledged bank deposits	27	20.2	20.2	—
Cash and cash equivalents	26	<u>2,780.0</u>	<u>5,156.8</u>	<u>3,684.1</u>
		3,568.9	5,909.3	4,105.8
Assets classified as held for sale	31	<u>—</u>	<u>378.6</u>	<u>419.8</u>
		<u>3,568.9</u>	<u>6,287.9</u>	<u>4,525.6</u>
Current liabilities				
Bank loans and overdrafts	27	126.9	87.8	22.7
Trade and other payables	28	281.3	281.0	186.0
Amounts due to affiliates	29	146.1	65.9	1,801.5
Current taxation		<u>185.3</u>	<u>81.6</u>	<u>50.7</u>
		739.6	516.3	2,060.9
Liabilities associated with assets classified as held for sale	31	<u>—</u>	<u>240.3</u>	<u>255.4</u>
		<u>739.6</u>	<u>756.6</u>	<u>2,316.3</u>
Net current assets		<u>2,829.3</u>	<u>5,531.3</u>	<u>2,209.3</u>
Total assets less current liabilities		<u>23,252.8</u>	<u>29,120.3</u>	<u>17,547.1</u>

APPENDIX I**ACCOUNTANT'S REPORT**

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Non-current liabilities				
Bank loans	27	135.7	26.1	6.2
Deferred tax liabilities	30	554.7	693.9	14.2
Amount due to an affiliate	29	<u>301.1</u>	<u>120.2</u>	<u>—</u>
		<u>991.5</u>	<u>840.2</u>	<u>20.4</u>
NET ASSETS		<u><u>22,261.3</u></u>	<u><u>28,280.1</u></u>	<u><u>17,526.7</u></u>
Capital and reserves				
Share capital	33	563.5	609.5	609.5
Reserves		<u>20,953.0</u>	<u>27,043.1</u>	<u>16,352.1</u>
Total equity attributable to equity shareholders of the Company		21,516.5	27,652.6	16,961.6
Minority interests		<u>744.8</u>	<u>627.5</u>	<u>565.1</u>
TOTAL EQUITY		<u><u>22,261.3</u></u>	<u><u>28,280.1</u></u>	<u><u>17,526.7</u></u>

BALANCE SHEETS

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Non-current assets				
Investments in subsidiaries	20	2,158.0	2,158.0	1,555.7
Interests in associates	21	164.2	164.2	—
Other non-current assets		<u>4.9</u>	<u>—</u>	<u>—</u>
		<u>2,327.1</u>	<u>2,322.2</u>	<u>1,555.7</u>
Current assets				
Other receivables	24	10.0	9.7	1.5
Amounts due from affiliates	25	10,486.1	13,881.5	7,102.9
Cash and cash equivalents	26	<u>0.2</u>	<u>0.3</u>	<u>163.9</u>
		<u>10,496.3</u>	<u>13,891.5</u>	<u>7,268.3</u>
Current liabilities				
Other payables	28	5.0	5.5	19.7
Amounts due to affiliates	29	<u>269.7</u>	<u>228.6</u>	<u>1,151.9</u>
		<u>274.7</u>	<u>234.1</u>	<u>1,171.6</u>
Net current assets		<u>10,221.6</u>	<u>13,657.4</u>	<u>6,096.7</u>
NET ASSETS		<u>12,548.7</u>	<u>15,979.6</u>	<u>7,652.4</u>
Capital and reserves				
Share capital	33	563.5	609.5	609.5
Reserves		<u>11,985.2</u>	<u>15,370.1</u>	<u>7,042.9</u>
TOTAL EQUITY		<u>12,548.7</u>	<u>15,979.6</u>	<u>7,652.4</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Total equity at 1 July				
As previously reported:				
Attributable to:				
— Equity shareholders of the Company		18,713.2	21,516.5	27,652.6
— Minority interests		<u>755.8</u>	<u>744.8</u>	<u>627.5</u>
		19,469.0	22,261.3	28,280.1
Opening balance adjustment in respect of goodwill		<u>—</u>	<u>118.9</u>	<u>—</u>
As restated		<u>19,469.0</u>	<u>22,380.2</u>	<u>28,280.1</u>
Net income for the year recognised directly in equity				
Exchange difference on translation of accounts of subsidiaries outside Hong Kong	33	—	—	115.8
Changes in fair value of available-for-sale securities	33	—	53.7	182.8
Revaluation surplus, net of deferred taxation	33	<u>—</u>	<u>15.2</u>	<u>—</u>
Net income for the year recognised directly in equity		<u>—</u>	<u>68.9</u>	<u>298.6</u>
Transfer from equity				
Impairment loss on available-for-sale securities	33	—	—	13.5
Realisation of fair value reserve on disposal of subsidiaries	33	<u>—</u>	<u>—</u>	<u>(250.0)</u>
		<u>—</u>	<u>—</u>	<u>(236.5)</u>
Net profit for the year		<u>3,573.4</u>	<u>3,695.1</u>	<u>5,469.2</u>
Total recognised income and expenses for the year		<u>3,573.4</u>	<u>3,764.0</u>	<u>5,531.3</u>

APPENDIX I**ACCOUNTANT'S REPORT**

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Attributable to:				
— Equity shareholders of the Company		3,507.7	3,732.9	5,398.9
— Minority interests		<u>65.7</u>	<u>31.1</u>	<u>132.4</u>
		<u>3,573.4</u>	<u>3,764.0</u>	<u>5,531.3</u>
Dividends declared or approved during the year	33	(704.4)	(818.8)	(16,089.9)
Dividends paid to minority interests	33	(33.4)	(57.7)	(104.5)
Distribution to minority shareholders	33	—	—	(90.3)
Increase in interests in subsidiaries	33	(43.3)	(90.7)	—
Issue of shares, net of expenses	33	<u>—</u>	<u>3,103.1</u>	<u>—</u>
Total equity at 30 June		<u><u>22,261.3</u></u>	<u><u>28,280.1</u></u>	<u><u>17,526.7</u></u>

CONSOLIDATED CASH FLOW STATEMENTS

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Operating activities				
Profit before taxation				
From continuing operations		1,855.7	1,971.0	3,730.0
From discontinued operations	9(b)	1,918.7	1,909.0	1,848.6
Adjustments for:				
Interest income		(52.8)	(124.2)	(221.3)
Dividends from investments		(10.1)	(6.7)	(2.6)
Amortisation of goodwill		74.1	—	—
Discount on acquisition released to income		(6.3)	—	—
Unrealised gain on investments in securities		(26.0)	—	—
Amortisation of toll highway operation rights		34.7	15.6	10.1
Depreciation		57.7	53.1	34.1
Amortisation of prepaid lease payments		1.7	1.7	1.2
Impairment losses on:				
— goodwill arising from acquisition of additional interests in subsidiaries		—	161.8	—
— property, plant and equipment		—	4.5	—
— available-for-sale securities		—	0.3	13.5
— debtors		5.7	1.3	—
Loss on disposal/write off of property, plant and equipment		2.1	7.8	17.5
Loss on disposal of available-for-sale securities		—	—	2.0
Gain on disposal of subsidiaries and associates	9(b)	—	—	(930.0)
Write back of allowance for completed properties for sale		—	(19.5)	—
Increase in fair value of investment properties		(890.3)	(1,014.9)	(219.5)
Share of profits less losses of associates		(2,392.1)	(2,489.1)	(3,833.9)
Finance costs		13.0	10.0	4.1
Exchange difference		—	—	7.0
		<u> </u>	<u> </u>	<u> </u>
Operating profit before changes in working capital		585.8	481.7	460.8
(Increase)/decrease in inventories		(2.1)	(1.8)	39.9
(Increase)/decrease in trade and other receivables		(92.7)	90.0	(152.9)
Increase in trade and other payables		57.2	1.0	3.2
		<u> </u>	<u> </u>	<u> </u>

APPENDIX I**ACCOUNTANT'S REPORT**

	2005	2006	2007
<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Cash generated from operations	548.2	570.9	351.0
Tax paid			
— Hong Kong	(40.4)	(141.1)	(62.2)
— Outside Hong Kong	(23.7)	(14.7)	(4.5)
Interest paid	<u>(13.0)</u>	<u>(10.0)</u>	<u>(4.1)</u>
Net cash generated from operating activities	<u>471.1</u>	<u>405.1</u>	<u>280.2</u>
Investing activities			
Dividends received from associates and available-for-sale securities	938.2	901.9	907.8
Interest received	53.5	123.8	221.2
Payment for the purchase of:			
— investment properties	(0.1)	—	(92.7)
— property, plant and equipment	(22.8)	(28.4)	(52.2)
— investments in securities/available-for-sale securities	(0.4)	(1.0)	(72.5)
Payment for the acquisition of additional interests in:			
— subsidiaries	(50.9)	(252.5)	—
— associates	(23.7)	(814.6)	(32.7)
Proceeds from disposal of property, plant and equipment	0.2	0.2	0.4
Net proceeds from disposal of:			
— subsidiaries and associates	0.1	—	12,106.8
— investments in securities/available-for-sale securities	40.8	—	69.8
Redemption of held-to-maturity debt securities	—	—	11.5
Release of the pledged bank deposits	—	—	20.2
(Increase)/decrease in amounts due from investee companies	(0.1)	1.0	0.9
Decrease/(increase) in amounts due from associates	85.4	(4.1)	(6.4)
Decrease/(increase) in amounts due from minority shareholders	<u>3.6</u>	<u>(9.9)</u>	<u>37.3</u>
Net cash generated from/(used in) investing activities	<u>1,023.8</u>	<u>(83.6)</u>	<u>13,119.4</u>

APPENDIX I**ACCOUNTANT'S REPORT**

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Financing activities				
Dividends paid to shareholders		(704.2)	(818.8)	(16,079.5)
Dividends paid to minority shareholders		(33.4)	(57.7)	(104.5)
Advance from/(repayment to) a fellow subsidiary		229.2	(180.9)	1,533.0
(Repayment to)/advance from minority shareholders		(4.0)	(8.9)	139.4
Advance from/(repayment to) associates		2.5	(1.7)	(0.8)
Distribution to minority shareholders		—	—	(90.3)
Issue of shares, net of expenses		—	3,103.1	—
New bank loans raised		—	33.6	—
Repayment of bank loans		<u>(53.3)</u>	<u>(9.4)</u>	<u>(248.9)</u>
Net cash (used in)/generated from financing activities		<u>(563.2)</u>	<u>2,059.3</u>	<u>(14,851.6)</u>
Net increase/(decrease) in cash and cash equivalents				
		931.7	2,380.8	(1,452.0)
Cash and cash equivalents at 1 July		1,814.5	2,746.2	5,127.0
Effect of foreign exchange rate changes		<u>—</u>	<u>—</u>	<u>11.1</u>
Cash and cash equivalents at 30 June	26	<u>2,746.2</u>	<u>5,127.0</u>	<u>3,686.1</u>

(II) NOTES TO THE FINANCIAL INFORMATION**1 General information**

Henderson Investment Limited (the "Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries were property leasing and development, investment holding, infrastructure, hotel operations and provision of security guard services. On 13 June 2007, the Company (i) disposed of its entire interests in certain subsidiaries and associates; and (ii) assigned the loans due to the Company by these entities, to Henderson Land Development Company Limited ("HLD"), the Company's intermediate holding company. Further details are set out in note 9. Subsequent to the disposal, the principal activities of the Company and its subsidiaries (together referred to as the "Group") are investment holding and infrastructure.

2 Significant accounting policies**(a) Statement of compliance**

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. This Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group and the Company. The adoption of these new developments, to the extent that they are relevant to the Group, did not have significant impact on the Group's results of operations and financial position for the current and prior accounting periods presented in the Financial Information.

Up to the date of issue of this Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2007 and which have not been adopted in this Financial Information.

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it has concluded that the adoption of the following developments may result in new or amended disclosures in the Financial Information:

		Effective for accounting periods beginning on or after
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007
HKFRS 7	Financial instruments: disclosures	1 January 2007
HKFRS 8	Operating segments	1 January 2009

In respect of new interpretations set out below, the Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008

(b) ***Basis of preparation of the Financial Information***

The Financial Information for the years ended 30 June 2005, 2006 and 2007 comprises the Group and the Group's interests in associates.

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that the following assets are stated at their fair values as explained in the accounting policies set out below:

- investment properties (see note 2(g)); and
- financial instruments classified as other investments/available-for-sale securities (see note 2(f)).

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell (see note 2(w)(i)).

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs and estimates that have significant effect on the Financial Information are discussed in note 3.

(c) ***Subsidiaries and minority interests***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(n) and 2(o) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) *Associates*

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the interests in associates recognised for the year (see notes 2(e) and 2(m)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 2(m)). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(e) *Goodwill*

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Prior to 1 July 2005, goodwill was amortised on a straight-line basis over a period 20 years; and assessed for an indication of impairment at each balance sheet date. With effect from 1 July 2005, the Group ceased amortisation of goodwill and goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(m)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in the associates.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash-generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) ***Other investments in debt and equity securities***

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Prior to 1 July 2005, investments in debt or equity securities were classified as "investment securities", "other investments" or "held-to-maturity securities" as appropriate. "Investment securities" were carried at cost less impairment losses; "other investments" were measured at fair value with changes in fair value recognised in profit or loss; and "held-to-maturity securities" were carried at amortised cost less impairment losses.

From 1 July 2005 onwards, investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Transaction price includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity debt securities. Held-to-maturity debt securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(m)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised directly in equity, except for foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) ***Investment properties***

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)(i)), and the same accounting policies are applied to that interest as are applied to other investment properties held under finance leases.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property following a change in its use, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as property revaluation reserve when it is a gain or in profit or loss when it is a loss. Upon the disposal of the item, the property revaluation reserve is transferred to retained profits.

(h) ***Property, plant and equipment***

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(m)):

- hotel properties;
- other buildings;
- bridges; and
- other items of plant and equipment.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold land	Over the unexpired terms of the leases
Buildings	Over the unexpired terms of the respective leases or 40 years whichever is shorter
Bridges	Over the operating periods
Others	2 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) ***Toll highway operation rights***

Toll highway operation rights are stated at cost less accumulated amortisation and impairment losses (see note 2(m)).

Amortisation is provided to write off the cost of toll highway operation rights using the straight-line method over the operating periods ranging from 22 years to 25 years.

Toll highway operation rights are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of toll highway operation rights are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(j) ***Leased assets***

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) ***Classification of assets leased to the Group***

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 2(g)).

(ii) ***Operating lease charges***

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)).

(k) ***Inventories***

Inventories are carried at the lower of their cost and net realisable value. Cost and net realisable value are determined as follows:

(i) ***Completed properties for sale***

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less costs to be incurred in selling the property.

(ii) ***Retail, catering stocks and trading goods***

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(m)).

(m) *Impairment of assets*

(i) *Impairment of investments in debt and equity securities and other receivables*

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale equity securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);

- toll highway operation rights;
- prepaid lease payments;
- investments in subsidiaries and associates (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)(i))); and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(n) ***Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) ***Trade and other payables***

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost.

(p) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) *Employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(r) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) ***Provisions and contingent liabilities***

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) ***Revenue recognition***

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) ***Rental income from operating leases***

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) ***Interest income***

Interest income is recognised as it accrues using the effective interest method.

(iii) ***Toll fee income***

Toll fee income is recognised when services are provided.

(iv) *Hotel operation*

Income from hotel operation is recognised when services are provided.

(v) *Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) *Sale of goods*

Sale of goods from retail business is recognised when the customer has accepted the goods and the related risks and rewards of ownership.

(vii) *Sale of properties*

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit or a completion certificate by the relevant government authorities, whichever is the later.

(viii) *Provision of security guard/information technology services*

Income from provision of security guard/information technology services is recognised when services are provided.

(u) *Translation of foreign currencies*

Items included in the Financial Information of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of an acquired foreign operation is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) ***Borrowing costs***

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(w) ***Non-current assets held for sale and discontinued operations***

(i) ***Non-current assets held for sale***

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the Financial Information of the Group is concerned are deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) ***Discontinued operations***

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the profit and loss account, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(x) ***Related parties***

For the purposes of this Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) ***Segment reporting***

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of this Financial Information.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, and corporate and financing expenses.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) ***Valuation of investment properties***

As described in note 16, investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers taking into consideration the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) *Impairment of non-current assets*

If circumstances indicate that the carrying amounts of property, plant and equipment and toll highway operation rights may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the net selling price and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(c) *Impairment of trade receivable*

If circumstances indicate that the carrying amount of trade receivable may not be recoverable, an impairment loss may be recognised. The carrying amount of trade receivable is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The Group estimates the future cash flows from the trade receivable with reference to the age of the trade receivable, debtors' credit-worthiness and repayment history.

4 **Financial risk management**

Exposure to credit, liquidity, interest rate, foreign currency and price risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) *Credit risk*

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables, other non-current assets and amounts due from affiliates. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their sound credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Trade and other receivables comprise toll income receivable, rental receivable and other trade and other receivables. In respect of toll income receivable, the amount is collected on behalf by a relevant government body in Hangzhou in accordance with the terms of agreement entered into between the Group and the government body. In respect of rental income from leasing of properties, monthly rents are received in advance and sufficient rental deposits are held. 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. Regular review and follow-up actions are carried out on the overdue amounts. Ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise exposure to credit risk. Adequate impairment losses have been made for the estimated irrecoverable amounts.

In respect of the amounts due from affiliates, management monitors the recovery of the debts closely and ensure that adequate impairment losses have been made for the estimated irrecoverable amounts.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. The Group does not provide any other guarantees which expose the Group to credit risk.

(b) *Liquidity risk*

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) *Interest rate risk*

The Group is exposed to interest rate risk primarily through its borrowings from banks (see note 27) and a fellow subsidiary (see note 29) which bear floating interest rates. The Group monitors closely its interest rate exposure and will consider hedging significant interest rate exposure should the need arise. During the years ended 30 June 2005, 2006 and 2007, the Group did not enter into any interest rate hedging instruments.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet dates and the periods in which they reprice or the maturity dates, if earlier.

	2005		
	Fixed/ floating	Effective interest rate	Within one year HK\$ million
Deposits with banks	Fixed	1.62%-3.75%	2,742.2
Cash at bank	Floating	0%-1.32%	33.5
Bank loans and overdrafts	Floating	5.7%-5.76%	262.6
Amount due to a fellow subsidiary	Floating	3.69%	301.1
	2006		
	Fixed/ floating	Effective interest rate	Within one year HK\$ million
Deposits with banks	Fixed	1.62%-5.28%	5,113.8
Cash at bank	Floating	0%-3.1%	39.2
Bank loans and overdrafts	Floating	5.02%-7.02%	283.3
Amount due to a fellow subsidiary	Floating	4.16%	120.2
	2007		
	Fixed/ floating	Effective interest rate	Within one year HK\$ million
Deposits with banks	Fixed	0.5%-4.37%	3,609.2
Cash at bank	Floating	0.72%-1.95%	76.8
Bank loans and overdrafts	Floating	6.33%-7.78%	28.9
Amount due to a fellow subsidiary	Floating	4.11%	1,653.2

(d) *Foreign currency risk*

The Group's primary foreign currency exposure arises from its operations in mainland China as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investments and related returns.

As a whole, the Group's core operations are not exposed to significant foreign exchange rate risk and the Group did not enter into any currency hedging instruments during the years ended 30 June 2005, 2006 and 2007.

(e) *Price risk*

The Group's other investments/available-for-sale investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

(f) *Fair values*

Financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2005, 2006 and 2007.

(g) *Estimation of fair values*

Fair value of quoted investments is based on the bid prices at the balance sheet dates without any deduction for transaction costs. For unquoted equity investments, the Group estimates the fair value by discounted cash flow technique. Estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the balance sheet date.

5 **Turnover**

Turnover of the Group mainly represents rental income, income from infrastructure business, income from hotel operation, provision of security guard services and information technology services, sales of properties and others. Turnover recognised during the years are analysed as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
<i>Continuing operations</i>			
Toll fee income	<u>235.5</u>	<u>136.4</u>	<u>188.7</u>
<i>Discontinued operations</i>			
Rental income	609.8	613.8	370.1
Hotel operation	99.3	95.3	90.9
Security guard services	98.5	64.8	65.3
Information technology services	83.8	56.8	2.7
Sale of properties	1.6	3.6	38.3
Others	<u>165.9</u>	<u>176.4</u>	<u>145.7</u>
	<u>1,058.9</u>	<u>1,010.7</u>	<u>713.0</u>

6 Other income/other gains

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
<i>Continuing operations</i>			
Dividend income from unlisted investments	4.7	—	—
Exchange gain, net	0.1	0.5	—
Interest income	51.5	123.4	220.1
Sundry income	<u>1.8</u>	<u>0.5</u>	<u>3.9</u>
	<u>58.1</u>	<u>124.4</u>	<u>224.0</u>
<i>Discontinued operations</i>			
Compensation for early termination of tenancy agreements	0.3	0.4	0.5
Dividend income from listed investments	5.4	6.7	2.6
Interest income	1.3	0.8	1.2
Sponsorship fee	1.4	1.4	0.1
Unrealised gain on investments in securities	26.0	—	—
Sundry income	<u>5.2</u>	<u>5.6</u>	<u>2.7</u>
	<u>39.6</u>	<u>14.9</u>	<u>7.1</u>

7 Profit before taxation

Profit before taxation in respect of continuing operations and discontinued operations is arrived at after charging/(crediting):

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
(a) Finance costs			
<i>Continuing operations</i>			
Bank loans and overdrafts	11.5	9.0	1.7
Other borrowings wholly repayable within five years	<u>0.5</u>	<u>0.9</u>	<u>2.4</u>
	<u>12.0</u>	<u>9.9</u>	<u>4.1</u>
<i>Discontinued operations</i>			
Other borrowings wholly repayable within five years	<u>1.0</u>	<u>0.1</u>	<u>—</u>

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
(b) Staff costs (including directors' emoluments)			
<i>Continuing operations</i>			
Contributions to defined contribution retirement plans	0.1	0.1	0.1
Salaries, wages and other benefits	<u>11.3</u>	<u>11.0</u>	<u>11.7</u>
	<u>11.4</u>	<u>11.1</u>	<u>11.8</u>
<i>Discontinued operations</i>			
Contributions to defined contribution retirement plans	9.2	8.0	4.2
Salaries, wages and other benefits	<u>209.4</u>	<u>183.4</u>	<u>108.6</u>
	<u>218.6</u>	<u>191.4</u>	<u>112.8</u>
(c) Other items			
<i>Continuing operations</i>			
Amortisation of goodwill	66.5	—	—
Amortisation of toll highway operation rights	34.7	15.6	10.1
Depreciation	20.7	20.5	21.6
Auditor's remuneration			
— audit service	1.4	1.3	1.8
Impairment losses on available-for-sale securities	—	0.3	13.5
Loss on disposal/write off of property, plant and equipment	2.1	—	—
Operating lease charges: minimum leases payments			
— property rentals	<u>0.2</u>	<u>0.7</u>	<u>0.9</u>
<i>Discontinued operations</i>			
Amortisation of goodwill	7.6	—	—
Amortisation of prepaid lease payments	1.7	1.7	1.2
Depreciation	37.0	32.6	12.5
Auditor's remuneration			
— audit service	1.9	1.6	2.1
— non-audit service	—	0.1	3.3
Cost of sales			
— trading inventories	125.8	125.4	45.3
— completed properties for sale	0.5	2.8	19.4
Impairment losses on			
— debtors	5.7	1.3	—
— property, plant and equipment	—	4.5	—
Loss on disposal/write off of property, plant and equipment	—	7.8	17.5

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Operating lease charges: minimum leases payments			
— property rentals	89.9	98.0	4.8
— telecommunications network facilities	3.8	2.7	0.5
Discount on acquisition released to income	(6.3)	—	—
Rental received and receivable from investment properties less direct outgoings of: 2005: HK\$104.9 million; 2006: HK\$109.9 million; 2007: HK\$84.6 million*	(220.5)	(224.6)	(183.3)
Other rental income less direct outgoings*	(109.3)	(100.4)	(84.5)
Write back of allowance for completed properties for sale	—	(19.5)	—
	<u> </u>	<u> </u>	<u> </u>

* Including contingent rental income of HK\$116.7 million, HK\$103.8 million and HK\$3.3 million for the years ended 30 June 2005, 2006 and 2007 respectively from investment properties and other properties.

8 Income tax

(a) *Income tax in the consolidated profit and loss accounts represents:*

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Current tax — Hong Kong Profits Tax			
Provision for the year	57.2	57.5	39.4
(Over)/under provision in respect of prior years	(3.5)	(17.5)	14.7
	<u>53.7</u>	<u>40.0</u>	<u>54.1</u>
Current tax — mainland China			
Provision for the year	28.1	12.1	20.8
Under provision in respect of prior years	0.4	—	—
	<u>28.5</u>	<u>12.1</u>	<u>20.8</u>
Deferred taxation			
Origination and reversal of temporary differences	118.8	132.8	34.5
	<u>201.0</u>	<u>184.9</u>	<u>109.4</u>
Attributable to:			
— Continuing operations	29.6	12.4	36.0
— Discontinued operations	171.4	172.5	73.4
	<u>201.0</u>	<u>184.9</u>	<u>109.4</u>

Provision for Hong Kong Profits Tax is calculated at 17.5% for the years ended 30 June 2005, 2006 and 2007 on the estimated assessable profits for the years. Taxation for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions. Certain subsidiaries of the Group operating in mainland China are eligible for certain tax holidays and concessions for the years.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China ("PRC") (the "new CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises will be subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The new CIT Law provides preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date the Financial Information is approved and authorised for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, to the carrying value of deferred tax liabilities as at 30 June 2007. The Group will continue to evaluate the impact when more detailed regulations are announced.

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit before taxation from continuing and discontinued operations	<u>3,774.4</u>	<u>3,880.0</u>	<u>5,578.6</u>
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 17.5%	660.5	679.0	976.3
Tax effect of non-deductible expenses	41.1	30.9	26.1
Tax effect of non-taxable income	(35.7)	(47.7)	(230.8)
Tax effect of share of profits less losses of associates	(418.6)	(435.6)	(670.9)
Tax effect of current year's tax losses not recognised	8.0	14.4	12.5
Tax effect of prior year's tax losses utilised	(36.6)	(25.6)	(13.9)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(7.5)	(4.7)	(5.6)
(Over)/under provision in respect of prior years	(3.1)	(17.5)	14.7
Others	<u>(7.1)</u>	<u>(8.3)</u>	<u>1.0</u>
Income tax	<u>201.0</u>	<u>184.9</u>	<u>109.4</u>

9 **Discontinued operations**

(a) *The Group's discontinued operations comprise the following:*

- (i) Pursuant to an agreement dated 27 March 2007 entered into between the Company and HLD, the Company (i) disposed of its entire interests in certain subsidiaries and associates and (ii) assigned the loans due to the Company by these entities, to HLD at a cash consideration totalling approximately HK\$12,072.6 million (the "Sale"). Further details are set out in the Company's circular dated 20 April 2007. The Sale was completed on 13 June 2007 (the "completion"), resulting in a gain on disposal of approximately HK\$925.4 million.

Following the completion and commencing from 14 June 2007, the Group ceased to be interested in the businesses of property leasing, hotel operation, security guard services and other businesses, as well as certain associates including Miramar Hotel and Investment Company, Limited and Hong Kong Ferry (Holdings) Company Limited.

(ii) On 2 December 2006, the Company entered into a sale and purchase agreement with Sunlight Real Estate Investment Trust ("Sunlight REIT") group for the sale to Sunlight REIT of the shares of a subsidiary of the Company which was engaged in property investment and the shareholders' loan owing by the subsidiary to the Company. The aggregate cash consideration is approximately HK\$38.8 million, resulting in a gain on disposal of approximately HK\$4.6 million.

(b) *The results of the discontinued operations for the years ended 30 June 2005, 2006 and 2007 are as follows:*

		2005	2006	2007
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	5	1,058.9	1,010.7	713.0
Direct costs		<u>(516.7)</u>	<u>(454.8)</u>	<u>(373.8)</u>
		542.2	555.9	339.2
Other income/other gains	6	39.6	14.9	7.1
Selling and distribution costs		(55.4)	(61.2)	(23.6)
Administrative expenses		(132.2)	(143.8)	(53.3)
Amortisation of goodwill		(7.6)	—	—
Discount on acquisition released to income		6.3	—	—
Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries (see note below)		<u>—</u>	<u>(161.8)</u>	<u>—</u>
Profit from operations before changes in fair value of investment properties		392.9	204.0	269.4
Increase in fair value of investment properties	16	<u>890.3</u>	<u>1,014.9</u>	<u>219.5</u>
Profit from operations after changes in fair value of investment properties		1,283.2	1,218.9	488.9
Finance costs		(1.0)	(0.1)	—
Share of profits less losses of associates		<u>636.5</u>	<u>690.2</u>	<u>429.7</u>
Profit before taxation	7	1,918.7	1,909.0	918.6
Income tax	8(a)	<u>(171.4)</u>	<u>(172.5)</u>	<u>(73.4)</u>
Profit for the year		1,747.3	1,736.5	845.2
Net gain on disposal of subsidiaries and associates		<u>—</u>	<u>—</u>	<u>930.0</u>
		<u>1,747.3</u>	<u>1,736.5</u>	<u>1,775.2</u>

Note: On 8 December 2005, a non wholly-owned subsidiary, Henderson Cyber Limited ("HCL") was privatised jointly by the Company and The Hong Kong and China Gas Company Limited, an associate of the Group. Upon the privatisation, there was an excess of the Company's total cost of acquisition over its interest in the net assets of HCL and goodwill of approximately HK\$161.8 million arose. By reference to the cash flow forecast of HCL, the directors were of the opinion that the goodwill arising from the privatisation was impaired and a full provision for impairment loss was made at 30 June 2006.

(c) *The net cash flows of the discontinued operations for the years ended 30 June 2005, 2006 and 2007 are as follows:*

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash inflow from operating activities	397.7	150.3	217.3
Net cash inflow from investing activities	160.0	145.8	78.9
Net cash outflow from financing activities	<u>(565.4)</u>	<u>(293.5)</u>	<u>(289.1)</u>
Net cash (outflow)/inflow attributable to the discontinued operations	<u>(7.7)</u>	<u>2.6</u>	<u>7.1</u>

10 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2005				
	Fees	Salaries, emoluments, other allowances and benefits	Retirement scheme contributions	Discretionary bonus	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors					
Dr. the Hon. Lee Shau Kee	40	—	—	—	40
Lee Ka Kit	40	—	—	—	40
Colin Lam Ko Yin	40	—	—	—	40
Lee Ka Shing	40	—	—	—	40
Lee Tat Man	20	—	—	—	20
Ho Wing Fun	20	—	—	—	20
Suen Kwok Lam	20	—	—	—	20
Lee King Yue	20	—	—	—	20
Eddie Lau Yum Chuen	20	—	—	—	20
Li Ning	20	—	—	—	20
Patrick Kwok Ping Ho	20	—	—	—	20
Lau Chi Keung	20	—	—	—	20
Augustine Wong Ho Ming	20	—	—	—	20
Sit Pak Wing	20	—	—	—	20
Donald Cheung Ping Keung#	20	—	—	—	20
Non-executive Directors					
Sir Po-shing Woo	20	—	—	—	20
Philip Yuen Pak Yiu	20	50	—	—	70
Leung Hay Man	20	230	—	—	250
Jackson Woo Ka Biu	—	—	—	—	—
Independent non-executive Directors					
Gordon Kwong Che Keung	20	180	—	—	200
Professor Ko Ping Keung	40	260	—	—	300
Wu King Cheong	20	90	—	—	110
Alex Wu Shu Chih~	20	90	—	—	110
	<u>540</u>	<u>900</u>	<u>—</u>	<u>—</u>	<u>1,440</u>

2006

	Fees <i>HK\$'000</i>	Salaries, emoluments, other allowances and benefits <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Dr. the Hon. Lee Shau Kee	60	6,291	—	—	6,351
Lee Ka Kit	60	—	—	—	60
Colin Lam Ko Yin	60	—	—	—	60
Lee Ka Shing	60	—	—	—	60
Lee Tat Man	20	—	—	—	20
Ho Wing Fun *	20	—	—	—	20
Suen Kwok Lam	20	—	—	—	20
Lee King Yue	20	—	—	—	20
Eddie Lau Yum Chuen	20	—	—	—	20
Li Ning	20	—	—	—	20
Patrick Kwok Ping Ho	20	—	—	—	20
Lau Chi Keung	20	—	—	—	20
Augustine Wong Ho Ming	20	—	—	—	20
Sit Pak Wing	20	—	—	—	20
Non-executive Directors					
Sir Po-shing Woo	20	—	—	—	20
Philip Yuen Pak Yiu	20	—	—	—	20
Leung Hay Man	20	180	—	—	200
Jackson Woo Ka Bui	—	—	—	—	—
Independent non-executive Directors					
Gordon Kwong Che Keung	20	180	—	—	200
Professor Ko Ping Keung	55	320	—	—	375
Wu King Cheong	20	180	—	—	200
	<u>595</u>	<u>7,151</u>	<u>—</u>	<u>—</u>	<u>7,746</u>

2007

	Fees <i>HK\$'000</i>	Salaries, emoluments, other allowances and benefits <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Dr. the Hon. Lee Shau Kee	20	8,404	—	—	8,424
Lee Ka Kit	20	—	—	—	20
Colin Lam Ko Yin	20	—	—	—	20
Lee Ka Shing	20	—	—	—	20
Lee Tat Man	20	—	—	—	20
Suen Kwok Lam	20	—	—	—	20
Lee King Yue	20	—	—	—	20
Eddie Lau Yum Chuen	20	—	—	—	20
Li Ning	20	—	—	—	20
Patrick Kwok Ping Ho	20	—	—	—	20
Lau Chi Keung [^]	20	—	—	—	20
Augustine Wong Ho Ming	20	—	—	—	20
Sit Pak Wing	20	—	—	—	20
Non-executive Directors					
Sir Po-shing Woo	20	—	—	—	20
Philip Yuen Pak Yiu	20	—	—	—	20
Leung Hay Man	20	180	—	—	200
Jackson Woo Ka Biu	—	—	—	—	—
Independent non-executive Directors					
Gordon Kwong Che Keung	20	180	—	—	200
Professor Ko Ping Keung	20	180	—	—	200
Wu King Cheong	20	180	—	—	200
	<u>380</u>	<u>9,124</u>	<u>—</u>	<u>—</u>	<u>9,504</u>

resigned on 18 March 2005

~ passed away on 10 January 2005

* resigned upon retirement on 1 July 2006

^ resigned upon retirement on 30 June 2007

There was no arrangement under which a director has waived or agreed to waive any emoluments during the years ended 30 June 2005, 2006 and 2007.

Certain of the directors received remunerations from the Company's intermediate holding company for services provided to the Group. No apportionment has been made as the directors are of the opinion that it is impracticable to apportion the amounts between their services to the Company's intermediate holding company and its subsidiaries.

11 **Individuals with highest emoluments**

The emoluments of the five individuals (excluding directors) with the highest emoluments are analysed as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Salaries, emoluments, other allowances and benefits	5.2	5.2	5.3
Retirement scheme contributions	0.2	0.1	0.1
Discretionary bonus	<u>0.6</u>	<u>0.6</u>	<u>0.3</u>
	<u><u>6.0</u></u>	<u><u>5.9</u></u>	<u><u>5.7</u></u>

Their emoluments are within the following bands:

	Number of individuals		
	2005	2006	2007
HK\$Nil - HK\$1,000,000	3	3	4
HK\$1,000,001 - HK\$1,500,000	1	1	—
HK\$2,000,001 - HK\$2,500,000	<u>1</u>	<u>1</u>	<u>1</u>
	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>

12 **Profit attributable to equity shareholders of the Company**

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK\$1,293.5 million, HK\$1,146.6 million and HK\$7,762.7 million for the years ended 30 June 2005, 2006 and 2007 respectively which has been dealt with in the Financial Information of the Company.

13 **Dividends**(a) *Dividends payable to equity shareholders of the Company attributable to the years*

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Interim dividend declared of HK13 cents per share	366.3	396.2	396.2
Cash distribution of: 2005: HK\$Nil; 2006: HK\$Nil; 2007: HK\$5 per share	—	—	15,236.6
Final dividend proposed after the balance sheet dates of HK15 cents per share	<u>422.6</u>	<u>457.1</u>	<u>457.1</u>
	<u><u>788.9</u></u>	<u><u>853.3</u></u>	<u><u>16,089.9</u></u>

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 14 May 2007 and upon the fulfilment of the conditions attached to the special resolution, a cash distribution of HK\$5 per share, amounting to HK\$15,236.6 million, was made on 13 June 2007 to the then shareholders of the Company.

The final dividend proposed after 30 June 2007 has not been recognised as a liability at 30 June 2007.

- (b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the years*

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of: 2005: HK12 cents; 2006: HK15 cents; 2007: HK15 cents per share	<u>338.1</u>	<u>422.6</u>	<u>457.1</u>

14 **Earnings per share**

- (a) *Earnings per share — basic and diluted*

- (i) *From continuing operations*

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$1,761.2 million, HK\$1,928.0 million and HK\$3,626.3 million and the weighted average number of ordinary shares of 2,817,327,395, 2,858,916,436 and 3,047,327,395 in issue during the years ended 30 June 2005, 2006 and 2007 respectively.

- (ii) *From discontinued operations*

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$1,746.5 million, HK\$1,739.2 million and HK\$1,764.8 million and the weighted average number of ordinary shares of 2,817,327,395, 2,858,916,436 and 3,047,327,395 in issue during the years ended 30 June 2005, 2006 and 2007 respectively.

(b) *Adjusted earnings per share*

The calculation of adjusted earnings per share (excluding fair value gain of investment properties net of deferred taxation) is based on the profit attributable to equity shareholders of the Company, as adjusted below, and the weighted average number of ordinary shares of 2,817,327,395, 2,858,916,436 and 3,047,327,395 in issue during the years ended 30 June 2005, 2006 and 2007 respectively:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit attributable to equity shareholders of the Company	3,507.7	3,667.2	5,391.1
Effect of changes in fair value of investment properties	(890.3)	(1,014.9)	(219.5)
Effect of deferred taxation on changes in fair value of investment properties	126.6	153.1	38.4
Effect of share of changes in fair value of investment properties (net of deferred taxation) of associates	<u>(523.6)</u>	<u>(739.3)</u>	<u>(518.4)</u>
Adjusted earnings	<u>2,220.4</u>	<u>2,066.1</u>	<u>4,691.6</u>
Attributable to:			
Continuing operations	1,564.8	1,599.2	3,313.2
Discontinued operations	<u>655.6</u>	<u>466.9</u>	<u>1,378.4</u>
Adjusted earnings	<u>2,220.4</u>	<u>2,066.1</u>	<u>4,691.6</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Adjusted earnings per share:			
From continuing operations	0.56	0.56	1.09
From discontinued operations	<u>0.23</u>	<u>0.16</u>	<u>0.45</u>
	<u>0.79</u>	<u>0.72</u>	<u>1.54</u>

15 Segmental information

Segmental information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Continuing operations

Infrastructure — investment in infrastructure projects

Discontinued operations

Property leasing — property rental
Hotel operation — hotel operations and management
Security guard services — provision of security guard services
Others — miscellaneous business operations

2005

	Continuing operations	Discontinued operations					Consolidated
	Infrastructure <i>HK\$ million</i>	Property leasing <i>HK\$ million</i>	Hotel operation <i>HK\$ million</i>	Security guard services <i>HK\$ million</i>	Others <i>HK\$ million</i>	Eliminations <i>HK\$ million</i>	
Income and results							
Turnover	235.5	609.8	99.3	98.5	251.3	—	1,294.4
Other income	<u>1.9</u>	<u>4.6</u>	<u>0.1</u>	<u>—</u>	<u>2.2</u>	<u>—</u>	<u>8.8</u>
External income	237.4	614.4	99.4	98.5	253.5	—	1,303.2
Inter-segment income	<u>—</u>	<u>26.3</u>	<u>—</u>	<u>0.1</u>	<u>3.5</u>	<u>(29.9)</u>	<u>—</u>
Total income	<u>237.4</u>	<u>640.7</u>	<u>99.4</u>	<u>98.6</u>	<u>257.0</u>	<u>(29.9)</u>	<u>1,303.2</u>
Segment results	<u>152.1</u>	<u>338.7</u>	<u>28.4</u>	<u>6.1</u>	<u>(10.5)</u>		514.8
Interest income							52.8
Dividend income from investments							10.1
Unrealised gain on investments in securities							26.0
Increase in fair value of investment properties							890.3
Amortisation of goodwill							(74.1)
Discount on acquisition released to income							6.3
Unallocated expenses, net							(30.9)
Finance costs							(13.0)
Share of profits less losses of associates							<u>2,392.1</u>
Profit before taxation							3,774.4
Income tax							<u>(201.0)</u>
Profit for the year							<u>3,573.4</u>

2005

	Continuing operations	Discontinued operations				Consolidated <i>HK\$ million</i>
	Infrastructure <i>HK\$ million</i>	Property leasing <i>HK\$ million</i>	Hotel operation <i>HK\$ million</i>	Security guard services <i>HK\$ million</i>	Others <i>HK\$ million</i>	
Balance sheet						
Segment assets	1,253.6	5,255.0	279.1	22.6	409.1	7,219.4
Interests in associates						13,715.6
Amounts due from associates						42.0
Unallocated assets						<u>3,015.4</u>
Total consolidated assets						<u><u>23,992.4</u></u>
Segment liabilities	20.1	79.2	18.6	8.6	141.7	268.2
Amounts due to associates						2.5
Unallocated liabilities						<u>1,460.4</u>
Total consolidated liabilities						<u><u>1,731.1</u></u>
Other information						
Capital expenditure incurred during the year	1.6	0.1	1.9	1.1	18.2	22.9
Amortisation and depreciation	55.4	—	9.2	0.8	28.7	94.1
Impairment loss on debtors	—	1.7	(0.2)	—	4.2	5.7
Loss on disposal/write off of property, plant and equipment	<u>2.1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2.1</u>

2006

	Continuing operations	Discontinued operations					Consolidated
	Infrastructure	Property leasing	Hotel operation	Security guard services	Others	Eliminations	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Income and results							
Turnover	136.4	613.8	95.3	64.8	236.8	—	1,147.1
Other income	1.0	3.8	0.2	—	3.4	—	8.4
External income	137.4	617.6	95.5	64.8	240.2	—	1,155.5
Inter-segment income	—	19.8	—	0.5	6.1	(26.4)	—
Total income	137.4	637.4	95.5	65.3	246.3	(26.4)	1,155.5
Segment results	81.8	329.4	35.6	2.3	(173.2)		275.9
Interest income							124.2
Dividend income from listed investments							6.7
Profit for the year of disposal group							11.2
Increase in fair value of investment properties							1,014.9
Unallocated expenses, net							(32.0)
Finance costs							(10.0)
Share of profits less losses of associates							2,489.1
Profit before taxation							3,880.0
Income tax							(184.9)
Profit for the year							3,695.1

2006

	Continuing operations	Discontinued operations				Consolidated
	Infrastructure	Property leasing	Hotel operation	Security guard services	Others	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Balance sheet						
Segment assets	1,214.5	6,316.7	276.4	21.5	430.0	8,259.1
Interests in associates						16,243.0
Amounts due from associates						46.1
Unallocated assets						<u>5,328.7</u>
Total consolidated assets						<u>29,876.9</u>
Segment liabilities	270.5	87.0	23.0	5.5	118.7	504.7
Amounts due to associates						0.8
Unallocated liabilities						<u>1,091.3</u>
Total consolidated liabilities						<u>1,596.8</u>
Other information						
Capital expenditure incurred during the year	11.1	—	0.8	0.6	15.9	28.4
Amortisation and depreciation	36.1	—	9.6	0.6	24.1	70.4
Impairment loss on:						
— debtors	—	0.4	0.6	—	0.3	1.3
— property, plant and equipment	—	—	—	—	4.5	4.5
— goodwill arising from acquisition of additional interests in subsidiaries	—	—	—	—	161.8	161.8
Loss on disposal/write off of property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7.8</u>	<u>7.8</u>

2007

	Continuing operations	Discontinued operations					Consolidated
	Infrastructure <i>HK\$ million</i>	Property leasing <i>HK\$ million</i>	Hotel operation <i>HK\$ million</i>	Security guard services <i>HK\$ million</i>	Others <i>HK\$ million</i>	Eliminations <i>HK\$ million</i>	
Income and results							
Turnover	188.7	370.1	90.9	65.3	186.7	—	901.7
Other income	<u>3.9</u>	<u>2.1</u>	<u>0.2</u>	<u>—</u>	<u>1.0</u>	<u>—</u>	<u>7.2</u>
External income	192.6	372.2	91.1	65.3	187.7	—	908.9
Inter-segment income	<u>—</u>	<u>0.1</u>	<u>—</u>	<u>0.8</u>	<u>3.8</u>	<u>(4.7)</u>	<u>—</u>
Total income	<u>192.6</u>	<u>372.3</u>	<u>91.1</u>	<u>66.1</u>	<u>191.5</u>	<u>(4.7)</u>	<u>908.9</u>
Segment results	<u>130.7</u>	<u>240.7</u>	<u>29.4</u>	<u>1.4</u>	<u>5.2</u>		407.4
Interest income							221.3
Dividend income from listed investments							2.6
Profit for the year of disposal group							11.3
Increase in fair value of investment properties							219.5
Gain on disposal of subsidiaries and associates							930.0
Unallocated expenses, net							(43.3)
Finance costs							(4.1)
Share of profits less losses of associates							<u>3,833.9</u>
Profit before taxation							5,578.6
Income tax							<u>(109.4)</u>
Profit for the year							<u>5,469.2</u>

2007

	Continuing operations	Discontinued operations				Consolidated
	Infrastructure	Property leasing	Hotel operation	Security guard services	Others	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Other information						
Capital expenditure incurred during the year	174.2	92.7	—	0.2	1.1	268.2
Amortisation and depreciation	31.7	—	8.8	0.5	4.4	45.4
Loss on disposal/write off of property, plant and equipment	—	—	—	—	17.5	17.5

No business segment analysis in respect of assets and liabilities at 30 June 2007 is presented as there was only infrastructure business segment at 30 June 2007.

Geographical segments

The Group's business is carried out in Hong Kong except for infrastructure business which is in mainland China. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Total consolidated assets and capital expenditure are based on geographical location of the assets.

	Hong Kong			Mainland China			Consolidated		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Turnover	1,058.9	1,010.7	713.0	235.5	136.4	188.7	1,294.4	1,147.1	901.7
Other income	6.9	7.4	3.3	1.9	1.0	3.9	8.8	8.4	7.2
External income	1,065.8	1,018.1	716.3	237.4	137.4	192.6	1,303.2	1,155.5	908.9
Attributable to:									
— Continuing operations	—	—	—	237.4	137.4	192.6	237.4	137.4	192.6
— Discontinued operations	1,065.8	1,018.1	716.3	—	—	—	1,065.8	1,018.1	716.3
	1,065.8	1,018.1	716.3	237.4	137.4	192.6	1,303.2	1,155.5	908.9
Total consolidated assets	22,627.8	28,536.6	18,148.1	1,364.6	1,340.3	1,715.3	23,992.4	29,876.9	19,863.4
Capital expenditure incurred during the year	21.3	17.3	94.0	1.6	11.1	174.2	22.9	28.4	268.2

16 Investment properties

	THE GROUP		
	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Valuation			
At 1 July	4,110.3	5,000.7	6,058.0
Additions	0.1	—	92.7
Transfer from prepaid lease payments	—	16.0	—
Transfer from property, plant and equipment	—	26.4	—
Increase in fair value for the year (note 9(b))	890.3	1,014.9	219.5
Disposal of subsidiaries (note 34)	—	—	(6,370.2)
	<u>5,000.7</u>	<u>6,058.0</u>	<u>—</u>
At 30 June	<u>5,000.7</u>	<u>6,058.0</u>	<u>—</u>

(a) *The analysis of net book value of investment properties, which are all situated in Hong Kong, is as follows:*

	THE GROUP		
	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Long leases	1,369.4	1,615.9	—
Medium-term leases	<u>3,631.3</u>	<u>4,442.1</u>	<u>—</u>
	<u>5,000.7</u>	<u>6,058.0</u>	<u>—</u>

(b) The Group's investment properties were revalued as at 30 June 2005 and 2006 and 31 December 2006 by an independent firm of professional surveyors, DTZ Debenham Tie Leung Limited, who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential.

All properties held under operating leases that would otherwise meet the definition of investment property were classified as investment properties.

(c) At 30 June 2005 and 2006, investment properties in Hong Kong with a total carrying value of HK\$455.9 million and HK\$543.6 million respectively were co-owned with certain fellow subsidiaries. The carrying values represented the Group's interests in the relevant properties.

17 Property, plant and equipment

(a) *The Group*

	Hotel properties	Other buildings	Bridges	Leasehold improvements, equipment, furniture, fixtures and motor vehicles	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Cost					
At 1 July 2004	297.5	25.0	561.0	281.3	1,164.8
Additions	—	—	—	22.8	22.8
Disposals	—	—	(11.7)	(18.3)	(30.0)
At 30 June 2005 and 1 July 2005	297.5	25.0	549.3	285.8	1,157.6
Additions	—	—	10.5	17.9	28.4
Surplus on revaluation	—	18.4	—	—	18.4
Reclassified to investment properties	—	(30.1)	—	—	(30.1)
Transfer to assets classified as held for sale (note 31)	—	(3.8)	—	(2.0)	(5.8)
Disposals	—	—	—	(52.7)	(52.7)
At 30 June 2006 and 1 July 2006	297.5	9.5	559.8	249.0	1,115.8
Exchange adjustment	—	—	59.1	1.2	60.3
Additions	—	—	173.1	2.4	175.5
Write off of property, plant and equipment	—	—	—	(75.6)	(75.6)
Disposals					
— through disposal of subsidiaries	(297.5)	(9.5)	—	(108.6)	(415.6)
— others	—	—	—	(20.9)	(20.9)
At 30 June 2007	—	—	792.0	47.5	839.5

	Hotel properties	Other buildings	Bridges	Leasehold improvements, equipment, furniture, fixtures and motor vehicles	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Accumulated depreciation and impairment loss					
At 1 July 2004	81.8	8.1	133.1	218.9	441.9
Charge for the year	7.4	0.7	19.1	30.5	57.7
Write back on disposal	—	—	(9.7)	(18.0)	(27.7)
At 30 June 2005 and 1 July 2005	89.2	8.8	142.5	231.4	471.9
Charge for the year	7.4	0.5	19.0	26.2	53.1
Reclassified to investment properties	—	(3.7)	—	—	(3.7)
Impairment loss	—	—	—	4.5	4.5
Write back on disposal	—	—	—	(44.7)	(44.7)
Elimination upon transfer to assets classified as held for sale (note 31)	—	(1.3)	—	(1.7)	(3.0)
At 30 June 2006 and 1 July 2006	96.6	4.3	161.5	215.7	478.1
Exchange adjustment	—	—	17.6	1.0	18.6
Charge for the year	7.1	0.1	20.4	6.5	34.1
Write off of property, plant and equipment	—	—	—	(58.2)	(58.2)
Write back on disposal					
— through disposal of subsidiaries	(103.7)	(4.4)	—	(101.2)	(209.3)
— others	—	—	—	(20.4)	(20.4)
At 30 June 2007	—	—	199.5	43.4	242.9
Net book value					
At 30 June 2007	—	—	592.5	4.1	596.6
At 30 June 2006	200.9	5.2	398.3	33.3	637.7
At 30 June 2005	208.3	16.2	406.8	54.4	685.7

(b) *The analysis of net book value of the Group's properties is as follows:*

	Hotel properties			Other buildings			Bridges		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
	<i>HK\$ million</i>								
In Hong Kong									
— Long leases	75.7	73.1	—	—	—	—	—	—	—
— Medium-term leases	132.6	127.8	—	13.3	4.9	—	—	—	—
Outside Hong Kong									
— Long leases	—	—	—	0.4	0.3	—	—	—	—
— Medium-term leases	—	—	—	2.5	—	—	406.8	398.3	592.5
	<u>208.3</u>	<u>200.9</u>	<u>—</u>	<u>16.2</u>	<u>5.2</u>	<u>—</u>	<u>406.8</u>	<u>398.3</u>	<u>592.5</u>

18 Prepaid lease payments

	THE GROUP		
	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Leasehold land in Hong Kong:			
— Long leases	16.7	16.5	—
— Medium-term leases	65.6	48.1	—
	<u>82.3</u>	<u>64.6</u>	<u>—</u>
Classified as:			
— Non-current assets	80.6	63.3	—
— Current assets (included in "Trade and other receivables")	1.7	1.3	—
	<u>82.3</u>	<u>64.6</u>	<u>—</u>

19 Toll highway operation rights

	THE GROUP		
	2005 <i>HK\$ million</i>	2006 <i>HK\$ million</i>	2007 <i>HK\$ million</i>
Cost			
At 1 July	789.5	789.5	231.8
Exchange adjustment	—	—	24.4
Transfer to assets classified as held for sale (note 31)	—	(557.7)	—
At 30 June	<u>789.5</u>	<u>231.8</u>	<u>256.2</u>
Accumulated amortisation			
At 1 July	193.3	228.0	60.7
Exchange adjustment	—	—	6.5
Amortisation for the year (note 7(c))	34.7	15.6	10.1
Elimination upon transfer to assets classified as held for sale (note 31)	—	(182.9)	—
At 30 June	<u>228.0</u>	<u>60.7</u>	<u>77.3</u>
Carrying amount			
At 30 June	<u><u>561.5</u></u>	<u><u>171.1</u></u>	<u><u>178.9</u></u>

Toll highway operation rights comprised the operation rights of Maanshan Huan Tong Highway (the “Highway”) and of Zhejiang Provincial Highway #34 & #36 Fenghua Section (which were transferred to assets classified as held for sale during the year ended 30 June 2006).

On 16 December 1999, the Group was granted the operation rights of the Highway by the People’s Government of Anhui Province (安徽省人民政府) for a period of 25 years. During the 25-year toll highway concession period, the Group has the rights of management of the Highway and the toll-collection rights thereof. The Group is required to maintain and operate the Highway in accordance with the regulations promulgated by the relevant government authority.

At 30 June 2005, 2006 and 2007, the toll highway operation rights are pledged to secure the Group’s certain bank loans (see note 27).

The amortisation charge for the years is included in “direct costs” in the consolidated profit and loss accounts.

20 Investments in subsidiaries

	THE COMPANY		
	2005 <i>HK\$ million</i>	2006 <i>HK\$ million</i>	2007 <i>HK\$ million</i>
Unlisted shares, at cost	<u>2,158.0</u>	<u>2,158.0</u>	<u>1,555.7</u>

As detailed in note 9, the Group disposed of its entire interests in certain subsidiaries during the year ended 30 June 2007. Details of the principal subsidiaries are set out in note 40.

21 Interests in associates

	THE GROUP			THE COMPANY		
	2005 <i>HK\$ million</i>	2006 <i>HK\$ million</i>	2007 <i>HK\$ million</i>	2005 <i>HK\$ million</i>	2006 <i>HK\$ million</i>	2007 <i>HK\$ million</i>
Unlisted						
Shares, at cost	—	—	—	164.2	164.2	—
Share of net assets	<u>482.8</u>	<u>563.8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>482.8</u>	<u>563.8</u>	<u>—</u>	<u>164.2</u>	<u>164.2</u>	<u>—</u>
Listed in Hong Kong						
Investments in associates, including goodwill	<u>13,232.8</u>	<u>15,679.2</u>	<u>14,443.7</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>13,715.6</u>	<u>16,243.0</u>	<u>14,443.7</u>	<u>164.2</u>	<u>164.2</u>	<u>—</u>
Market value of listed associates						
	<u>36,845.5</u>	<u>39,760.4</u>	<u>38,493.6</u>	<u>—</u>	<u>—</u>	<u>—</u>

As detailed in note 9, the Group disposed of its entire interests in certain associates during the year ended 30 June 2007. Set out below are the particulars of the associates which, in the opinion of the directors, principally affected the results and assets of the Group for the years ended 30 June 2005, 2006 and 2007. All the associates are incorporated and operate in Hong Kong unless otherwise stated.

	Percentage of issued ordinary shares held by the Group	Principal activity
<i>Listed in Hong Kong</i>		
The Hong Kong and China Gas Company Limited ("HKCG")	38.55	Production, distribution and marketing of gas and related activities in Hong Kong and gas, water and related activities in mainland China
Hong Kong Ferry (Holdings) Company Limited *	31.36	Property development and investment
Miramar Hotel and Investment Company, Limited *	44.21	Hotel operation
<i>Unlisted</i>		
Star Play Development Limited *	33.33	Property investment
Mandy Investment Company Limited *	50.00	Property development

* Associates disposed of during the year ended 30 June 2007

Summary financial information on associates:

	Assets	Liabilities	Equity	Revenues	Profit
	<i>HK\$ million</i>				
2005	<u>38,027.4</u>	<u>(11,973.0)</u>	<u>26,054.4</u>	<u>11,010.1</u>	<u>6,238.9</u>
2006	<u>45,125.9</u>	<u>(15,773.1)</u>	<u>29,352.8</u>	<u>12,276.8</u>	<u>6,393.6</u>
2007	<u>39,488.8</u>	<u>(13,763.7)</u>	<u>25,725.1</u>	<u>13,810.6</u>	<u>8,823.0</u>

The above summary financial information on associates presented the results, assets and liabilities of the associates in which the Group was interested at the respective balance sheet dates.

The profit of the associates for the year ended 30 June 2007 includes a gain of HK\$2,235.7 million from HKCG's disposal of interests in ten piped city-gas joint ventures to Towngas China Company Limited, formerly known as Panva Gas Holdings Limited.

22 **Other non-current assets**

	THE GROUP		
	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Held-to-maturity debt securities			
Listed outside Hong Kong	<u>11.5</u>	<u>11.5</u>	<u>—</u>
Investment securities/other investments/available-for-sale securities			
Listed in Hong Kong	200.6	255.1	—
Unlisted	<u>29.5</u>	<u>29.4</u>	<u>8.6</u>
	<u>230.1</u>	<u>284.5</u>	<u>8.6</u>
Non-current receivable	<u>137.8</u>	<u>116.7</u>	<u>110.0</u>
	<u>379.4</u>	<u>412.7</u>	<u>118.6</u>
Market value of listed securities	<u>211.7</u>	<u>266.2</u>	<u>—</u>

Investments in securities/available-for-sale securities

At 30 June 2005, investments in securities include investment securities of HK\$7.6 million and other investments of HK\$222.5 million. Investment securities are carried at cost less impairment losses. Other investments are stated at fair value with changes in fair value recognised in profit or loss, except for unlisted equity securities with carrying amount of HK\$21.9 million which are stated at cost less impairment losses as their fair values cannot be measured reliably.

At 30 June 2006 and 2007, available-for-sale securities are stated at their fair values, except for unlisted equity securities with carrying amount of HK\$29.4 million and HK\$8.6 million respectively which are stated at cost less impairment losses as their fair values cannot be measured reliably.

Non-current receivable

Non-current receivable mainly represents the non-current portion of the balance of consideration receivable (stated at present value) in relation to the disposal of the Group's toll collection rights of certain toll bridges during the year ended 30 June 2004. At 30 June 2005, 2006 and 2007, the total balances of the consideration receivables were RMB166.6 million (equivalent to HK\$155.4 million), RMB150.6 million (equivalent to HK\$140.4 million) and RMB133.6 million (equivalent to HK\$137.7 million) respectively which would be settled by instalments of RMB28.1 million (equivalent to HK\$29.0 million) per annum for the period from 1 June 2003 to 27 October 2010 and RMB16.0 million (equivalent to HK\$16.5 million) per annum for the period from 28 October 2010 to 20 July 2015. At 30 June 2005, 2006 and 2007, the current portions of HK\$22.5 million, HK\$23.7 million and HK\$27.7 million respectively are included in "Trade and other receivables" (see note 24).

23 **Inventories**

	THE GROUP		
	2005 <i>HK\$ million</i>	2006 <i>HK\$ million</i>	2007 <i>HK\$ million</i>
Goods for retails, catering stocks and trading goods	29.1	33.3	—
Completed properties for sale	<u>259.1</u>	<u>276.2</u>	<u>—</u>
	<u>288.2</u>	<u>309.5</u>	<u>—</u>

24 **Trade and other receivables**

	THE GROUP			THE COMPANY		
	2005 <i>HK\$ million</i>	2006 <i>HK\$ million</i>	2007 <i>HK\$ million</i>	2005 <i>HK\$ million</i>	2006 <i>HK\$ million</i>	2007 <i>HK\$ million</i>
Trade debtors	168.2	173.0	277.9	—	—	—
Deposits, prepayments and other receivables	160.4	83.7	48.1	10.0	9.7	1.5
Consideration receivable (note 22)	<u>22.5</u>	<u>23.7</u>	<u>27.7</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>351.1</u>	<u>280.4</u>	<u>353.7</u>	<u>10.0</u>	<u>9.7</u>	<u>1.5</u>

APPENDIX I**ACCOUNTANT'S REPORT**

The ageing analysis of trade debtors (net of impairment loss for bad and doubtful debts) of the Group as at the balance sheet dates is as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Current or less than 1 month overdue	115.0	31.2	16.9
1 to 3 months overdue	16.4	35.3	34.7
More than 3 months overdue but less than 6 months overdue	4.4	17.0	45.4
More than 6 months overdue	<u>32.4</u>	<u>89.5</u>	<u>180.9</u>
	<u>168.2</u>	<u>173.0</u>	<u>277.9</u>

25 **Amounts due from affiliates**

	THE GROUP			THE COMPANY		
	2005	2006	2007	2005	2006	2007
	<i>HK\$ million</i>					
Amounts due from subsidiaries	—	—	—	10,444.2	13,835.5	7,102.9
Amounts due from associates	42.0	46.1	2.0	41.9	46.0	—
Amounts due from investee companies	6.5	5.5	4.5	—	—	—
Amounts due from minority shareholders	<u>80.9</u>	<u>90.8</u>	<u>61.5</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>129.4</u>	<u>142.4</u>	<u>68.0</u>	<u>10,486.1</u>	<u>13,881.5</u>	<u>7,102.9</u>

Amounts due from affiliates are unsecured, interest-free and repayable on demand except for the amounts due from an associate of HK\$41.0 million and HK\$45.0 million at 30 June 2005 and 2006 respectively which bear interest at prime rate plus 2%.

26 Cash and cash equivalents

	THE GROUP			THE COMPANY		
	2005	2006	2007	2005	2006	2007
	<i>HK\$ million</i>					
Deposits with banks	2,742.2	5,113.8	3,609.2	—	—	150.8
Cash at bank and in hand	<u>37.8</u>	<u>43.0</u>	<u>74.9</u>	<u>0.2</u>	<u>0.3</u>	<u>13.1</u>
Cash and cash equivalents in the balance sheets	2,780.0	5,156.8	3,684.1	<u>0.2</u>	<u>0.3</u>	<u>163.9</u>
Cash and cash equivalents classified as assets held for sale (note 31)	—	0.5	2.0			
Bank overdrafts (note 27)	<u>(33.8)</u>	<u>(30.3)</u>	<u>—</u>			
Cash and cash equivalents in the consolidated cash flow statements	<u>2,746.2</u>	<u>5,127.0</u>	<u>3,686.1</u>			

Included in cash and cash equivalents in the balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	THE GROUP			THE COMPANY		
	2005	2006	2007	2005	2006	2007
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
United States Dollars ("USD")	USD141.2	USD146.3	USD0.1	—	—	—
Japanese Yen ("JPY")	<u>JPY 25.0</u>	<u>—</u>	<u>JPY172.7</u>	<u>—</u>	<u>—</u>	<u>—</u>

Of the cash and bank balances and pledged bank deposits at 30 June 2005 and 2006 and of the cash and bank balances at 30 June 2007, total sums being the equivalent of HK\$110.8 million, HK\$125.7 million and HK\$75.6 million respectively were maintained in mainland China and are subject to exchange control regulations.

27 **Bank loans and overdrafts**

At 30 June 2005, 2006 and 2007, bank loans and overdrafts of the Group were repayable as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Within 1 year and included in current liabilities	<u>126.9</u>	<u>87.8</u>	<u>22.7</u>
After 1 year and included in non-current liabilities			
— After 1 year but within 2 years	50.0	20.6	—
— After 2 years but within 5 years	<u>85.7</u>	<u>5.5</u>	<u>6.2</u>
	<u>135.7</u>	<u>26.1</u>	<u>6.2</u>
	<u><u>262.6</u></u>	<u><u>113.9</u></u>	<u><u>28.9</u></u>

At 30 June 2005, 2006 and 2007, the Group had the following secured and unsecured bank loans and overdrafts:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Unsecured bank overdrafts	<u>33.8</u>	<u>30.3</u>	<u>—</u>
Bank loans			
— Secured	228.8	55.6	28.9
— Unsecured	<u>—</u>	<u>28.0</u>	<u>—</u>
	<u>228.8</u>	<u>83.6</u>	<u>28.9</u>
	<u><u>262.6</u></u>	<u><u>113.9</u></u>	<u><u>28.9</u></u>

At 30 June 2007, the Group's bank loans were secured by the Group's toll highway operation rights (see note 19). At 30 June 2005 and 2006, certain of the Group's bank loans were secured by the Group's toll highway operation rights (see note 19) and pledged bank deposits of HK\$20.2 million.

28 **Trade and other payables**

	THE GROUP			THE COMPANY		
	2005	2006	2007	2005	2006	2007
	<i>HK\$ million</i>					
Trade creditors	177.7	154.4	37.2	—	—	—
Rental deposits and other payables	<u>103.6</u>	<u>126.6</u>	<u>148.8</u>	<u>5.0</u>	<u>5.5</u>	<u>19.7</u>
	<u><u>281.3</u></u>	<u><u>281.0</u></u>	<u><u>186.0</u></u>	<u><u>5.0</u></u>	<u><u>5.5</u></u>	<u><u>19.7</u></u>

The ageing analysis of trade creditors of the Group as at the balance sheet dates is as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Due within 1 month or on demand	123.5	103.0	4.9
Due after 1 month but within 3 months	43.0	39.2	20.0
Due after 3 months but within 6 months	3.3	2.8	10.3
Due after 6 months	<u>7.9</u>	<u>9.4</u>	<u>2.0</u>
	<u><u>177.7</u></u>	<u><u>154.4</u></u>	<u><u>37.2</u></u>

29 **Amounts due to affiliates**

	THE GROUP			THE COMPANY		
	2005	2006	2007	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Amounts due to subsidiaries	—	—	—	269.7	228.6	1,151.9
Amount due to a fellow subsidiary	—	—	1,653.2	—	—	—
Amounts due to associates	2.5	0.8	—	—	—	—
Amounts due to minority shareholders	<u>143.6</u>	<u>65.1</u>	<u>148.3</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amounts due to affiliates classified as current liabilities	<u>146.1</u>	<u>65.9</u>	<u>1,801.5</u>	<u>269.7</u>	<u>228.6</u>	<u>1,151.9</u>
Amount due to a fellow subsidiary classified as non-current liability	<u>301.1</u>	<u>120.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>447.2</u></u>	<u><u>186.1</u></u>	<u><u>1,801.5</u></u>	<u><u>269.7</u></u>	<u><u>228.6</u></u>	<u><u>1,151.9</u></u>

Amounts due to affiliates are unsecured, interest-free and repayable on demand except for the amounts due to a fellow subsidiary of HK\$301.1 million, HK\$120.2 million and HK\$1,653.2 million at 30 June 2005, 2006 and 2007 respectively which bear interest by reference to Hong Kong Interbank Offered Rate.

30 Deferred taxation

(a) *Deferred tax assets and liabilities recognised*(i) *The Group*

The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated balance sheets and the movements during the years are as follows:

Deferred taxation arising from:	Depreciation allowances in excess of related depreciation <i>HK\$ million</i>	Consideration receivable on disposal of toll collection right of toll bridges <i>HK\$ million</i>	Revaluation of investment properties <i>HK\$ million</i>	Tax losses <i>HK\$ million</i>	Others <i>HK\$ million</i>	Total <i>HK\$ million</i>
At 1 July 2004	26.4	15.2	399.0	(6.6)	1.9	435.9
(Credited)/charged to profit and loss account	<u>(1.1)</u>	<u>(0.6)</u>	<u>126.6</u>	<u>(6.1)</u>	<u>—</u>	<u>118.8</u>
At 30 June 2005	<u>25.3</u>	<u>14.6</u>	<u>525.6</u>	<u>(12.7)</u>	<u>1.9</u>	<u>554.7</u>
At 1 July 2005	25.3	14.6	525.6	(12.7)	1.9	554.7
Charged to property revaluation reserve	—	—	3.2	—	—	3.2
(Credited)/charged to profit and loss account	<u>(3.9)</u>	<u>(0.7)</u>	<u>153.1</u>	<u>(16.8)</u>	<u>1.1</u>	<u>132.8</u>
At 30 June 2006	<u>21.4</u>	<u>13.9</u>	<u>681.9</u>	<u>(29.5)</u>	<u>3.0</u>	<u>690.7</u>
At 1 July 2006	21.4	13.9	681.9	(29.5)	3.0	690.7
Exchange adjustment	—	1.4	—	—	—	1.4
Charged/(credited) to profit and loss account	3.4	(1.1)	39.7	(7.5)	—	34.5
Disposal of subsidiaries	<u>(24.8)</u>	<u>—</u>	<u>(721.6)</u>	<u>37.0</u>	<u>(3.0)</u>	<u>(712.4)</u>
At 30 June 2007	<u>—</u>	<u>14.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14.2</u>
			2005	2006	2007	
			<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Net deferred tax asset recognised in the balance sheet			—	(3.2)	—	
Net deferred tax liability recognised in the balance sheet			<u>554.7</u>	<u>693.9</u>	<u>14.2</u>	
			<u>554.7</u>	<u>690.7</u>	<u>14.2</u>	

(ii) *The Company*

No deferred taxation has been recognised as the Company did not have significant temporary differences as at 30 June 2005, 2006 and 2007.

(b) *Deferred tax assets not recognised*

	THE GROUP					
	2005		2006		2007	
	Tax losses/ deductible temporary differences <i>HK\$ million</i>	Deferred tax assets <i>HK\$ million</i>	Tax losses/ deductible temporary differences <i>HK\$ million</i>	Deferred tax assets <i>HK\$ million</i>	Tax losses/ deductible temporary differences <i>HK\$ million</i>	Deferred tax assets <i>HK\$ million</i>
Future benefits of tax losses						
Hong Kong						
— assessed by the Inland Revenue Department	344.7	60.3	286.6	50.2	—	—
— not yet agreed by the Inland Revenue Department	843.9	147.7	810.9	141.9	—	—
Outside Hong Kong	47.8	7.2	75.0	11.2	—	—
	1,236.4	215.2	1,172.5	203.3	—	—
Deductible temporary differences	52.4	9.2	3.8	0.7	—	—
At 30 June	1,288.8	224.4	1,176.3	204.0	—	—

The Group has not recognised deferred tax assets in respect of the above unused tax losses and deductible temporary differences as it is not probable that future taxable profits will be available in the relevant tax jurisdiction and entity against which these unused tax losses and deductible temporary differences can be utilised.

Included in the unrecognised tax losses at 30 June 2005 and 2006 were amounts of HK\$47.8 million and HK\$75.0 million respectively which can be carried forward for up to five years from the year in which they arose; the remaining balances of HK\$1,188.6 million and HK\$1,097.5 million respectively do not expire under current tax legislation.

31 Disposal group

On 29 March 2006, the Group entered into a sale and purchase agreement with Fenghua Transportation Investment Co., Ltd 奉化市交通投资公司, a minority shareholder of Ningbo Subsidiaries (as defined below), to dispose of its entire interests in Ningbo Nickwell Highway Development Company Limited, Ningbo Wise Link Highway Development Company Limited and Ningbo Rayter Highway Development Company Limited (collectively referred to as the "Ningbo Subsidiaries") at a consideration of RMB70 million (approximately HK\$72.2 million). As of the date of this Financial Information, the transaction has yet to be completed, pending the settlement of the entire consideration which is expected to take place by 31 December 2007.

The results of the Ningbo Subsidiaries for the years since it was classified as a disposal group are as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	—	15.6	17.8
Expenses	—	(4.4)	(6.5)
Profit for the year of disposal group	—	11.2	11.3

The assets and liabilities of the Ningbo Subsidiaries were classified as a disposal group held for sale as at 30 June 2006 and 2007. The major classes of assets and liabilities of the disposal group are as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Assets			
Property, plant and equipment	—	2.8	3.2
Toll highway operation rights	—	374.8	414.4
Debtors, deposits and prepayments	—	0.5	0.2
Bank balances and cash (note 26)	—	0.5	2.0
Assets classified as held for sale	—	378.6	419.8
Liabilities			
Accrued expenses	—	1.3	0.5
Bank loans, secured	—	169.4	—
Amount due to a minority shareholder (note)	—	69.6	254.9
Liabilities associated with assets classified as held for sale	—	240.3	255.4
Net assets classified as held for sale	—	138.3	164.4

Note: The amount is unsecured, interest free and has no fixed terms of repayment.

32 Employee retirement benefits

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Schemes Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. There were forfeited contributions of HK\$0.2 million, HK\$0.1 million and HK\$Nil utilised during the years ended 30 June 2005, 2006 and 2007 respectively. There was no such balance at 30 June 2005, 2006 and 2007.

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. No forfeited contributions were utilised during the years ended 30 June 2005, 2006 and 2007.

33 Capital and reserves

(a) *The Group*

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Property revaluation reserve	Capital reserve	Fair value reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 July 2004	563.5	6,158.6	—	12.9	—	—	11,978.2	18,713.2	755.8	19,469.0
Final dividend approved in respect of the previous financial year (note 13(b))	—	—	—	—	—	—	(338.1)	(338.1)	—	(338.1)
Increase in interests in subsidiaries	—	—	—	—	—	—	—	—	(43.3)	(43.3)
Profit for the year	—	—	—	—	—	—	3,507.7	3,507.7	65.7	3,573.4
Interim dividend declared in respect of the current financial year (note 13(a))	—	—	—	—	—	—	(366.3)	(366.3)	—	(366.3)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(33.4)	(33.4)
At 30 June 2005	<u>563.5</u>	<u>6,158.6</u>	<u>—</u>	<u>12.9</u>	<u>—</u>	<u>—</u>	<u>14,781.5</u>	<u>21,516.5</u>	<u>744.8</u>	<u>22,261.3</u>

Attributable to equity shareholders of the Company										
	Share capital	Share premium	Property revaluation reserve	Capital reserve	Fair value reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
At 1 July 2005										
As previously reported	563.5	6,158.6	—	12.9	—	—	14,781.5	21,516.5	744.8	22,261.3
Opening balance adjustment in respect of goodwill	—	—	—	—	—	—	118.9	118.9	—	118.9
As restated	563.5	6,158.6	—	12.9	—	—	14,900.4	21,635.4	744.8	22,380.2
Final dividend approved in respect of the previous financial year (note 13(b))	—	—	—	—	—	—	(422.6)	(422.6)	—	(422.6)
Issue of shares, net of expenses	46.0	3,057.1	—	—	—	—	—	3,103.1	—	3,103.1
Revaluation surplus, net of deferred taxation	—	—	12.0	—	—	—	—	12.0	3.2	15.2
Changes in fair value of available-for-sale securities	—	—	—	—	53.7	—	—	53.7	—	53.7
Increase in interests in subsidiaries	—	—	—	—	—	—	—	—	(90.7)	(90.7)
Profit for the year	—	—	—	—	—	—	3,667.2	3,667.2	27.9	3,695.1
Interim dividend declared in respect of the current financial year (note 13(a))	—	—	—	—	—	—	(396.2)	(396.2)	—	(396.2)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(57.7)	(57.7)
At 30 June 2006	<u>609.5</u>	<u>9,215.7</u>	<u>12.0</u>	<u>12.9</u>	<u>53.7</u>	<u>—</u>	<u>17,748.8</u>	<u>27,652.6</u>	<u>627.5</u>	<u>28,280.1</u>

Attributable to equity shareholders of the Company										
	Share capital	Share premium	Property revaluation reserve	Capital reserve	Fair value reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 July 2006	609.5	9,215.7	12.0	12.9	53.7	—	17,748.8	27,652.6	627.5	28,280.1
Final dividend approved in respect of the previous financial year (note 13(b))	—	—	—	—	—	—	(457.1)	(457.1)	—	(457.1)
Exchange difference on translation of accounts of subsidiaries outside Hong Kong	—	—	—	—	—	61.5	—	61.5	54.3	115.8
Reduction of share premium (note (d))	—	(5,000.0)	—	—	—	—	5,000.0	—	—	—
Transfer to retained profits on disposal of subsidiaries	—	—	(12.0)	—	—	—	12.0	—	—	—
Available-for-sale securities:										
— changes in fair value	—	—	—	—	182.8	—	—	182.8	—	182.8
— Impairment loss transfer to profit or loss	—	—	—	—	13.5	—	—	13.5	—	13.5
— transfer to profit or loss on disposal of subsidiaries	—	—	—	—	(250.0)	—	—	(250.0)	—	(250.0)
Distribution to minority shareholders	—	—	—	—	—	—	—	—	(90.3)	(90.3)
Profit for the year	—	—	—	—	—	—	5,391.1	5,391.1	78.1	5,469.2
Dividends declared in respect of the current financial year (note 13(a))										
— interim dividend	—	—	—	—	—	—	(396.2)	(396.2)	—	(396.2)
— cash distribution	—	—	—	—	—	—	(15,236.6)	(15,236.6)	—	(15,236.6)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(104.5)	(104.5)
At 30 June 2007	609.5	4,215.7	—	12.9	—	61.5	12,062.0	16,961.6	565.1	17,526.7

(b) *The Company*

	Share capital	Share premium	Capital reserve	Retained profits	Total equity
	<i>HK\$ million</i>				
At 1 July 2004	563.5	6,158.6	3.5	5,234.0	11,959.6
Final dividend approved in respect of the previous financial year (note 13(b))	—	—	—	(338.1)	(338.1)
Profit for the year	—	—	—	1,293.5	1,293.5
Interim dividend declared in respect of the current financial year (note 13(a))	—	—	—	(366.3)	(366.3)
At 30 June 2005	<u>563.5</u>	<u>6,158.6</u>	<u>3.5</u>	<u>5,823.1</u>	<u>12,548.7</u>
At 1 July 2005	563.5	6,158.6	3.5	5,823.1	12,548.7
Final dividend approved in respect of the previous financial year (note 13(b))	—	—	—	(422.6)	(422.6)
Issue of shares, net of expenses	46.0	3,057.1	—	—	3,103.1
Profit for the year	—	—	—	1,146.6	1,146.6
Interim dividend declared in respect of the current financial year (note 13(a))	—	—	—	(396.2)	(396.2)
At 30 June 2006	<u>609.5</u>	<u>9,215.7</u>	<u>3.5</u>	<u>6,150.9</u>	<u>15,979.6</u>
At 1 July 2006	609.5	9,215.7	3.5	6,150.9	15,979.6
Final dividend approved in respect of the previous financial year (note 13(b))	—	—	—	(457.1)	(457.1)
Reduction of share premium (note (d))	—	(5,000.0)	—	5,000.0	—
Profit for the year	—	—	—	7,762.7	7,762.7
Dividends declared in respect of the current financial year (note 13(a))					
— interim dividend	—	—	—	(396.2)	(396.2)
— cash distribution	—	—	—	(15,236.6)	(15,236.6)
At 30 June 2007	<u>609.5</u>	<u>4,215.7</u>	<u>3.5</u>	<u>2,823.7</u>	<u>7,652.4</u>

(c) *Share capital*

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Authorised:			
2005: 3,600,000,000; 2006: 3,600,000,000; 2007: 5,000,000,000 ordinary shares of HK\$0.2 each	<u>720.0</u>	<u>720.0</u>	<u>1,000.0</u>
Issued and fully paid:			
2005: 2,817,327,395; 2006: 3,047,327,395; 2007: 3,047,327,395 ordinary shares of HK\$0.2 each	<u>563.5</u>	<u>609.5</u>	<u>609.5</u>

Pursuant to an ordinary resolution passed at the annual general meeting held on 6 December 2004, the Company's authorised share capital was increased from HK\$600 million to HK\$720 million by the creation of an additional 600,000,000 ordinary shares of HK\$0.2 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

Pursuant to an ordinary resolution passed at the annual general meeting held on 12 December 2006, the Company's authorised share capital was increased from HK\$720 million to HK\$1,000 million by the creation of an additional 1,400,000,000 ordinary shares of HK\$0.2 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

Pursuant to a share placement arrangement, on 18 April 2006, 230,000,000 new ordinary shares were issued for cash at a price of HK\$13.55 per share to the controlling shareholder of the Company. The proceeds, net of expenses, is HK\$3,103.1 million, of which HK\$46.0 million was credited to the share capital and the remaining balance of HK\$3,057.1 million was credited to the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) *Reduction of share premium*

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 14 May 2007 and an order of the High Court of the Hong Kong Special Administrative Region made on 5 June 2007, an amount of HK\$5,000 million then standing to the credit of the Company's share premium account was reduced on 13 June 2007, being the date of completion of the Company's disposal of certain subsidiaries and associates as set out in note 9(a), and the same amount was credited to the Company's retained profits in accordance with the provisions of the Hong Kong Companies Ordinance.

(e) *Nature and purpose of reserves*(i) *Share premium*

The application of share premium is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) *Property revaluation reserve*

Property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment property, the cumulative increase in fair value of investment property at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(iii) *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 2(f).

(iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

(v) *Distributability of reserves*

At 30 June 2005, 2006 and 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$5,823.1 million, HK\$6,150.9 million and HK\$2,823.7 million respectively. After the balance sheet date, the directors proposed a final dividend of HK15 cents per share, amounting to HK\$457.1 million. This dividend has not been recognised as a liability at 30 June 2007.

34 Disposal of subsidiaries and associates

Details of the subsidiaries and associates disposed of (see note 9 for further details) during the years are set out below:

	<i>Note</i>	2005	2006	2007
		<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Net assets of the subsidiaries disposed of:				
Investment properties	16	—	—	6,370.2
Property, plant and equipment		—	—	206.3
Prepaid lease payments		—	—	63.3
Interests in associates		—	—	4,213.4
Other non-current assets		—	—	459.3
Deferred tax assets		—	—	5.3
Inventories		—	—	269.4
Trade and other receivables		—	—	113.3
Amounts due from affiliates		—	—	0.1
Cash and cash equivalents		—	—	4.9
Bank overdrafts		—	—	(0.3)
Trade and other payables		—	—	(168.1)
Amounts due to affiliates		—	—	(2.3)
Current taxation		—	—	(40.1)
Deferred tax liabilities		—	—	(717.7)
		—	—	10,777.0
Release of fair value reserve		—	—	(250.0)
		—	—	10,527.0
Share of net assets of the associates disposed of		—	—	654.4
Net gain on disposal of subsidiaries and associates		—	—	930.0
		—	—	12,111.4
<i>Satisfied by:</i>				
Cash				
— disposal of subsidiaries		—	—	11,383.6
— disposal of associates		—	—	727.8
		—	—	12,111.4
<i>Analysis of net inflow of cash and cash equivalents</i>				
<i>in respect of the disposal of subsidiaries:</i>				
Cash consideration received		—	—	11,383.6
Cash and cash equivalents disposed of		—	—	(4.6)
		—	—	11,379.0

35 **Capital commitments**

At the balance sheet dates, the Group had commitments not provided for in this Financial Information as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Contracted for:			
— acquisition of property, plant and equipment, and for property development and renovation expenditure	21.0	34.2	—
— system development costs	<u>0.3</u>	<u>—</u>	<u>—</u>
	<u>21.3</u>	<u>34.2</u>	<u>—</u>

36 **Contingent liabilities**

At the balance sheet dates, contingent liabilities of the Company were as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Guarantees given to banks to secure banking facilities granted to subsidiaries	<u>33.6</u>	<u>30.1</u>	<u>—</u>

37 **Significant lease arrangements**

At 30 June 2005 and 2006, the Group was both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) ***The Group as lessor***

The Group leased out a number of properties under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Contingent rental income was calculated based on the excess of certain percentages of turnover of the relevant operation that occupied the properties over the fixed portion of the monthly rentals.

The total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Within 1 year	313.5	345.9	—
After 1 year and within 5 years	<u>117.9</u>	<u>140.5</u>	<u>—</u>
	<u>431.4</u>	<u>486.4</u>	<u>—</u>

(b) ***The Group as lessee***

The Group leased a number of properties and telecommunication network facilities under operating leases. The leases were negotiated for terms of six months to ten years at fixed rentals, with an option to renew the lease upon the expiry of the initial lease term. None of the leases included contingent rentals.

The total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Within 1 year	22.3	12.2	—
After 1 year and within 5 years	<u>15.3</u>	<u>5.4</u>	<u>—</u>
	<u><u>37.6</u></u>	<u><u>17.6</u></u>	<u><u>—</u></u>

38 Material related party transactions

In addition to the transactions disclosed elsewhere in this Financial Information, the Group entered into the following material related party transactions.

(a) Transactions with related parties

During the years, the Group entered into the following material transactions with related parties:

	Fellow subsidiaries			Associates		
	2005	2006	2007	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Continuing operations						
Interest expense	0.5	0.8	2.4	—	—	—
Interest income	—	—	—	2.8	4.0	4.4
Discontinued operations						
Accountancy fee paid	2.9	—	—	—	—	—
Agency commission paid	10.5	1.2	2.1	—	—	—
Building management fee paid	34.2	6.1	5.3	—	—	—
Maintenance fee paid	—	15.6	15.5	—	—	—
Rental expense	85.1	93.8	—	2.2	1.1	1.4
Cleaning service income	7.0	0.9	0.8	—	0.1	—
Hotel management income	—	—	1.0	—	—	—
Rental income	11.3	5.1	3.7	—	—	—
Security guard services income	<u>29.9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group is set out in note 10.

39 Parent and ultimate controlling party

The directors consider that the Company's parent and ultimate controlling party are Kingslee S.A. (a private limited liability company incorporated in the Republic of Panama) and Henderson Development Limited (a private limited liability company incorporated in Hong Kong) respectively. These entities do not produce accounts available for public use.

The parent of Kingslee S.A. is HLD, a public limited liability company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. HLD produces accounts, including those of the Group, which are available for public use.

40 List of principal subsidiaries

Set out below are the particulars of the subsidiaries of the Company which, in the opinion of the directors, principally affected the results and assets of the Group. All the principal subsidiaries are incorporated and operate in Hong Kong unless otherwise stated. None of the principal subsidiaries has debt securities in issue at the balance sheet dates.

(a) Principal subsidiaries during the years ended 30 June 2005, 2006 and 2007

Principal activity	Particulars of issued share capital		Percentage of effective interest attributable to the Company	
	Number of ordinary shares	Par value HK\$	Directly	Indirectly
<i>A Investment holding</i>				
China Investment Group Limited	300,000	1,000	—	64.06
Disralei Investment Limited	2	1	—	100
	*1,000	1	—	100
Henderson Cyber Limited (Incorporated in Cayman Islands)	4,235,913,616	0.1	—	100
Henderton Profits Limited (Incorporated in the British Virgin Islands)	1	US\$1	—	64.06
Luxrich Limited (Incorporated in the British Virgin Islands)	10	US\$1	80	12.81
Macrostar Investment Limited	2	1	100	—
Medley Investment Limited	2	1	—	100
	*2	100	—	100
Nation Team Development Limited	2	1	—	92.81
Prominence Development Limited (Incorporated in the British Virgin Islands)	3,692,100	US\$1	—	64.06
Timpani Investments Limited (Incorporated in the British Virgin Islands)	1	US\$1	100	—
Uniland Development Limited	2	1	100	—
Vigorous Developments Limited (Incorporated in the British Virgin Islands)	10,000	US\$1	—	44.84
<i>B Finance</i>				
Henderson Investment Credit (2004) Limited	2	1	100	—
St. Helena Holdings Co. Limited (Incorporated in the British Virgin Islands)	3	US\$1	100	—

	Note	Contributed capital	Percentage of effective interest attributable to the Company	
			Directly	Indirectly
C Infrastructure				
Hangzhou Henderson Qianjiang Third Bridge Company, Limited	(i), (iii)	RMB200,000,000	—	55.69
Maanshan Huan Tong Highway Development Limited	(ii), (iii)	RMB99,450,000	—	31.39
Tianjin Wanqiao Project Development Company Limited	(ii), (iii)	RMB20,000,000	—	44.84
Tianjin Jinning Roads Bridges Construction Development Company Limited	(ii), (iii)	RMB23,680,000	—	44.84
Ningbo Rayter Highway Development Company Limited	(ii), (iii), (iv)	RMB96,000,000	—	24.89
Ningbo Wise Link Highway Development Company Limited	(ii), (iii), (iv)	RMB56,000,000	—	24.89
Ningbo Nickwell Highway Development Company Limited	(ii), (iii), (iv)	RMB88,000,000	—	24.89

(i) The company is registered as Sino-foreign equity joint venture enterprise and operates in mainland China.

(ii) These companies are registered as Sino-foreign co-operative joint venture enterprises and operate in mainland China. The Group can exercise control over these entities.

(iii) The percentage of the profit sharing by the subsidiaries is as follows:

Hangzhou Henderson Qianjiang Third Bridge Company, Limited	—	60%
Maanshan Huan Tong Highway Development Limited	—	first five years: 80%, second five years: 60% and remaining years: 70%
Tianjin Wanqiao Project Development Company Limited	—	70%
Tianjin Jinning Roads Bridges Construction Development Company Limited	—	first five years: 80%, second five years: 60% and remaining years: 70%
Ningbo Rayter Highway Development Company Limited	—	first five years: 80%, second five years: 50% and remaining years: 65%
Ningbo Wise Link Highway Development Company Limited	—	first five years: 80%, second five years: 50% and remaining years: 65%
Ningbo Nickwell Highway Development Company Limited	—	first five years: 80%, second five years: 50% and remaining years: 65%

(iv) These companies were classified as a disposal group at 30 June 2006 and 2007 (see note 31).

(b) *Principal subsidiaries during the years ended 30 June 2005 and 2006 which were disposed of during the year ended 30 June 2007*

Principal activity	Particulars of issued share capital		Percentage of effective interest attributable to the Company	
	Number of ordinary shares	Par value HK\$	Directly	Indirectly
<i>A Property development</i>				
Alpenhon Limited	2	1	100	—
Bottcher Investment Limited	20,000	100	100	—
Couraud Investment Limited	200	100	100	—
Dashtrend Investment Limited	2	1	100	—
Desormiere Investment Limited	20,000	100	100	—
Fournet Investment Limited	10,000	100	100	—
Full Gain Investment Limited	2	1	100	—
Gesund Investment Company Limited	2	100	100	—
Juliyam Limited	2	1	100	—
Racine Investment Limited	4	100	50	25
Saxophon Limited	3,000,000	1	100	—
Star Flight Company Limited	2	1	100	—
Vignette Investment Limited	2	1	100	—
<i>B Property investment</i>				
Bour Investment Limited	2	100	100	—
	*1,000	100	100	—
Century Nice Development Limited	2	1	100	—
Dekker Investment Limited	2	1	100	—
	*2	1	100	—
Dillinger Investment Limited	2	1	100	—
	*2	1	100	—
Easefine Development Limited	2	1	100	—
Easeluck Development Limited	2	1	100	—
Faith Limited	2	1	—	100
Fordwise Development Limited	1,000	1	100	—
Golden Dragon Development Company, Limited	12,200	100	100	—
Hung Shun Investment Company Limited	20,000	100	100	—
Isherwood Investment Limited	2	1	100	—
Jekyll Investment Limited	2	1	100	—
Mingsway Limited [#]	2	1	—	100
Quentin Investment Limited	10,000	1	100	—
Union Fortune Development Limited	10,000	1	—	100
Vansittart Investment Limited	2	1	100	—
Victory City Enterprises Limited [#]	2	1	—	100

Principal activity	Particulars of issued share capital		Percentage of effective interest attributable to the Company	
	Number of ordinary shares	Par value HK\$	Directly	Indirectly
<i>C Finance</i>				
Henderson Cyber Finance Limited [#]	2	1	—	100
<i>D Investment holding</i>				
Ace Winner Development Limited	2	1	100	—
Aynbury Investments Limited (Incorporated in the British Virgin Islands)	1	US\$1	100	—
Citistore (China) Limited	2	1	—	100
Capital Gold Development Limited	2	1	100	—
Data Tower Holdings Limited [#] (Incorporated in the British Virgin Islands)	2	US\$1	—	100
Dowell Limited [#] (Incorporated in the British Virgin Islands)	1	US\$1	—	100
Evas International Limited (Incorporated in the British Virgin Islands)	1	US\$1	100	—
Felix Technology Limited (Incorporated in the British Virgin Islands)	1	US\$1	—	100
Graf Investment Limited	2	1	—	100
	*2	100	—	100
Hansom Technology Limited [#] (Incorporated in the British Virgin Islands)	1	US\$1	—	100
Higgins Holdings Limited (Incorporated in the British Virgin Islands)	1	US\$1	—	100
Kingsview International Limited (Incorporated in the British Virgin Islands)	1	US\$1	100	—
Konet Investment Limited [#] (Incorporated in the British Virgin Islands)	2	US\$1	—	100
Laidstone Investments Limited (Incorporated in the British Virgin Islands)	1	US\$1	100	—
Max-mercan Investment Limited	2	10	100	—
Mount Sherpa Limited	2	1	—	100
	*2	10	—	100

Principal activity	Particulars of issued share capital		Percentage of effective interest attributable to the Company	
	Number of ordinary shares	Par value HK\$	Directly	Indirectly
Multiglade Holdings Limited (Incorporated in the British Virgin Islands)	1	US\$1	—	100
Paillard Investment Limited	2 *2	1 100	—	100
Pataca Enterprises Limited (Incorporated in the British Virgin Islands)	1	US\$1	100	—
Podar Limited (Incorporated in the British Virgin Islands)	1	US\$1	100	—
Puretech Investment Limited	2	1	—	100
Rejoice Investments Limited (Incorporated in the British Virgin Islands)	1	US\$1	100	—
Rena Limited [#] (Incorporated in the British Virgin Islands)	1	US\$1	—	100
Shiu Kien Development Company Limited	1,500 *150,000	1 100	100 100	— —
Superweb Limited [#] (Incorporated in the British Virgin Islands)	1	US\$1	—	100
Threadwell Limited (Incorporated in the British Virgin Islands)	1	US\$1	—	100
Topgoal Limited (Incorporated in the British Virgin Islands)	1	US\$1	—	100
Winner Glory Development Limited	2	1	100	—
Wiselin Investment Limited	2	1	—	100
E <i>Property management</i>				
Goodwill Investment Property Management Limited	2	1	100	—
F <i>Management and agency services</i>				
Henderson Investment Property Agency Limited	12,000	1	—	100
G <i>Department store operation</i>				
Citistore Limited	2	1	—	100
H <i>Hotel management</i>				
Henderson Hotel Management Limited	2	1	100	—

Principal activity	Particulars of issued share capital		Percentage of effective interest attributable to the Company	
	Number of ordinary shares	Par value HK\$	Directly	Indirectly
I <i>Hotel operation</i>				
Newton Hotel Hong Kong Limited	2	1	100	—
Newton Hotel Kowloon Limited	2	1	100	—
J <i>Cleaning and security guard service</i>				
Elegant Cleaning Services Company Limited	2	1	—	100
Megastrength Security Services Company Limited	10,000 ^400	1 1	— —	100 25
K <i>Information technology</i>				
Henderson Data Centre Limited [#]	2	1	—	100
iCare.com Limited [#]	2	1	—	100

* Non-voting deferred shares

^ Preference shares

[#] The percentage of shares held indirectly by the Company in these subsidiaries at 30 June 2005 and 2006 was 66.67% and 78.69% respectively.

(III) EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 29 August 2007, Uniland Development Limited, a wholly-owned subsidiary of the Company which beneficially owned 64.06% interest in China Investment Group Limited ("CIG"), entered into a sale and purchase agreement with certain parties in relation to the acquisition of the remaining 35.94% interest in CIG, for a cash consideration of HK\$145.02 million. The transaction was completed in September 2007 and CIG became a wholly-owned subsidiary of the Company.
- (b) During the period from 1 July 2007 to 10 August 2007, Macrostar Investment Limited, a wholly-owned subsidiary of the Company, acquired 31,159,000 shares of HKCG at a price range of between HK\$16.59 and HK\$18.15 per share, for an aggregate consideration of HK\$544.5 million. Since then, the Company was beneficially interested in approximately 39.06% of the issued share capital of HKCG.
- (c) On 2 October 2007, the Company as vendor and HLD as purchaser entered into a conditional agreement (the "Agreement") pursuant to which HLD and its subsidiaries (the "HLD Group") will acquire the Group's entire interest in HKCG (representing 2,366,934,097 shares of HKCG or approximately 39.06% of its total issued share capital) through the acquisition of the Company's interests in two wholly-owned investment holding subsidiaries, namely Macrostar Investment Limited and Timpani Investments Limited, (together referred to as the "Sale Companies") and the shareholder's loans owing by the Sale Companies and their subsidiaries, if any (the "Transaction"). The consideration of the Transaction is approximately HK\$42,860 million which is based on the average closing price of HKCG for the 10 trading days immediately preceding 2 October 2007 of HK\$18.108, and comprises (i) the issue to the Company of the share entitlement note, which shall confer on the holder the right to call for the issue by HLD of 636,891,425 shares of HLD ; and (ii) HK\$3,707 million in cash. Based on the average closing price of HLD for the 10 trading days immediately preceding 2 October 2007 of HK\$61.475, the aggregate value of the 636,891,425 shares of HLD is approximately HK\$39,153 million.

The directors of the Company also propose to recommend for approval by the shareholders (i) the reduction of the Company's share premium account by approximately HK\$4,216 million ("Share Premium Reduction"); and (ii) the distribution by the Company to its shareholders of (a) an entitlement to 0.209 share of HLD under the share entitlement note as referred to above for each issued share of the Company upon completion of the Disposal; and (b) HK\$1.21 in cash for each issued share of the Company if the Share Premium Reduction becomes unconditional.

The revenue and expenses, assets and liabilities, and cash flows of the Sale Companies are set out as follows:

- (i) Revenue and expenses comprised in the Financial Information attributable to the Sale Companies and their subsidiaries:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Share of profit of associate	<u>1,696.6</u>	<u>1,798.4</u>	<u>3,404.2</u>
Profit for the year	<u>1,696.6</u>	<u>1,798.4</u>	<u>3,404.2</u>

- (ii) Assets and liabilities comprised in the Financial Information attributable to the Sale Companies and their subsidiaries:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Non-current asset — interest in associate	<u>9,815.4</u>	<u>11,693.0</u>	<u>14,443.7</u>
Total asset	<u>9,815.4</u>	<u>11,693.0</u>	<u>14,443.7</u>
Current liability — other payable (<i>Note</i>)	<u>—</u>	<u>—</u>	<u>(56.5)</u>
Total liability	<u>—</u>	<u>—</u>	<u>(56.5)</u>
	<u>9,815.4</u>	<u>11,693.0</u>	<u>14,387.2</u>

Note: The balance as at 30 June 2007 represents consideration payable for acquisition of shares of HKCG which has been subsequently settled through the shareholder's loans due by the Sale Companies to the Company.

- (iii) Cash flows comprised in the Financial Information attributable to the Sale Companies and their subsidiaries:

	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash generated from operating activities	—	—	—
Net cash generated from investing activities <i>(Note)</i>	725.4	736.0	741.8
Net cash used in financing activities <i>(Note)</i>	<u>(725.4)</u>	<u>(736.0)</u>	<u>(741.8)</u>
Net increase in cash and cash equivalents	—	—	—
Cash and cash equivalents at 1 July	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents at 30 June	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

Note: Net cash generated from investing activities represented dividend income from HKCG which was distributed to the company when received.

(IV) SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 June 2007 and up to the date of this report.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
 Hong Kong

APPENDIX II ADDITIONAL FINANCIAL INFORMATION ON THE GROUP

INDEBTEDNESS

At the close of business on 31 August 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$628.0 million, comprising bank borrowings of approximately HK\$28.9 million, amounts due to minority shareholders of approximately HK\$401.2 million and amount due to a fellow subsidiary of HK\$197.9 million. The Group's bank borrowings of approximately HK\$28.9 million were secured by toll highway operating rights of the Group with net book value of HK\$177.5 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business as at 31 August 2007.

WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds but without taking into account the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Review of Results

The principal businesses of the Remaining Group are investment holding and infrastructure in the PRC. The Remaining Group's infrastructure business in the PRC comprises principally controlling interests in Hangzhou Qianjiang Third Bridge in Zhejiang Province and Maanshan City Ring Road in Anhui Province. Further details regarding the Hangzhou Qianjiang Third Bridge and the Maanshan City Ring Road are disclosed in the section headed "Remaining Group" in the letter from the Board as set out on pages 6 to 27 of this circular.

During the financial year ended 30 June 2007 and based on the unaudited pro forma consolidated profit and loss account as set out in Appendix III to this circular, the turnover of the Remaining Group from continuing operations amounted to approximately HK\$189 million which were derived from the toll fee income generated by the Remaining Group's infrastructure business in the PRC. The Remaining Group recorded profit attributable to the Shareholders from continuing operations (excluding the gain on disposal from the Transaction) of approximately HK\$222 million.

APPENDIX II ADDITIONAL FINANCIAL INFORMATION ON THE GROUP

Financial Resources, Liquidity and Capital Structure

Based on the unaudited pro forma consolidated balance sheet in Appendix III to this circular, upon Completion and assuming the Share Premium Reduction had become unconditional on 30 June 2007, the Remaining Group would have received cash consideration of approximately HK\$3,707 million from HLD, and the Remaining Group would also have made a cash distribution of approximately HK\$3,687 million to the Shareholders. Taking into account the Remaining Group's bank borrowings of approximately HK\$29 million as at 30 June 2007, the Remaining Group would be in a net cash position of approximately HK\$3,131 million as at 30 June 2007.

Alternatively, upon Completion and assuming the Share Premium Reduction had not become unconditional on 30 June 2007, the Remaining Group would have received cash consideration of approximately HK\$3,707 million from HLD but the Remaining Group would not have made any cash distribution to the Shareholders. Taking into account the Remaining Group's bank borrowings of approximately HK\$29 million as at 30 June 2007, the Remaining Group would be in a net cash position of approximately HK\$6,818 million as at 30 June 2007.

As at 30 June 2007, approximately HK\$23 million of the Remaining Group's bank borrowings were repayable within one year and the remaining balance of HK\$6 million was repayable after two years but within five years. Calculated on the basis of total net bank borrowings as a ratio of the total equity as at 30 June 2007, the Remaining Group's gearing ratio was nil as at 30 June 2007 as the Remaining Group had a net cash position.

Treasury and Financial Management

The Remaining Group's treasury and financial management activities are centrally managed at the corporate level. As at 30 June 2007, the Remaining Group's bank borrowings of HK\$29 million were denominated in Renminbi to finance its infrastructure business in the PRC, and such bank borrowings bear floating interest rates. During the financial year ended 30 June 2007, the Remaining Group did not enter into any derivative financial instruments for speculative or hedging purposes. The Remaining Group closely monitors its interest rate and foreign exchange exposures and will consider hedging these exposures should the need arise. Apart from the foregoing, the Remaining Group did not have any material exposures to interest rate or foreign exchange rates as at 30 June 2007.

Pledge on Assets

Assets of the Remaining Group had not been charged to any third parties as at 30 June 2007, except that certain project financing facilities which were extended by banks to a subsidiary of the Remaining Group engaged in infrastructural projects in the PRC were secured by the Remaining Group's toll highway operation rights in relation to the Maanshan City Ring Road in Anhui Province. The project financing facilities comprise three term loans with fixed repayment schedules, bear floating interest rates and will expire upon the full repayment of the outstanding balances.

Material acquisitions and disposals

The Remaining Group did not undertake any significant acquisition or disposal of subsidiaries or assets during the financial year ended 30 June 2007.

APPENDIX II ADDITIONAL FINANCIAL INFORMATION ON THE GROUP

Future Plans for Material Investments or Capital Assets

The Remaining Group's infrastructure assets, being the Hangzhou Qianjiang Third Bridge and the Maanshan City Ring Road, continue to benefit from the robust economic development and increased automobile ownership in the PRC. The Remaining Group intends to identify additional infrastructure investment projects in the PRC.

Capital commitment

As at 30 June 2007, the Remaining Group did not have any capital commitments.

Contingent Liabilities

As at 30 June 2007, the Remaining Group did not have any contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2007, the Remaining Group had approximately 330 full-time employees. Total staff costs for the Remaining Group attributable to the continuing operations during the financial year ended 30 June 2007 amounted to HK\$11.8 million. 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 educational subsidies.

**1. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING
GROUP**

The accompanying unaudited pro forma financial information on the Remaining Group has been prepared in accordance with rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purposes of illustrating the effects of the Transaction, the Completion Distribution and Further Distribution (collectively referred to as the “Disposal”) as if the completion of the Disposal had taken place on 30 June 2007 for the unaudited pro forma consolidated balance sheet and on 1 July 2006, for the unaudited pro forma consolidated profit and loss account and the unaudited pro forma consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated profit and loss account and unaudited pro forma consolidated cash flow statement of the Remaining Group are prepared based upon the Group’s audited consolidated balance sheet as at 30 June 2007, the audited consolidated profit and loss account and audited consolidated cash flow statement for the year ended 30 June 2007, respectively, which have been extracted from the accountant’s report of the Group set out in Appendix I to this circular, after making pro forma adjustments relating to the Disposal as described below.

The unaudited pro forma financial information on the Remaining Group has been prepared based on a number of assumptions, estimates and uncertainties and is for illustrative purposes only. In view of the foregoing and its hypothetical nature, it does not purport to describe the actual financial position, results and cash flows of the Remaining Group that would have been attained had the Disposal been completed on 30 June 2007 and 1 July 2006 respectively. It also does not purport to predict the future financial position, results and cash flows of the Remaining Group.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the historical financial information of the Group set out in the accountant’s report of the Group in Appendix I to this circular and other financial information included elsewhere in this circular.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE REMAINING GROUP**
**Unaudited pro forma consolidated balance sheet
(HK\$ million)**

	The Group's audited consolidated balance sheet at 30 June 2007	Pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Remaining Group before the Proposed Distributions	Pro forma adjustment <i>Note (d)</i>	Unaudited pro forma consolidated balance sheet of the Remaining Group after the Completion Distribution		Unaudited pro forma consolidated balance sheet of the Remaining Group after the Proposed Distributions
		<i>Note (a)</i>	<i>Note (b)</i>	<i>Note (c)</i>			Pro forma adjustment <i>Note (e)</i>		
Non-current assets									
Property, plant and equipment	596.6				596.6		596.6		596.6
Toll highway operation rights	178.9				178.9		178.9		178.9
Interests in associates	14,443.7	544.5	(14,988.2)	—	—		—		—
Other non-current assets	118.6				118.6		118.6		118.6
	<u>15,337.8</u>				<u>894.1</u>		<u>894.1</u>		<u>894.1</u>
Current assets									
Share Entitlement Note	—		39,152.9	39,152.9	(39,152.9)		—		—
Trade and other receivables	353.7			353.7			353.7		353.7
Amounts due from affiliates	68.0			68.0			68.0		68.0
Cash and cash equivalents	3,684.1	(544.5)	3,707.5	6,847.1			6,847.1	(3,687.3)	3,159.8
	4,105.8			46,421.7			7,268.8		3,581.5
Assets classified as held for sale	419.8			419.8			419.8		419.8
	<u>4,525.6</u>			<u>46,841.5</u>			<u>7,688.6</u>		<u>4,001.3</u>
Current liabilities									
Bank loans and overdrafts	22.7			22.7			22.7		22.7
Trade and other payables	186.0			186.0			186.0		186.0
Amounts due to affiliates	1,801.5			1,801.5			1,801.5		1,801.5
Current taxation	50.7			50.7			50.7		50.7
	2,060.9			2,060.9			2,060.9		2,060.9
Liabilities associated with assets classified as held for sale	255.4			255.4			255.4		255.4
	<u>2,316.3</u>			<u>2,316.3</u>			<u>2,316.3</u>		<u>2,316.3</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE REMAINING GROUP**

	The Group's audited consolidated balance sheet at 30 June 2007	Pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Remaining Group before the Proposed Distributions	Pro forma adjustment <i>Note (d)</i>	Unaudited pro forma consolidated balance sheet of the Remaining Group after the Completion Distribution		Unaudited pro forma consolidated balance sheet of the Remaining Group after the Proposed Distributions
		<i>Note (a)</i>	<i>Note (b)</i>	<i>Note (c)</i>			Pro forma adjustment <i>Note (e)</i>		
Net current assets	<u>2,209.3</u>				<u>44,525.2</u>		<u>5,372.3</u>		<u>1,685.0</u>
Total assets less current liabilities	<u>17,547.1</u>				<u>45,419.3</u>		<u>6,266.4</u>		<u>2,579.1</u>
Non-current liabilities									
Bank loans	6.2				6.2		6.2		6.2
Deferred tax liabilities	<u>14.2</u>				<u>14.2</u>		<u>14.2</u>		<u>14.2</u>
	<u>20.4</u>				<u>20.4</u>		<u>20.4</u>		<u>20.4</u>
NET ASSETS	<u><u>17,526.7</u></u>				<u><u>45,398.9</u></u>		<u><u>6,246.0</u></u>		<u><u>2,558.7</u></u>
Capital and reserves									
Share capital	609.5				609.5		609.5		609.5
Reserves	<u>16,352.1</u>	(14,988.2)	42,860.4		<u>44,224.3</u>	(39,152.9)	<u>5,071.4</u>	(3,687.3)	<u>1,384.1</u>
Total equity attributable to equity shareholders of the Company	16,961.6				44,833.8		5,680.9		1,993.6
Minority interests	<u>565.1</u>				<u>565.1</u>		<u>565.1</u>		<u>565.1</u>
TOTAL EQUITY	<u><u>17,526.7</u></u>				<u><u>45,398.9</u></u>		<u><u>6,246.0</u></u>		<u><u>2,558.7</u></u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE REMAINING GROUP**
**Unaudited pro forma consolidated profit and loss account
(HK\$ million)**

	The Group's audited consolidated profit and loss account for the year ended 30 June 2007	Pro forma adjustments		Unaudited pro forma consolidated profit and loss account of the Remaining Group
		<i>Note (f)</i>	<i>Note (g)</i>	
<i>Continuing operations:</i>				
Turnover	188.7			188.7
Direct costs	<u>(49.5)</u>			<u>(49.5)</u>
	139.2			139.2
Other income/other gains	224.0			224.0
Administrative expenses	(44.6)			(44.6)
Profit for the year of disposal group	<u>11.3</u>			<u>11.3</u>
Profit from operations	329.9			329.9
Finance costs	(4.1)			(4.1)
Share of profits less losses of associates	3,404.2	(3,404.2)		—
Gain on disposal of the Sale Companies	<u>—</u>		30,534.6	<u>30,534.6</u>
Profit before taxation	3,730.0			30,860.4
Income tax	<u>(36.0)</u>			<u>(36.0)</u>
Profit for the year from continuing operations	3,694.0			30,824.4
<i>Discontinued operations:</i>				
Profit for the year from discontinued operations	<u>1,775.2</u>			<u>1,775.2</u>
Profit for the year	<u>5,469.2</u>			<u>32,599.6</u>

APPENDIX III

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE REMAINING GROUP**

	The Group's audited consolidated profit and loss account for the year ended 30 June 2007	Pro forma adjustments		Unaudited pro forma consolidated profit and loss account of the Remaining Group
		<i>Note (f)</i>	<i>Note (g)</i>	
Attributable to:				
Equity shareholders of the Company				
- Continuing operations	3,626.3	(3,404.2)	30,534.6	30,756.7
- Discontinued operations	<u>1,764.8</u>			<u>1,764.8</u>
	<u>5,391.1</u>			<u>32,521.5</u>
Minority interests				
- Continuing operations	67.7			67.7
- Discontinued operations	<u>10.4</u>			<u>10.4</u>
	<u>78.1</u>			<u>78.1</u>
Profit for the year	<u>5,469.2</u>			<u>32,599.6</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE REMAINING GROUP**
**Unaudited pro forma consolidated cash flow statement
(HK\$ million)**

	The Group's audited consolidated cash flow statement for the year ended 30 June 2007	Pro forma adjustments			Unaudited pro forma consolidated cash flow statement of the Remaining Group before the Proposed Distributions	Pro forma adjustment Note (j)	Unaudited pro forma consolidated cash flow statement of the Remaining Group after the Proposed Distributions
		Note (h)	Note (a)	Note (i)			
Operating activities							
Profit before taxation							
From continuing operations	3,730.0	(3,404.2)		30,534.6	30,860.4		30,860.4
From discontinued operations	1,848.6				1,848.6		1,848.6
Adjustments for:							
Interest income	(221.3)				(221.3)		(221.3)
Dividends from investments	(2.6)				(2.6)		(2.6)
Amortisation of toll highway operation rights	10.1				10.1		10.1
Depreciation	34.1				34.1		34.1
Amortisation of prepaid lease payments	1.2				1.2		1.2
Impairment loss on available-for-sale securities	13.5				13.5		13.5
Loss on disposal/write off of property, plant and equipment	17.5				17.5		17.5
Loss on disposal of available-for-sale securities	2.0				2.0		2.0
Gain on disposal of subsidiaries and associates/Sale Companies	(930.0)		(30,534.6)		(31,464.6)		(31,464.6)
Increase in fair value of investment properties	(219.5)				(219.5)		(219.5)
Share of profits less losses of associates	(3,833.9)	3,404.2			(429.7)		(429.7)
Finance costs	4.1				4.1		4.1
Exchange difference	7.0				7.0		7.0
Operating profit before changes in working capital	460.8				460.8		460.8
Decrease in inventories	39.9				39.9		39.9
Increase in trade and other receivables	(152.9)				(152.9)		(152.9)
Increase in trade and other payables	3.2				3.2		3.2
Cash generated from operations	351.0				351.0		351.0
Tax paid							
- Hong Kong	(62.2)				(62.2)		(62.2)
- Outside Hong Kong	(4.5)				(4.5)		(4.5)
Interest paid	(4.1)				(4.1)		(4.1)
Net cash generated from operating activities	280.2				280.2		280.2

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE REMAINING GROUP**

	The Group's audited consolidated cash flow statement for the year ended 30 June 2007	Pro forma adjustments			Unaudited pro forma consolidated cash flow statement of the Remaining Group before the Proposed Distributions	Pro forma adjustment Note (j)	Unaudited pro forma consolidated cash flow statement of the Remaining Group after the Proposed Distributions
		Note (h)	Note (a)	Note (i)			
Investing activities							
Dividends received from associates and available-for-sale securities	907.8	(741.8)			166.0		166.0
Interest received	221.2				221.2		221.2
Payment for the purchase of:							
- investment properties	(92.7)				(92.7)		(92.7)
- property, plant and equipment	(52.2)				(52.2)		(52.2)
- available-for-sale securities	(72.5)				(72.5)		(72.5)
Payment for the acquisition of additional interests in associates	(32.7)	(544.5)			(577.2)		(577.2)
Proceeds from disposal of property, plant and equipment	0.4				0.4		0.4
Net proceeds from disposal of:							
- subsidiaries and associates/Sale Companies	12,106.8		3,707.5		15,814.3		15,814.3
- available-for-sale securities	69.8				69.8		69.8
Redemption of held-to-maturity debt securities	11.5				11.5		11.5
Release of the pledged bank deposits	20.2				20.2		20.2
Decrease in amounts due from investee companies	0.9				0.9		0.9
Increase in amounts due from associates	(6.4)				(6.4)		(6.4)
Decrease in amounts due from minority shareholders	37.3				37.3		37.3
Net cash generated from investing activities	<u>13,119.4</u>				<u>15,540.6</u>		<u>15,540.6</u>
Financing activities							
Dividends paid to shareholders	(16,079.5)				(16,079.5)	(3,687.3)	(19,766.8)
Dividends paid to minority shareholders	(104.5)				(104.5)		(104.5)
Advance from a fellow subsidiary	1,533.0				1,533.0		1,533.0
Advances from minority shareholders	139.4				139.4		139.4
Repayment to associates	(0.8)				(0.8)		(0.8)
Distribution to minority shareholders	(90.3)				(90.3)		(90.3)
Repayment of bank loans	(248.9)				(248.9)		(248.9)
Net cash used in financing activities	<u>(14,851.6)</u>				<u>(14,851.6)</u>		<u>(18,538.9)</u>
Net decrease in cash and cash equivalents	(1,452.0)	(741.8)	(544.5)	3,707.5	969.2	(3,687.3)	(2,718.1)
Cash and cash equivalents at 1 July	5,127.0				5,127.0		5,127.0
Effect of foreign exchange rate changes	11.1				11.1		11.1
Cash and cash equivalents at 30 June	<u>3,686.1</u>				<u>6,107.3</u>		<u>2,420.0</u>

Notes to the unaudited pro forma financial information

- (a) The adjustment relates to the acquisition of 31,159,000 HKCG Shares subsequent to 30 June 2007 and up to the Latest Practicable Date with an aggregate cost of HK\$544.5 million, assuming that this acquisition had taken place on 30 June 2007.
- (b) The adjustment relates to the exclusion of the assets and liabilities attributable to the Sale Companies as at 30 June 2007 after taking into account the acquisition stated in note (a) above, assuming that the completion of the Disposal had taken place on 30 June 2007.
- (c) The adjustment relates to the consideration received from the Disposal, assuming that the completion of the Disposal had taken place on 30 June 2007. The consideration comprises:
- (i) the Share Entitlement Note which shall confer on the holder the right to call for the issue by HLD of 636,891,425 HLD Shares credited as fully paid. Based on the HLD Average Closing Price of HK\$61.475, the value of such 636,891,425 HLD Shares is approximately HK\$39,152.9 million; and
 - (ii) HK\$3,707.5 million in cash.
- (d) The adjustment relates to the Completion Distribution, being for each HIL Share a distribution of the entitlement to 0.209 HLD Share under the Share Entitlement Note, assuming that the completion of the Disposal had taken place on 30 June 2007. Based on the 3,047,327,395 HIL Shares in issue as at the Latest Practicable Date and the HLD Average Closing Price of HK\$61.475, the Completion Distribution amounted to HK\$39,152.9 million.
- (e) The adjustment relates to the Further Distribution, being a distribution of HK\$1.21 in cash per HIL Share (or approximately HK\$3,687.3 million in total based on the 3,047,327,395 HIL Shares in issue as at the Latest Practicable Date), assuming that the completion of the Disposal had taken place and the Share Premium Reduction had become unconditional on 30 June 2007.
- (f) The adjustment relates to the exclusion of the share of profits of HKCG for the year ended 30 June 2007, assuming that the completion of the Disposal had taken place on 1 July 2006.
- (g) The adjustment reflects the estimated gain of approximately HK\$30,534.6 million resulting from the Disposal after taking into account the acquisition stated in note (a) above, assuming that the completion of the Disposal had taken place on 1 July 2006.
- (h) The adjustment relates to the exclusion of the cash flow items of the Sale Companies for the year ended 30 June 2007, assuming that the completion of the Disposal had taken place on 1 July 2006.
- (i) The adjustment reflects the cash inflow amounting to approximately HK\$3,707.5 million (being the cash consideration) and the estimated gain of HK\$30,534.6 million resulting from the Disposal after taking into account the acquisition stated in note (a) above, assuming that the completion of the Disposal had taken place on 1 July 2006.
- (j) The adjustment reflects the cash outflow resulting from the Further Distribution (see note (e) above), assuming that the completion of the Disposal had taken place and the Share Premium Reduction had become unconditional on 1 July 2006. The Completion Distribution (see note (d) above) would have no effect on the cash flows of the Remaining Group.
- (k) The final amount of the consideration, the share of net assets of HKCG and the gain on the disposal will be different from those amounts as presented above. The final amount of the consideration will be determined based on HLD's share price on the date of Completion. Accordingly, the gain on disposal will be subject to changes as HLD's share price will move and there will be change in the share of net assets of HKCG for the period from 1 July 2007 to the date of Completion.
- (l) Except for the transaction as stated in note (a) above and the Disposal, no adjustment has been made to reflect any trading result or other transactions of the Group or the Sale Companies entered into subsequent to 30 June 2007.

2. LETTER FROM THE REPORTING ACCOUNTANT OF THE COMPANY

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

**REPORT FROM REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION TO THE DIRECTORS OF HENDERSON INVESTMENT LIMITED**

We report on the unaudited pro forma financial information set out on pages III-1 to III-8 under the heading of “Unaudited Pro Forma Financial Information on the Remaining Group” (the “Unaudited Pro Forma Financial Information”) in Appendix III of the circular dated 20 October 2007 (the “Circular”) of Henderson Investment Limited (the “Company”), in connection with the proposed disposal of 39.06% interest in The Hong Kong and China Gas Company Limited through the disposal of the entire issued share capital and shareholder’s loans of Macrostar Investment Limited and Timpani Investments Limited by the Company and the proposed distributions (the “Disposal”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Disposal might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-8 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated balance sheet as at 30 June 2007, consolidated profit and loss account and consolidated cash flow statement of the Group for the year ended 30 June 2007 with the accountant’s report as set out in Appendix I to the Circular, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2007 or any future date, or
- the results or cash flows of the Group for the year ended 30 June 2007 or any future periods.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 October 2007

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive 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 SFO) (other than the interests which Dr. Lee Chau Kee, Mr. Lee Ka Kit, Mr. Lee Ka Shing and Mr. Li Ning were taken or deemed under Part XV of the SFO to have in unlisted associated corporations of the Company which were solely derived from their deemed interests in Henderson Development Limited, HLD and/or the Company, in respect of which an application for waiver from strict compliance with the disclosure requirements under Rule 14.64(3) of the Listing Rules and paragraph 38 of Appendix 16 to the Listing Rules has been made to the Stock Exchange on the basis that the disclosure of which would result in particulars being given which are not material in the context of the Group and are excess in length) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company and the Stock Exchange; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

Ordinary Shares (unless otherwise specified)

Long positions

Name of Company	Relationship with the Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
The Company		Lee Chau 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

APPENDIX IV
GENERAL INFORMATION

Name of Company	Relationship with the Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
HLD	Holding company	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	110,000				110,000	0.01
		Lee King Yue	6	42,900			19,800	62,700	0.00
		Woo Ka Biu, Jackson	7			2,000			2,000
HKCG	Listed associated company	Lee Shau Kee	8	3,548,791		2,459,824,950		2,463,373,741	40.65
		Lee Ka Kit	8				2,459,824,950	2,459,824,950	40.59
		Lee Ka Shing	8				2,459,824,950	2,459,824,950	40.59
		Li Ning	8		2,459,824,950			2,459,824,950	40.59
Towngas China Company Limited (formerly known as Panva Gas Holdings Limited)	Listed associated company	Lee Shau Kee	9			885,947,901		885,947,901	45.48
		Lee Ka Kit	9				885,947,901	885,947,901	45.48
		Lee Ka Shing	9				885,947,901	885,947,901	45.48
		Li Ning	9		885,947,901			885,947,901	45.48
Henderson Development Limited	Holding company	Lee Shau Kee	10			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
		Lee Shau Kee	11			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
		Lee Shau Kee	12	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	10				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
		Lee Ka Kit	11				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
		Lee Ka Kit	12				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
		Lee Ka Shing	10				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
		Lee Ka Shing	11				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
		Lee Ka Shing	12				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00

APPENDIX IV
GENERAL INFORMATION

Name of Company	Relationship with the Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
		Li Ning	10		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
		Li Ning	11		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
		Li Ning	12		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00
Drinkwater Investment Limited	Subsidiary of holding company	Leung Hay Man	13			5,000		5,000	4.49
		Woo Po Shing	14			3,250		3,250	2.92
Henfield Properties Limited	Subsidiary of holding Company	Lee Ka Kit	15			4,000	6,000	10,000	100.00
Heyield Estate Limited	Subsidiary of holding company	Lee Shau Kee	16			100		100	100.00
		Lee Ka Kit	16				100	100	100.00
		Lee Ka Shing	16				100	100	100.00
		Li Ning	16		100			100	100.00
Pettystar Investment Limited	Subsidiary of holding company	Lee Shau Kee	17			3,240		3,240	80.00
		Lee Ka Kit	17				3,240	3,240	80.00
		Lee Ka Shing	17				3,240	3,240	80.00
		Li Ning	17		3,240			3,240	80.00

(b) Directors' interests in assets of the Group

As at the Latest Practicable Date, save for the interests of the Directors in the Transaction through their interests in the HLD Shares as disclosed in (a) above and the acquisition by the Group of the remaining interest of 35.9% in CIG at an aggregate consideration of HK\$145.02 million pursuant to an agreement dated 29 August 2007 under which Pearl Assets Limited, a company controlled by Mr. Jackson Woo Ka Bui, alternate Director to Sir Po-shing Woo, being one of the seven vendors, received a consideration of approximately HK\$21.52 million for the sale of its interest of 5.3% in CIG, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 30 June 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) Directors' interests in contracts of the Group

Save for the interests of the Directors in the Agreement through their interests in the HLD Shares as disclosed in (a) above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group as a whole.

(d) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (not being Directors or chief executive of the Company), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

	No. of shares in which interested	% Interest
Substantial Shareholders:		
<i>Long Positions</i>		
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

Persons other than Substantial Shareholders:*Long Positions*

Gainwise Investment Limited (Note 1)	217,250,000	7.13
Elliott Capital Advisors L.P. (Note 18)	284,644,122	9.34
Deutsche Bank Aktiengesellschaft (Note 19)	195,997,840	6.43

Short Position

Deutsche Bank Aktiengesellschaft (Note 20)	67,571,882	2.22
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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 HLD which in turn was 57.80% held by Henderson Development Limited ("HD"); and (ii) 5,615,148 shares were owned by Fu Sang. Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD and Fu Sang. Rimmer and 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 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.

2. *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 HKCG which was 39.06% held by the Company. The Company was 67.94% held by HLD 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 HKCG, HD and Fu Sang as set out in Notes 1 and 8 and HLD 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. *These shares were owned by the wife of Mr. Woo Ka Biu, Jackson.*
8. *Of these shares, Dr. Lee Shau Kee was the beneficial owner of 3,548,791 shares, and for the remaining 2,459,824,950 shares, (i) 1,274,927,055 shares and 532,647,502 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 the Company; (ii) 559,359,540 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of the Company; (iii) 4,363,119 shares were owned by Boldwin Enterprises Limited, a wholly-owned subsidiary of Yamina Investment Limited which was 100% held by HD; and (iv) 88,527,734 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in the Company, HD and Fu Sang as set out in Note 1 and HKCG 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.*
9. *Of these shares, 850,202,901 shares and 35,745,000 shares were respectively owned by Hong Kong & China Gas (China) Limited and Planwise Properties Limited, wholly-owned subsidiaries of HKCG. Dr. Lee Shau Kee was taken to be interested in HKCG as set out in Note 8 and Towngas China 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.*
10. *These shares were held by Hopkins as trustee of the Unit Trust.*

11. *These shares were held by Hopkins as trustee of the Unit Trust.*
12. *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.*
13. *These shares were held by Gilbert Investment Inc. which was wholly-owned by Mr. Leung Hay Man.*
14. *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.*
15. *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 Andco Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of HLD.*
16. *Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HLD; (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.*
17. *Of these shares, (i) 3,038 shares were owned by HLD; 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.*
18. *Of these shares, Elliott Capital Advisors L.P. was the beneficial owner of 283,662,122 shares, and interests in the remaining 982,000 shares were derived from cash settled derivatives.*
19. *Of these shares, Deutsche Bank Aktiengesellschaft was the beneficial owner of 66,557,777 shares and interests in the remaining 129,440,063 shares were derived from security interests in debentures. Among these shares, interests in 413,000 shares were derived from cash settled derivatives.*
20. *Of these shares, Deutsche Bank Aktiengesellschaft was the beneficial owner of 66,693,441 shares and interests in the remaining 878,441 shares were derived from security interests in debentures. Among these shares, interests in 66,144,000 shares were derived from cash settled derivatives.*

21. The table below shows the positions held by Directors in Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, HLD, Kingslee S.A., Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited as at the Latest Practicable Date:

Rimmer (Cayman) Limited

<u>Name of Director</u>	<u>Position held in Rimmer (Cayman) Limited</u>
Lee Shau Kee	Director
Lee Tat Man	Director
Colin Lam Ko Yin	Director

Riddick (Cayman) Limited

<u>Name of Director</u>	<u>Position held in Riddick (Cayman) Limited</u>
Lee Shau Kee	Director
Lee Tat Man	Director
Colin Lam Ko Yin	Director

Hopkins (Cayman) Limited

<u>Name of Director</u>	<u>Position held in Hopkins (Cayman) Limited</u>
Lee Shau Kee	Director
Lee Tat Man	Director
Colin Lam Ko Yin	Director

Henderson Development Limited

<u>Name of Director</u>	<u>Position held in Henderson Development Limited</u>
Lee Shau Kee	Director
Lee Tat Man	Director
Woo Po Shing	Director
Lee Ka Kit	Director
Lee Ka Shing	Director
Colin Lam Ko Yin	Director and Alternate Director to Lee Tat Man

HLD

<u>Name of Director</u>	<u>Position held in HLD</u>
Lee Shau Kee	Chairman and Managing Director
Lee Ka Kit	Vice Chairman
Colin Lam Ko Yin	Vice Chairman
Lee Ka Shing	Vice Chairman
Lee Tat Man	Non-Executive Director
Suen Kwok Lam	Executive Director
Lee King Yue	Executive Director
Eddie Lau Yum Chuen	Executive Director
Li Ning	Executive Director
Kwok Ping Ho	Executive Director
Woo Po Shing	Non-Executive Director
Leung Hay Man	Non-Executive Director
Gordon Kwong Che Keung	Independent Non-Executive Director
Ko Ping Keung	Independent Non-Executive Director
Wu King Cheong	Independent Non-Executive Director
Jackson Woo Ka Biu	Alternate Director to Woo Po Shing

Kingslee S.A.

<u>Name of Director</u>	<u>Position held in Kingslee S.A.</u>
Lee Shau Kee	Director
Lee Tat Man	Director
Lee King Yue	Director

Banshing Investment Limited

<u>Name of Director</u>	<u>Position held in Banshing Investment Limited</u>
Lee Shau Kee	Director
Lee King Yue	Director
Colin Lam Ko Yin	Director
Lee Ka Shing	Director

Markshing Investment Limited

<u>Name of Director</u>	<u>Position held in Markshing Investment Limited</u>
Lee Shau Kee	Director
Lee King Yue	Director
Colin Lam Ko Yin	Director
Lee Ka Shing	Director

Covite Investment Limited

<u>Name of Director</u>	<u>Position held in Covite Investment Limited</u>
Lee Shau Kee	Director
Lee King Yue	Director
Colin Lam Ko Yin	Director
Lee Ka Shing	Director

Gainwise Investment Limited

<u>Name of Director</u>	<u>Position held in Gainwise Investment Limited</u>
Lee Shau Kee	Director
Lee King Yue	Director
Colin Lam Ko Yin	Director
Lee Ka Shing	Director

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into, any service contract with any member of the Group which did not expire or was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation or arbitration or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

6. CONSENTS

CIMB-GK and PricewaterhouseCoopers have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective opinions, letters or reports, and the references to their names, opinions, letters or reports in form and context in which they respectively appear.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Company since 30 June 2007, being the date to which the latest published audited accounts of the Company were made up.

8. QUALIFICATION OF EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
CIMB-GK	a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, none of CIMB-GK and PricewaterhouseCoopers had any holding, directly or indirectly, of any securities in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group.

As at the Latest Practicable Date, none of CIMB-GK and PricewaterhouseCoopers had any direct or indirect interests in any assets which since 30 June 2007 (being the date of which the latest published audited consolidated financial statements of the Group were made up) had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Group within the two years immediately preceding the date of this circular and are or may be material:

- (i) the Agreement;
- (ii) the agreement dated 27 March 2007 entered into between HLD and the Company pursuant to which the Group (i) disposed of its entire interests in all subsidiaries of the Company (other than certain companies in which the Company was interested (a) which directly or indirectly held HKCG Shares or (b) which were engaged directly or indirectly in the infrastructure business or (c) which were relatively immaterial to the Group) and two companies in which the Company had less than majority equity interest to the HLD Group; and (ii) assigned the loans due to the Company by such companies, for a cash consideration of approximately HK\$12,073 million; and
- (iii) the placing, underwriting and subscription agreement dated 18 April 2006 between Banshing Investment Limited (an indirect wholly-owned subsidiary of HLD) as vendor (“Vendor”), the Company and Credit Suisse (Hong Kong) Limited as the placing agent (“Placing Agent”), pursuant to which, among other things, (i) the Placing Agent had agreed to purchase or procure purchasers to acquire and the Vendor had agreed to sell 230,000,000 Shares at the placing price (“Placing Price”) of HK\$13.55 per Share (“Placing”) and (ii) the Vendor had conditionally agreed to subscribe 230,000,000 new Shares (“Subscription”) at the Placing Price adjusted for this purpose by the expenses incurred in relation to the Placing and the Subscription.

10. GENERAL

- (a) The registered office of the Company is situated at 72nd-76th Floors, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (b) The share registrar of the Company is Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Timon Liu Cheung Yuen, *B.Ec., F.C.P.A., C.A.(Aust.), F.C.S., F.C.I.S.*
- (d) The qualified accountant of the Company is Mr. Hui Lee Wo, *M.B.A., F.C.C.A., F.C.P.A.*
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except for public holidays) at the office of Woo, Kwan, Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours, up to and including 12 November 2007:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for each of the two financial years ended 30 June 2007;
- (c) the accountant's report of the Group, the text of which is set out in Appendix I to this circular, and the related statement of adjustments;
- (d) the unaudited pro forma financial information on the Remaining Group and the report from PricewaterhouseCoopers, the text of which is set out in Appendix III to this circular;
- (e) the letter from CIMB-GK to the Independent Shareholders, the text of which is set out on pages 28 to 52 of this circular;
- (f) the consent letters of CIMB-GK and PricewaterhouseCoopers referred to in the section headed "Consents" in this appendix; and
- (g) the material contracts as referred to in the section headed "Material contracts" in this appendix.

NOTICE OF EGM



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

(Incorporated in Hong Kong with limited liability)

(Stock Code:97)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Henderson Investment Limited (the “Company”) will be held at Cuisine Cuisine, 3101, Podium Level 3, ifc mall, Central, Hong Kong on Monday, 12 November 2007 at 4:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions of the Company, of which Resolution No.1 is intended to be proposed as an ordinary resolution and Resolution No.2 is intended to be proposed as a special resolution:

ORDINARY RESOLUTION

1. “THAT:

- (A) (i) the conditional agreement dated 2 October 2007 entered into between the Company and Henderson Land Development Company Limited (the “Agreement”, a copy of which has been produced to this meeting and marked “A” and signed by the chairman of the meeting (the “Chairman”) for the purpose of identification) in relation to the Transaction (as defined and described in the circular dated 20 October 2007 despatched to the shareholders of the Company of which the notice convening this meeting forms part, a copy of which has been produced to this meeting and marked “B” and signed by the Chairman for the purpose of identification, the “Circular”) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and
- (ii) the taking of all steps and doing of all things and execution of all documents by the Company and its subsidiaries to implement, give effect to or complete the Agreement and the transactions contemplated thereby, and the making and giving of and agreeing to such variations, amendments, modifications, waivers or extensions of the terms of the Agreement and the transactions contemplated thereby, as the directors of the Company may consider to be necessary, desirable, appropriate or expedient, be and are hereby approved, confirmed and ratified; and
- (B) subject to completion of the Agreement:
- (i) upon the recommendation of the board of directors of the Company a dividend of a total amount which is equal to the sum of (A) the closing price of the share of HK\$2.00 each in the share capital of Henderson Land Development Company Limited (“HLD Share”) as stated in The Stock Exchange of Hong Kong Limited’s daily quotation sheets as at the date of completion of the Agreement multiplied by 636,891,425 and (B) the aggregate Dividend Amount (as defined below) (if any) be declared and the directors of the Company be and they are hereby authorised and directed to cause that dividend to be satisfied not by payment of cash but by a

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distribution in specie of the Entitlement (as defined below) per share to the holders of shares of HK\$0.20 each in the issued share capital of the Company whose names appear on the register of members of the Company on a date to be fixed and determined by the directors of the Company on the terms and conditions (including but not limited to the treatment of fractional entitlements and payment of cash in lieu in the relevant circumstances) described in the Circular. The Entitlement means the entitlement to 0.209 HLD Share to be allotted under the Share Entitlement Note (as defined in the Circular), together with all rights under the Share Entitlement Note attributable to such entitlement (including but not limited to any right to receive payment of any amount which is equal to any dividend payable by Henderson Land Development Company Limited (“HLD”) based on any record date which is on or after the date of the Agreement for which such shares of HLD to be so allotted do not rank due to their being issued (or the relevant entries to HLD’s register of members being made) after such record date (“Dividend Amount”)); and

- (ii) conditional upon the confirmation of the reduction of the share premium account of the Company referred to in Special Resolution No. 2 set out in the notice convening this meeting at which this Resolution is proposed by the Court of First Instance of the High Court of Hong Kong (the “Court”), the satisfaction of all conditions imposed by the Court and the registration by the Registrar of Companies in Hong Kong of a copy of the Court order confirming such reduction of the share premium account together with such other documents as may be required under section 61 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), a distribution of an amount of HK\$1.21 in cash per share to the holders of shares of HK\$0.20 each in the issued share capital of the Company whose names appear on the register of members of the Company on a date to be fixed and determined by the directors of the Company be and is hereby approved.”

SPECIAL RESOLUTION

2. “THAT:

- (A) conditional upon the confirmation of the reduction of the share premium account of the Company referred to below by the Court of First Instance of the High Court of Hong Kong (the “Court”), the satisfaction of all conditions imposed by the Court and the registration by the Registrar of Companies in Hong Kong of a copy of the Court order confirming such reduction of the share premium account together with such other documents as may be required under section 61 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), the amount standing to the credit of the share premium account of the Company be reduced by the sum of HK\$4,215,728,461.60 and the directors of the Company be and are hereby authorised to credit the same amount arising from such reduction to the distributable reserve of the Company in such manner as the directors of the Company consider appropriate; and

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(B) the directors of the Company be and are hereby authorised generally to do all acts and things, and to approve, sign and execute all documents, which in their opinion may be necessary, desirable, appropriate or expedient to implement or to give effect to the matters referred to in paragraph (A) above including, without limitation, to seek confirmation from, and authorise counsel on behalf of the Company to provide any undertaking as is necessary to, the Court.”

By order of the Board
Timon Liu Cheung Yuen
Company Secretary

Hong Kong, 20 October 2007

Registered Office:
72nd-76th Floors
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more person(s) as his proxy(ies) to attend and to vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- (3) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.

As at the date of this notice, the board of directors of the Company 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, Augustine Wong Ho Ming and Sit Pak Wing; (2) non-executive directors: Woo Po Shing, Philip Yuen Pak Yiu, Leung Hay Man, 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.